

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (Date of earliest event reported): **October 3, 2003**

Delta Apparel, Inc.

(Exact name of registrant as specified in its charter)

Georgia

(State or Other Jurisdiction of Incorporation)

1-15583

(Commission File Number)

58-2508794

(IRS Employer Identification No.)

2750 Premiere Parkway, Suite 100, Duluth, Georgia

(Address of principal executive offices)

30097

(Zip Code)

(678) 775-6900

(Registrant's Telephone Number Including Area Code)

Not Applicable

(Former name or former address, if changed since last report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

(a) On October 3, 2003, Delta Apparel, Inc. ("Delta") completed the acquisition of all of the outstanding capital stock of M. J. Soffe Co., a North Carolina corporation (the "Acquisition"). The Acquisition was consummated by means of a stock purchase transaction pursuant to which MJS Acquisition Company, a North Carolina corporation and newly-formed, wholly-owned subsidiary of Delta ("MJS"), acquired all of the outstanding capital stock of M. J. Soffe Co. from the shareholders of M. J. Soffe Co., James F. Soffe, John D. Soffe, and Anthony M. Cimaglia (collectively, the "Individuals"), pursuant to an Amended and Restated Stock Purchase Agreement (the "Stock Purchase Agreement") dated as of October 3, 2003 by and among Delta, MJS, M. J. Soffe Co., and the Individuals. Immediately following the Acquisition, M. J. Soffe Co. was merged with and into MJS (the "Merger"), with MJS as the surviving corporation in the Merger, and MJS's name was changed to M. J. Soffe Co.

M. J. Soffe Co. manufactures, markets, and sells casual and athletic apparel. It has a textile and sewing facility in Fayetteville, North Carolina, as well as two additional sewing plants, one each in Bladenboro and Rowland, North Carolina. In addition, M. J. Soffe Co. contracts approximately 30% of its sewing requirement from two 50% owned facilities in Costa Rica. M. J. Soffe Co. leases its primary distribution center in Fayetteville, North Carolina and also leases space for satellite distribution facilities in other parts of the United States.

The aggregate consideration paid to the Individuals for all of the outstanding capital stock of M. J. Soffe Co. consisted of (i) aggregate cash payments of approximately \$43.5 million; and (ii) the issuance of a promissory note to the Individuals in the aggregate principal amount of \$8 million (the "Shareholder Note"). Also, additional amounts are payable to the Individuals in cash during each of fiscal years 2005, 2006, and 2007 if specified financial performance targets are met by M. J. Soffe Co. during annual periods beginning on September 28, 2003 and ending on September 30, 2006 (the "Earnout Amounts"). The Earnout Amounts are capped at a maximum aggregate amount of \$12 million. In addition, pursuant to the Stock Purchase Agreement, MJS paid approximately \$8.5 million to satisfy all outstanding bank debt of M. J. Soffe Co. The purchase price for the outstanding capital stock of M. J. Soffe Co. was determined by negotiations between Delta and the Individuals.

The Shareholder Note bears interest at the rate of 8% per annum and is payable in equal quarterly installments of principal, plus accrued interest, over five years. The Shareholder Note and the Earnout Amounts are secured by a second priority lien on all of the assets and capital stock of M. J. Soffe Co. Payments under the Shareholder Note and payments of the Earnout Amounts are subordinated to the Delta Facility and the MJS Facility described below.

On October 3, 2003, Delta entered into an Amended and Restated Loan and Security Agreement with Congress Financial Corporation (Southern), as lender and as agent for the financial institutions named as lenders, pursuant to which Delta's existing line of credit (the "Delta Facility") was increased to \$40 million, which represents a \$15 million increase in the \$25 million line of credit available to Delta under the Loan and Security Agreement dated as of May 15, 2000 between Delta and Congress Financial Corporation (Southern), as amended by Amendment No. 1 dated as of October 17, 2001 and Amendment No. 2 dated August 23, 2002. Also on October 3, 2003, MJS entered into a Loan and Security Agreement with Congress Financial Corporation (Southern), as lender and as agent for the financial institutions named as lenders, which provides M. J. Soffe Co. with a \$38.5 million line of credit (the "MJS Facility"). Together, the Delta Facility and the MJS Facility provide for lines of credit in an aggregate amount of \$78.5 million. The Delta Facility and the MJS Facility are secured by a first priority lien on all of the assets of Delta and M. J. Soffe Co. Delta is a guarantor of the MJS Facility, and M. J. Soffe Co. is a guarantor for the Delta Facility.

Approximately \$21 million of the cash portion of the purchase price paid for the outstanding capital stock of M. J. Soffe Co. was paid by MJS from cash borrowed by Delta under the Delta Facility and contributed to MJS by Delta as a capital contribution. The remainder of the cash portion of the purchase price

and the payment to satisfy all existing bank debt of M. J. Soffe Co. were paid by MJS from borrowings under the MJS Facility. In addition, \$8 million of the purchase price was paid by MJS through issuance of the Shareholder Note to the Individuals.

Prior to consummation of the Acquisition, there were no material relationships between any of the Individuals and Delta or any of its affiliates, any director or officer of Delta, or any associate of any director or officer of Delta. In connection with the Acquisition, M. J. Soffe Co. entered into an employment agreement with each of the Individuals, each of which has a three-year term. Also, immediately following consummation of the Acquisition, MJS and Middle Road Properties, LLC, a North Carolina limited liability company of which the Individuals are the sole members ("Middle Road Properties"), consummated an exchange of real property pursuant to an Exchange Agreement dated as of October 3, 2003 between MJS and Middle Road Properties. In addition, in connection with the Acquisition, M. J. Soffe Co. entered into an Industrial Lease Agreement dated as of October 3, 2003 with Middle Road Properties, which provides for the lease by M. J. Soffe Co. from Middle Road Properties of a distribution center located in Fayetteville, North Carolina for a five-year term.

(b) Prior to consummation of the Acquisition, the plant, equipment, and other physical property of M. J. Soffe Co. were used in the business of manufacturing, marketing, and selling casual and athletic apparel. Delta intends to cause M. J. Soffe Co. to continue to use its plant, equipment, and other physical property in the business of manufacturing, marketing, and selling casual and athletic apparel.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial statements of business acquired.

Independent Auditors' Report

To the Board of Directors and Stockholders
of M. J. Soffe Company, Inc.

We have audited the accompanying balance sheets of M. J. Soffe Company, Inc. as of December 31, 2002 and 2001, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 financial statements referred to above present fairly, in all material respects, the financial position of M. J. Soffe Company, Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 in conformity with generally accepted accounting principles.

As discussed in Note 13, the Company has restated its financial statements as of December 31, 2002 and 2001, and for the years ended December 31, 2002, 2001 and 2000.

Haigh, Byrd & Lambert, LLP

February 4, 2003, except for the restatements as described in Note 13 as to which the date is October 15, 2003

M. J. Soffe Company, Inc.
Restated Balance Sheets
(Amounts in thousands, except share amounts)

| Assets | December 31, 2002 | December 31, 2001 |
|---|------------------------------|------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 57 | \$ 61 |
| Accounts receivable, less allowances of \$465 in 2002 and \$500 in 2001 | 9,040 | 8,682 |
| Other receivables | 99 | 120 |
| Inventories | 54,926 | 47,411 |
| Deferred income taxes | 174 | 189 |
| Income taxes receivable | -- | 1,464 |
| Total current assets | <u>64,296</u> | <u>57,927</u> |
| Property, plant and equipment, net | 23,842 | 25,347 |
| Other assets | 3,691 | 4,009 |
| | <u>\$91,829</u> | <u>\$87,283</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,908 | \$ 3,565 |

| | | |
|-----------------------------------|--------|--------|
| Accrued expenses | 2,438 | 1,787 |
| Line of credit | 1,608 | 4,762 |
| Current portion of long-term debt | 3,534 | 1,460 |
| Income taxes payable | 171 | -- |
| | <hr/> | <hr/> |
| Total current liabilities | 9,659 | 11,574 |
| Long-term debt | 6,654 | 8,788 |
| Deferred income taxes | 337 | 178 |
| Other liabilities | 2,792 | 3,081 |
| | <hr/> | <hr/> |
| Total liabilities | 19,442 | 23,621 |

Commitments and contingencies

Stockholders' equity:

| | | |
|---|----------|----------|
| Common stock--par value \$100 a share, 1,000 shares authorized, 600 shares issued and outstanding as of December 31, 2002 and December 31, 2001 | 60 | 60 |
| Retained earnings | 72,327 | 63,602 |
| | <hr/> | <hr/> |
| Total stockholders' equity | 72,387 | 63,662 |
| | <hr/> | <hr/> |
| | \$91,829 | \$87,283 |
| | <hr/> | <hr/> |

See accompanying notes to financial statements.

M. J. Soffe Company, Inc.
Restated Statements of Income
(Amounts in thousands)

| | <u>Year Ended</u> | | |
|--|------------------------------------|------------------------------------|------------------------------------|
| | <u>December 31,</u> <u>2002</u> | <u>December 31,</u> <u>2001</u> | <u>December 31,</u> <u>2000</u> |
| Net sales | \$ 95,661 | \$ 101,183 | \$ 91,870 |
| Cost of goods sold | 58,525 | 73,430 | 62,508 |
| | <hr/> | <hr/> | <hr/> |
| Gross profit | 37,136 | 27,753 | 29,362 |
| Selling, general and administrative expenses | 23,136 | 22,881 | 20,905 |
| Provision for bad debts | 62 | 792 | 1,107 |
| Other (income) expense | (517) | (364) | (468) |
| | <hr/> | <hr/> | <hr/> |
| Operating income | 14,455 | 4,444 | 7,818 |
| | <hr/> | <hr/> | <hr/> |
| Interest expense, net | 410 | 727 | 942 |
| | <hr/> | <hr/> | <hr/> |
| Income before income taxes | 14,045 | 3,717 | 6,876 |
| Income tax expense | 5,320 | 1,507 | 2,609 |
| | <hr/> | <hr/> | <hr/> |
| Net income | \$ 8,725 | \$ 2,210 | \$ 4,267 |
| | <hr/> | <hr/> | <hr/> |

See accompanying notes to financial statements

M. J. Soffe Company, Inc.
Restated Statements of Stockholders' Equity
(Amounts in thousands, except share amounts)

| | <u>Common Stock</u> | | <u>Retained</u> | <u>Total</u> |
|---|---------------------|---------------|-----------------|--------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Earnings</u> | |
| Balance at January 1, 2000, as restated | 600 | \$ 60 | \$ 57,125 | \$ 57,185 |
| Net income | -- | -- | 4,267 | 4,267 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at December 31, 2000 | 600 | 60 | 61,392 | 61,452 |
| Net income | -- | -- | 2,210 | 2,210 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | | | | |
|------------------------------|-------|-------|-----------|-----------|
| Balance at December 31, 2001 | 600 | 60 | 63,602 | 63,662 |
| Net income | -- | -- | 8,725 | 8,725 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at December 31, 2002 | 600 | \$ 60 | \$ 72,327 | \$ 72,387 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

See accompanying notes to financial statements

M. J. Soffe Company, Inc.
Restated Statements of Cash Flows
(Amounts in thousands)

| | <u>Year Ended</u> | | |
|---|------------------------------------|------------------------------------|------------------------------------|
| | <u>December 31,</u> <u>2002</u> | <u>December 31,</u> <u>2001</u> | <u>December 31,</u> <u>2000</u> |
| Operating activities: | | | |
| Net income | \$ 8,725 | \$ 2,210 | \$ 4,267 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | | |
| Depreciation | 3,050 | 3,440 | 3,490 |
| Provision for (benefit from) deferred income taxes | 174 | 55 | (230) |
| Provision for (reduction in) allowances on accounts receivable | (35) | 80 | 80 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (301) | 490 | 1,465 |
| Inventories | (7,515) | (7,357) | (4,093) |
| Other noncurrent assets | (131) | (207) | (254) |
| Accounts payable | (1,657) | (510) | 846 |
| Accrued expenses | 651 | (426) | 462 |
| Income taxes | 1,635 | (1,065) | (887) |
| Other liabilities | (290) | 63 | 145 |
| | <hr/> | <hr/> | <hr/> |
| Net cash provided by (used in) operating activities | 4,306 | (3,227) | 5,291 |
| | <hr/> | <hr/> | <hr/> |
| Investing activities: | | | |
| Purchases of property, plant and equipment | (1,546) | (2,742) | (3,609) |
| Decrease (increase) in deposits | 450 | (215) | (210) |
| | <hr/> | <hr/> | <hr/> |
| Net cash used in investing activities | (1,096) | (2,957) | (3,819) |
| | <hr/> | <hr/> | <hr/> |
| Financing activities: | | | |
| Proceeds from (repayment of) line of credit, net | (3,155) | 4,762 | -- |
| Repayment of long-term debt, net | (59) | (1,115) | (142) |
| | <hr/> | <hr/> | <hr/> |
| Net cash (used in) provided by financing activities | (3,214) | 3,647 | (142) |
| | <hr/> | <hr/> | <hr/> |
| Increase (decrease) in cash | (4) | (2,537) | 1,330 |
| Cash at beginning of year | 61 | 2,598 | 1,268 |
| | <hr/> | <hr/> | <hr/> |
| Cash at end of year | \$ 57 | \$ 61 | \$ 2,598 |
| | <hr/> | <hr/> | <hr/> |
| Supplemental cash flow information: | | | |
| Cash paid during the year for interest | \$ 401 | \$ 791 | \$ 885 |
| | <hr/> | <hr/> | <hr/> |
| Cash paid during the year for income taxes | \$ 4,975 | \$ 2,934 | \$ 3,315 |
| | <hr/> | <hr/> | <hr/> |

See accompanying notes to financial statements

M. J. Soffe Company, Inc.

Notes to Restated Financial Statements

(Amounts in thousands)

NOTE 1—NATURE OF BUSINESS

M.J. Soffe Company, Inc., founded in 1966, is engaged in the manufacture and sale of active sportswear.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

- (a) **Cash and Cash Equivalents:** The Company considers cash on hand, cash in operating bank accounts and commercial demand paper with original maturity of less than three months as cash and cash equivalents.
- (b) **Accounts Receivable:** The Company extends credit to its customers in the normal course of business and performs ongoing credit evaluations of its customers, maintaining allowances for potential credit losses based on historical loss information.
- (c) **Inventories:** Inventories are valued at the lower of cost or market. Cost of raw materials and supplies is determined by the first-in, first-out method. Cost of manufactured goods is determined using current manufacturing cost and is substantially actual cost. The majority of the Company's raw materials are readily available, and thus it is not dependent on a single supplier.
- (d) **Property, Plant and Equipment:** Property, plant and equipment is stated at cost. Depreciation is recorded following the straight-line method over the estimated useful lives of the assets. When assets are retired or disposed of, the costs and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized. Maintenance and repairs are charged to expense when incurred.
- (e) **Investments in Foreign Operations:** The Company accounts for its investments in foreign operations using the equity method.
- (f) **Advertising:** Advertising costs are expensed as incurred. Advertising expense was \$1,640, \$1,151 and \$1,106 for 2002, 2001 and 2000, respectively.
- (g) **Income Taxes:** Deferred income taxes arise from timing differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or noncurrent, depending on the classification of the assets and liabilities to which they relate. Deferred taxes arising from timing differences that are not related to an asset or liability are classified as current or noncurrent depending on the periods in which the timing differences are expected to reverse.
- (h) **Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to use estimates and assumptions that affect the reported amounts and disclosures of 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.

NOTE 3—INVENTORIES

Inventories at December 31, 2002 and 2001 consist of the following:

| | <u>2002</u> | <u>2001</u> |
|-----------------|------------------|------------------|
| Raw materials | \$ 5,992 | \$ 6,405 |
| Work in process | 4,385 | 6,314 |
| Finished goods | 44,549 | 34,692 |
| | <u>\$ 54,926</u> | <u>\$ 47,411</u> |

NOTE 4—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2002 and 2001 consist of the following:

| | <u>Estimated Useful Life</u> | <u>2002</u> | <u>2001</u> |
|-----------------------------------|----------------------------------|------------------|------------------|
| Construction in progress | N/A | \$ 105 | \$ 325 |
| Land and buildings | 40 years | 17,241 | 16,412 |
| Furniture, fixtures and equipment | 5 to 10 years | 804 | 801 |
| Automobiles and trucks | 4 to 6 years | 875 | 911 |
| Leasehold improvements | 12 to 40 years | 2,662 | 2,646 |
| Manufacturing equipment | 6 to 9 years | 28,758 | 27,921 |
| | | <u>50,445</u> | <u>49,016</u> |
| Less accumulated depreciation | | (26,603) | (23,670) |
| Net book value | | <u>\$ 23,842</u> | <u>\$ 25,346</u> |

NOTE 5—OTHER ASSETS

The Company maintains split dollar life insurance arrangements with three of its officers/shareholders of the Company. In addition, it has various policies on the lives of its key employees.

The Company has invested in two foreign corporations, Soha Textiles, S. A. and Agencias 7000, S. A., of which they own 50% each. Soha Textiles operates a manufacturing facility in Costa Rica and Agencias 7000 owns the real estate for the above-referenced manufacturing facility. These investments are accounted

for on the equity method. Income and expenses are translated into dollars.

These other assets are summarized as follows at December 31, 2002 and 2001:

| | <u>2002</u> | <u>2001</u> |
|-----------------------------------|-----------------|-----------------|
| Split dollar life insurance | \$ 2,007 | \$ 1,797 |
| Various life insurance policies | 1,373 | 1,470 |
| Investment in Soha Textiles, S. A | 33 | 3 |
| Investment in Agencias 7000, S. A | 235 | 230 |
| Deposits | 25 | 475 |
| Other assets | 18 | 34 |
| | <u>\$ 3,691</u> | <u>\$ 4,009</u> |

NOTE 6—BANK LINE OF CREDIT

Pursuant to a financing and loan agreement dated May 11, 1999, Bank of America, N. A., formerly NationsBank, N. A. agreed to make advances to the Company under a revolving line of credit in amounts up to \$12,500 for the purpose of providing continuing working capital to support the operations of the Company. At December 31, 2002 and 2001, the outstanding balances were \$1,608 and \$4,762, respectively. Accounts receivable are pledged as collateral against cash advances. Interest on this line of credit is capped at the bank's prime lending rate. The agreement provides that the Company maintain specified financial amounts and ratios for the duration of the agreement. The agreement also places restrictions on certain investments and capital additions of the Company. As of December 31, 2002 and 2001, the company was in compliance with or had obtained waivers for such covenants.

NOTE 7—LONG-TERM DEBT

Long-term debt as of December 31, 2002 and 2001 are as follows:

| | <u>2002</u> | <u>2001</u> |
|---|-----------------|-----------------|
| Bank of America--various installment notes bearing interest at a rate not to exceed the bank's prime lending rate. Details are as follows: | | |
| Note payable in 60 monthly installments of \$18 plus interest and one final payment due January 2003 of all unpaid principal and interest. Collateral for the loan is a deed of trust on land and building of the Company | \$ 1,025 | \$ 1,246 |
| Note payable in 60 monthly installments of \$8 plus interest and one final payment due January 2003 of all unpaid principal and interest. Collateral for the loan is a deed of trust on land and building of the Company | 490 | 583 |
| Note payable in monthly installments of \$8 plus interest and one final payment due January 2003 of all unpaid principal and interest. Collateral for the loan the dye house addition | 203 | 302 |
| Note payable in 60 monthly installments of \$51 plus interest and one final payment due March 31, 2005 of all unpaid principal and interest. The bank has a blanket lien on equipment as collateral | 2,313 | 3,032 |
| Note payable in 47 monthly installments of \$50 plus interest and one final payment due May 2004 of all unpaid principal and interest. Collateral for the loan is a deed of trust on land and building of the Company | 4,450 | 5,050 |
| Note payable in monthly installments of \$50 through September 2005, plus interest and one final payment of \$23. The bank has a blanket lien on equipment as collateral | 1,673 | -- |
| Other Note Payable--represents an unsecured demand note to a related party. Demand is not anticipated currently | 35 | 35 |
| | <u>10,189</u> | <u>10,248</u> |
| Total | 10,189 | 10,248 |
| Less current maturities | (3,535) | (1,460) |
| | <u>\$ 6,654</u> | <u>\$ 8,788</u> |

Aggregate long-term debt obligations mature as follows:

| | <u>2002</u> | <u>2001</u> |
|------|------------------|------------------|
| 2002 | \$ -- | \$ 1,460 |
| 2003 | 3,535 | 2,869 |
| 2004 | 5,067 | 4,416 |
| 2005 | 1,587 | 1,503 |
| | <u>\$ 10,189</u> | <u>\$ 10,248</u> |

NOTE 8--INCOME TAXES

The components of income tax expense for the years ended December 31, 2002, 2001 and 2000 are as follows:

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|--------------------|----------------|----------------|-----------------|
| Current: | | | |
| Federal | \$4,653 | \$1,289 | \$ 2,566 |
| State | 493 | 164 | 273 |
| Total current | <u>5,146</u> | <u>1,453</u> | <u>2,839</u> |
| Deferred: | | | |
| Federal | 150 | 46 | (196) |
| State | 24 | 8 | (34) |
| Total deferred | <u>174</u> | <u>54</u> | <u>(230)</u> |
| Income tax expense | <u>\$5,320</u> | <u>\$1,507</u> | <u>\$ 2,609</u> |

A reconciliation between actual income tax expense and the income tax expense computed using the Federal statutory income tax rate of 34% for the years ended December 31, 2002, 2001 and 2000 is as follows:

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|---|----------------|----------------|----------------|
| Income tax expense at the statutory rate | \$4,775 | \$1,264 | \$2,338 |
| State income tax expense net of federal income tax effect | 325 | 108 | 180 |
| Other | 220 | 135 | 91 |
| Income tax expense | <u>\$5,320</u> | <u>\$1,507</u> | <u>\$2,609</u> |

The Company's total deferred tax assets and deferred tax liabilities at December 31, 2002 and 2001 are as follow:

| | <u>2002</u> | <u>2001</u> |
|------------------------------------|-----------------|-----------------|
| Current: | | |
| Deferred tax asset | <u>\$ 173</u> | <u>\$ 189</u> |
| Noncurrent: | | |
| Deferred tax asset | 1,369 | 1,490 |
| Deferred tax liability | (1,706) | (1,668) |
| Net deferred tax asset (liability) | <u>\$ (337)</u> | <u>\$ (178)</u> |

NOTE 9--LEASES

The Company has several noncancellable operating leases relating to warehousing, manufacturing and office facilities.

Future minimum lease payments under noncancellable operating leases as of December 31, 2002 were as follows:

| | |
|------|--------|
| 2003 | \$ 290 |
| 2004 | 275 |
| 2005 | 182 |
| 2006 | 25 |
| 2007 | -- |

Thereafter

--

\$ 772

Rent expense for all operating leases was approximately \$1,383, \$1,315 and \$1,208 for the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE 10—EMPLOYEE BENEFIT PLANS

The Company has a 401(k) profit sharing plan for the benefit of its employees who have completed at least one year of service and have attained the age of 21. Under the plan, employees may elect to defer two percent (2%) to fifteen percent (15%) of their salary, subject to Internal Revenue Service limits. The plan provides for the Company to make a guaranteed match of a portion of the employee's contributions. The Company contributed approximately \$108, \$115 and \$104 to the plan during the years ended December 31, 2002, 2001 and 2000, respectively.

The Company has a non-qualified deferred compensation program to provide retirement benefits to certain key management positions. Annually, participating employees may elect to defer certain salary and bonus amounts for which the Company determines, at its sole discretion, a matching contribution. Additionally, deemed investment earnings are added to each participant's account. The Company expensed approximately \$67, \$77 and \$74 to the plan during the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE 11—MAJOR CUSTOMER

During the years ended December 31, 2002, 2001 and 2000, sales to the United States military amount to approximately 22%, 28% and 35%, respectively.

NOTE 12—COMMITMENTS AND CONTINGENCIES

At times, the Company is a defendant in legal actions involving product liability claims. The Company believes that, as a result of legal defenses, insurance arrangements, and indemnification provisions with parties believed to be financially capable, any such actions should not have a material effect on its operations, financial condition, or liquidity.

The Company's past and present operations include activities, which are subject to extensive state environmental regulations. As a result of these regulations, the Company could become liable for any contamination to the environment.

NOTE 13—RESTATEMENT OF FINANCIAL STATEMENTS

Subsequent to the issuance of the Company's financial statements as of December 31, 2002 and 2001 and for the years ended December 31, 2002, 2001 and 2000, the Company identified errors related to the historical accounting for certain obligations for employee compensation and benefits, which should have been accrued in 2002 and in prior years. Accordingly, the Company revised its financial statements as of December 31, 2002 and 2001 and for the years ended December 31, 2002, 2001 and 2000 to record obligations totaling \$855 and related tax effects of \$325. There was not a material effect on the income statements or statements of cash flows for the years ended December 31, 2002, 2001 and 2000 as a result of the errors. The Company's financial statements reflect a \$530 reduction to retained earnings, after related income tax effect, as of the earliest period presented, January 1, 2000.

In addition, certain items have been reclassified to comply with the disclosure and reporting requirements of the Securities and Exchange Commission.

(b) Pro Forma Financial Information

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

General

The unaudited pro forma combined statement of income for the year ended June 28, 2003 gives effect to the following events as if each had occurred on June 30, 2002. The unaudited pro forma balance sheet gives effect to the following events as if each had occurred on June 28, 2003:

- 1) the acquisition of M. J. Soffe Co.;
- 2) borrowings under the new revolving credit facilities, as necessary to consummate the acquisition of M. J. Soffe Co.

The acquisition of M. J. Soffe Co. will be accounted for using the purchase method of accounting. The fair value of M. J. Soffe Co.'s assets and related liabilities are based on preliminary estimates. Additional analysis will be required to determine the fair value of M. J. Soffe Co.'s assets and liabilities, primarily with respect to inventory, property, plant and equipment, and certain assumed liabilities. Such analysis and determination of allocation of purchase price is expected to be substantially complete by the end of Delta Apparel's second quarter. M. J. Soffe Co.'s accounts will change from the amounts shown based on the valuations. The final allocation of the acquisition consideration may result in significant differences from the pro forma amounts reflected in the unaudited pro forma combined financial statements.

The unaudited pro forma combined financial statements are based on assumptions that we believe are reasonable under the circumstances and are intended for informational purposes only. They are not necessarily indicative of our future financial position or results of operations or of the financial positions or results of operations that would have actually occurred had the acquisition of M. J. Soffe Co. taken place as of the dates or for the period presented.

Unaudited Pro Forma Combined Statement of Income
(Amounts in thousands, except per share amounts)

| | Delta Apparel Year Ended June 28, 2003 | M. J. Soffe Year Ended June 28, 2003 | Pro Forma Adjustments | Pro Forma Combined Year Ended June 28, 2003 |
|--|---|---|----------------------------------|--|
| Net sales | \$ 129,521 | \$ 93,800 | \$ -- | \$ 223,321 |
| Cost of goods sold | 105,552 | 59,365 | (1,881)(1) | 163,036 |
| Gross profit | 23,969 | 34,435 | 1,881 | 60,285 |
| Selling, general and administrative expenses | 12,498 | 23,185 | 715(2) | 36,398 |
| Provision for bad debts | 722 | 194 | -- | 916 |
| Other (income) expense | 194 | (369) | -- | (175) |
| Operating income | 10,555 | 11,425 | 1,166 | 23,146 |
| Interest expense, net | 732 | 343 | 2,527(3) | 3,602 |
| Income before income taxes | 9,823 | 11,082 | (1,361) | 19,544 |
| Income tax expense | 3,760 | 4,261 | (522)(4) | 7,499 |
| Net income | \$ 6,063 | \$ 6,821 | \$ (839) | \$ 12,045 |
| Pro forma earnings per share | | | | |
| Basic | \$ 1.50 | | | \$ 2.98 |
| Diluted | \$ 1.45 | | | \$ 2.88 |
| Pro forma weighted average number of shares outstanding * | 4,045 | | | 4,045 |
| Dilutive effect of stock options * | 131 | | | 131 |
| Pro forma weighted average number of shares assuming dilution* | 4,176 | | | 4,176 |

* Adjusted to reflect 2-for-1 stock split effective as of September 20, 2002

See accompanying notes to unaudited pro forma combined financial statements.

Unaudited Pro Forma Balance Sheet
(Amounts in thousands)

| | Delta Apparel June 28, 2003 | M. J. Soffe June 28, 2003 | Pro Forma Adjustments | Pro Forma Combined June 28, 2003 |
|--|--|--------------------------------------|----------------------------------|---|
| Assets | | | | |
| Current assets: | | | | |
| Cash | \$ 203 | \$ 149 | \$ -- | \$ 352 |
| Accounts receivable | 22,196 | 17,128 | -- | 39,324 |
| Inventories | 47,174 | 55,456 | -- | 102,630 |
| Prepaid expenses and other current assets | 2,743 | 3,292 | -- | 6,035 |
| Total current assets | 72,316 | 76,025 | -- | 148,341 |
| Property, plant and equipment, net | 22,077 | 22,551 | (16,705)(5) | 28,248 |
| Other assets | 54 | 3,950 | -- | 4,004 |
| | \$ 94,447 | \$ 102,526 | \$ (16,705) | \$ 180,593 |
| Liabilities and Stockholders' Equity | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 16,033 | \$ 10,346 | \$ -- | 26,379 |
| Current portion of long-term debt and other borrowings | 2,000 | 5,662 | 33,709(6) | 41,371 |

| | | | | |
|----------------------------|-----------|------------|-------------|------------|
| Total current liabilities | 18,033 | 16,008 | 33,709 | 67,750 |
| Long-term debt | 7,865 | 8,660 | 19,240(6) | 35,765 |
| Earn-out liability | -- | -- | 3,500(7) | 3,500 |
| Other liabilities | 2,580 | 4,704 | -- | 7,609 |
| Total liabilities | 28,478 | 29,372 | 56,449 | 114,624 |
| Stockholders' equity: | | | | |
| Common stock | 48 | 60 | (60)(8) | 48 |
| Additional paid-in capital | 53,889 | -- | -- | 53,889 |
| Retained earnings | 21,007 | 73,094 | (73,094)(9) | 21,007 |
| Treasury stock | (8,975) | -- | -- | (8,975) |
| Total stockholders' equity | 65,969 | 73,154 | (73,154) | 65,969 |
| | \$ 94,447 | \$ 102,526 | \$ (16,705) | \$ 180,593 |

See accompanying notes to unaudited pro forma combined financial statements

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Year Ended June 28, 2003 Unaudited Pro Forma Combined Statement of Income

- (1) Reflects an adjustment of approximately \$2.4 million to depreciation expense as a result of a \$16.7 reduction of fixed assets as recorded in purchase accounting of which \$1.6 million was allocated to cost of goods sold. Also reflects a \$0.3 million reduction in rental expense resulting from a new rental contract required because of a change in property rented as a result of the acquisition.
- (2) Reflects an adjustment of approximately \$2.4 million to depreciation expense as a result of a \$16.7 reduction of fixed assets as recorded in purchase accounting of which \$0.8 million was allocated to operating expenses. Also reflects a \$1.5 million increase in administrative cost as a result of expected additional management incentive expense pursuant to Delta Apparel management incentive programs.
- (3) Reflects an adjustment to interest expense to give effect the purchase related borrowings under revolving credit facilities.
- (4) Tax effects of the pro forma adjustments have been calculated based on the historical combined statutory rate for Delta Apparel and M. J. Soffe Co. of 38.4% during the period presented.

Unaudited Pro Forma Combined Balance Sheet as of June 28, 2003

- (5) The acquisition of M. J. Soffe Co. will be accounted for by the purchase method of accounting, pursuant to which the acquisition consideration is allocated among the acquired tangible assets and assumed liabilities in accordance with their estimated fair values on the date of acquisition. The acquisition consideration and estimated allocation will result in an approximate \$16.7 million reduction in fixed assets as compared to M. J. Soffe historical book value.
- (6) To reflect the elimination of M. J. Soffe's long-term debt of \$8.6 million, reflect the \$8.0 million loan payable to the M. J. Soffe shareholders, reflect \$52.0 million of borrowings under the new revolving credit facilities entered into simultaneous with the acquisition of M. J. Soffe Co. and reflect an estimated \$1.5 million of borrowings for purchase related expenses.
- (7) To reflect the accrual of the expected earn-out payable to the shareholders of M. J. Soffe based upon operating results over the next three years pursuant to the purchase agreement.
- (8) To eliminate M. J. Soffe Co.'s common stock.
- (9) To eliminate the retained earnings of M. J. Soffe Co.

(c) Exhibits

- 2.1 Amended and Restated Stock Purchase Agreement dated as of October 3, 2003 among Delta Apparel, Inc., MJS Acquisition Company, M. J. Soffe Co., James F. Soffe, John D. Soffe, and Anthony M. Cimaglia.*

*Certain exhibits and schedules to Exhibit 2.1 have been omitted in accordance with Item 601(b)(2) of Regulation S-K. Delta Apparel, Inc. will furnish supplementally a copy of any omitted exhibit or schedule to the Commission upon request.

- 10.1 Amended and Restated Loan and Security Agreement dated as of October 3, 2003 among Delta Apparel, Inc., Congress Financial Corporation (Southern), as Agent, and certain financial institutions named therein, as Lenders.
- 10.2 Loan and Security Agreement dated as of October 3, 2003 among MJS Acquisition Company, Congress Financial Corporation (Southern), as Agent, and certain financial institutions named therein, as Lenders.
- 10.3 General Security Agreement of MJS Acquisition Company and SAIM, LLC in favor of Congress Financial Corporation (Southern), as Agent, dated as of October 3, 2003.
- 10.4 General Security Agreement of Delta Apparel, Inc. and SAIM, LLC in favor of Congress Financial Corporation (Southern), as Agent, dated as of October 3, 2003.
- 10.5 Trademark Security Agreement dated as of October 3, 2003 between MJS Acquisition Company and Congress Financial Corporation (Southern), as Agent.
- 10.6 Form of Deed of Trust of M. J. Soffe Co. in favor of Congress Financial Corporation (Southern), as Agent, dated as of October 3, 2003.
- 10.7 Stock Pledge Agreement dated as of October 3, 2003 by and among Delta Apparel, Inc., MJS Acquisition Company, and Congress Financial Corporation (Southern), as Agent.
- 10.8 Guarantee of MJS Acquisition Company and SAIM, LLC in favor of Congress Financial Corporation (Southern), as Agent, dated as of October 3, 2003.
- 10.9 Guarantee of Delta Apparel, Inc. and SAIM, LLC in favor of Congress Financial Corporation (Southern), as Agent, dated as of October 3, 2003.
- 10.10 Collateral Assignment of Purchase Agreements dated as of October 3, 2003 by and among Delta Apparel, Inc., MJS Acquisition Company, and Congress Financial Corporation (Southern), as Agent.
- 10.11 Subordination Agreement dated as of October 3, 2003 by and among Delta Apparel, Inc., MJS Acquisition Company, James F. Soffe, John D. Soffe, Anthony M. Cimaglia, and Congress Financial Corporation (Southern), as Agent.
- 10.12 Promissory Note of MJS Acquisition Company issued to James F. Soffe, John D. Soffe, and Anthony M. Cimaglia dated as of October 3, 2003.
- 10.13 Security Agreement of MJS Acquisition Company in favor of James F. Soffe, John D. Soffe, and Anthony M. Cimaglia dated as of October 3, 2003.
- 10.14 Form of Deed of Trust, Assignment of Rents and Security Agreement of M. J. Soffe Co. in favor of James F. Soffe, John D. Soffe, and Anthony M. Cimaglia dated as of October 3, 2003.
- 10.15 Guaranty of Delta Apparel, Inc. in favor of James F. Soffe, John D. Soffe, and Anthony M. Cimaglia dated as of October 3, 2003.
- 10.16 Pledge Agreement of Delta Apparel, Inc. in favor of James F. Soffe, John D. Soffe, and Anthony M. Cimaglia dated as of October 3, 2003.
- 10.17 Employment and Non-Solicitation Agreement dated as of October 3, 2003 among Delta Apparel, Inc., M. J. Soffe Co., and James F. Soffe.
- 10.18 Employment and Non-Solicitation Agreement dated as of October 3, 2003 among Delta Apparel, Inc., M. J. Soffe Co., and John D. Soffe.
- 10.19 Employment and Non-Solicitation Agreement dated as of October 3, 2003 among Delta Apparel, Inc., M. J. Soffe Co., and Anthony M. Cimaglia.
- 10.20 Real Estate Exchange Contract dated as of October 3, 2003 between MJS Acquisition Company and Middle Road Properties, LLC.
- 10.21 Industrial Lease Agreement dated as of October 3, 2003 between M. J. Soffe Co. and Middle Road Properties, LLC.

SIGNATURE

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

DELTA APPAREL, INC.

(Registrant)

October 16, 2003

Date

By: /s/ Herbert M. Mueller

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

LOAN AND SECURITY AGREEMENT

by and among

MJS Acquisition Company

as Borrower

CONGRESS FINANCIAL CORPORATION (SOUTHERN),
as Agent

and

THE FINANCIAL INSTITUTIONS NAMED HEREIN,
as Lenders

Dated: October 3, 2003

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LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement dated October 3, 2003 (this "Agreement") is entered into by and among MJS ACQUISITION COMPANY, a North Carolina corporation ("Borrower"), the parties hereto from time to time as lenders, whether by execution of this Agreement or an Assignment and Acceptance (each individually, a "Lender" and collectively, "Lenders"), and CONGRESS FINANCIAL CORPORATION (SOUTHERN), a Georgia corporation, in its capacity as agent for Lenders (in such capacity, "Agent").

W I T N E S S E T H:

WHEREAS, Borrower has entered into a certain Stock Purchase Agreement (as defined herein) with Delta Apparel, Inc., a Georgia corporation, M. J. Soffe Co., a North Carolina corporation ("Target") and the shareholders of Target, pursuant to which Borrower shall purchase the outstanding stock of Target by making payment to such shareholders in the form of cash and a subordinated secured promissory note; and

WHEREAS, upon consummating the Stock Purchase Agreement, in part with the proceeds of the initial loans to be made hereunder, Borrower and Target shall enter into a plan of merger pursuant to which Borrower shall emerge as the surviving corporation and simultaneously therewith change its name to "M. J. Soffe Co.";

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

WHEREAS, each Lender is willing to agree (severally and not jointly) to make such loans and provide such financial accommodations to Borrower on a pro rata basis according to its Commitment (as defined below) on the terms and conditions set forth herein and Agent is willing to act as agent for Lenders on the terms and conditions set forth herein and the other Financing Agreements;

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 of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a secondary obligation incurred or

to be incurred, or (d) arising out of the use of a credit or charge card or information contained on or for use with the card.

1.2. "Additional Consideration" has the meaning set forth in the Stock Purchase Agreement as in effect on the Agreement Date.

1.3. "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.

1.4. "Adjusted Tangible Net Worth" shall mean as to any Person, at any time, in accordance with GAAP (except as otherwise specifically set forth below), on a consolidated basis for such Person and its Subsidiaries (if any), the amount equal to the difference between: (a) the aggregate net book value of all assets of such Person and its Subsidiaries (excluding the value of patents, trademarks, tradenames, copyrights, licenses, goodwill, leasehold improvements, prepaid assets, deferred tax assets and other intangible assets), calculating the book value of inventory for this purpose on a first-in-first-out basis, after deducting from such book values all appropriate reserves in accordance with GAAP (including all reserves for doubtful receivables, obsolescence, depreciation and amortization) and (b) the aggregate amount of the Indebtedness and other liabilities of such Person and its Subsidiaries (including tax and other proper accruals).

1.5. "Affiliate" shall mean, with respect to a specified Person, any other Person which directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with such Person, and without limiting the generality of the foregoing, includes (a) any Person which beneficially owns or holds five (5%) percent or more of any class of Voting Stock of such Person or other equity interests in such Person, and (b) any Person of which such Person beneficially owns or holds five (5%) percent or more of any class of Voting Stock or in which such Person beneficially owns or holds five (5%) percent or more of the equity interests, and (c) any director or executive officer of such Person. For the purposes of this definition, the term "control" (including with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, means 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.

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1.6. "Agent" shall mean Congress Financial Corporation (Southern), in its capacity as agent on behalf of Lenders pursuant to the terms hereof and any replacement or successor agent hereunder.

1.7. "Agent Payment Account" shall mean account no. 5000000030318 of Agent at Wachovia Bank, National Association, or such other account of Agent as Agent may from time to time designate to Borrower as the Agent Payment Account for purposes of this Agreement and the other Financing Agreements.

1.8. "Agreement Date" shall mean October 3, 2003.

1.9. "Annual Financial Statements" shall have the meaning set forth in Section 9.6(a)(iii) hereof.

1.10. "Applicable Margin" shall mean two and one-half percent (2.50%).

1.11. "Articles of Merger" shall mean those articles of merger to be filed with the Secretary of State of the State of North Carolina with respect to the merger of Borrower and Target, in form and substance satisfactory to Agent.

1.12. "Assignment and Acceptance" shall mean an Assignment and Acceptance substantially in the form of Exhibit A attached hereto (with blanks appropriately completed) delivered to Agent in connection with an assignment of a Lender's interest hereunder in accordance with the provisions of Section 13.6 hereof.

1.13. "Average Daily Balance" shall have the meaning set forth in Section 3.2(b) hereof.

1.14. "Blocked Accounts" shall have the meaning set forth in Section 6.3(a) hereof.

1.15. "Borrowing Base" shall mean, at any time, the amount equal to:

(a) the sum of:

(i) eighty-five (85%) percent of the Net Amount of the Eligible Accounts, plus

(ii) the lesser of:

(1) the Inventory Loan Limit, or

(2) the sum of:

(A) the lesser of (x) sixty percent (60%) of the Value of Eligible Inventory consisting of finished goods or (y) eighty-five percent (85%) of the Net Orderly Liquidation Value of such Eligible Inventory consisting of finished goods; plus

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(B) the lesser of (x) up to fifty-five percent (55%) of the Value of Eligible Inventory consisting of raw materials (including yarn) for finished goods or (y) eighty-five percent (85%) of the Net Orderly Liquidation Value of such Eligible Inventory consisting of raw materials (including yarn) for finished goods, plus

(C) the lesser of (x) forty percent (40%) of the Value of Eligible Inventory consisting of uncut greige goods or (y) eighty-five percent (85%) of the Net Orderly Liquidation Value of such Eligible Inventory consisting of uncut greige goods, plus

(iii) to the extent greater than zero, the lesser of:

- (1) (A) the Fixed Asset Loan Limit, minus
 - (B) the sum of the Excess Cash Flow Recapture Amount, if any, for the fiscal year ended June 30, 2004, plus the Excess Cash Flow Recapture Amount, if any, for each fiscal year thereafter on a cumulative basis, minus
 - (C) the Fixed Asset Loan Amortization Amount, or
- (2) the sum of:
 - (A) eighty-five percent (85%) of the appraised Net Orderly Liquidation Value of Eligible Equipment determined from time to time by a qualified appraiser acceptable to Agent, plus
 - (B) sixty percent (60%) of the appraised fair market value of Eligible Real Property determined from time to time by a qualified appraiser acceptable to Agent, minus
 - (C) the Fixed Asset Loan Amortization Amount, minus

(b) Reserves.

For purposes only of applying the Inventory Loan Limit, Agent may treat the then undrawn amounts of outstanding Letter of Credit Accommodations for the purpose of purchasing Eligible Inventory as Loans to the extent Agent 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 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. The amounts of Eligible Inventory shall, at Agent's option, be determined based on the lesser of the amount of Inventory set forth in the general ledger of Borrower or the perpetual inventory record maintained by Borrower.

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1.16. "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, or the State of Georgia, and a day on which Agent is 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.

1.17. "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.

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

1.19. "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 or partnership, limited liability company or other equity 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).

1.20. "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 or 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 of the United States of America, in each case maturing within one hundred eighty (180) 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.

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1.21. "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 or any Guarantor to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), other than as permitted in Section 9.7 hereof; (b) the liquidation or dissolution of Borrower or any Guarantor or the adoption of a plan by the stockholders of Borrower or any Guarantor relating to the dissolution or liquidation of Borrower or any Guarantor, other than as permitted in Section 9.7 hereof; (c) the acquisition by any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), except for Permitted Holder, of beneficial ownership, directly or indirectly, of a majority of the voting power of the total outstanding Voting Stock of Borrower or any Guarantor or the Board of Directors of Borrower or any Guarantor; (d) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Borrower or any Guarantor (together with any new directors who have been appointed by Permitted Holder, or whose nomination for election by the stockholders of Borrower or such Guarantor, as the 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; (e) the failure of Permitted Holder to own directly or indirectly one hundred (100%) percent of the voting power of the total outstanding Voting Stock of Borrower.

1.22. "Code" shall mean the Internal Revenue Code of 1986, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

1.23. "Collateral" shall have the meaning set forth in Section 5.1 hereof.

1.24. "Collateral Access Agreement" shall mean an agreement in writing, in form and substance satisfactory to Agent, 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 Agent 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 Agent access to, and the right to remain on, the premises of such lessor,

consignee or other person so as to exercise Agent's rights and remedies and otherwise deal with such Collateral and in the case of any consignee or other person who at any time has custody, control or possession of any Collateral, acknowledges that it holds and will hold possession of the Collateral for the benefit of Agent and Lenders and agrees to follow all instructions of Agent with respect thereto.

1.25. "Commitment" shall mean, at any time, as to each Lender, the principal amount set forth below such Lender's signature on the signatures pages hereto designated as the Commitment or on Schedule 1 to the Assignment and Acceptance Agreement pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 13.6 hereof, as the same may be adjusted from time to time in accordance with the terms hereof; sometimes being collectively referred to herein as "Commitments".

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1.26. "Congress" shall mean Congress Financial Corporation (Southern), a Georgia corporation, in its individual capacity, and its successors and assigns.

1.27. "Credit Facility" shall mean the Loans and Letter of Credit Accommodations provided to or for the benefit of Borrower pursuant to Sections 2.1 and 2.2 hereof.

1.28. "Default" shall mean an act, condition or event which with notice or passage of time or both would constitute an Event of Default.

1.29. "Defaulting Lender" shall have the meaning set forth in Section 6.9(d) hereof.

1.30. "Deposit Account Control Agreement" shall mean an agreement in writing, in form and substance satisfactory to Agent, by and among Agent, Borrower with a deposit account at any bank and the bank at which such deposit account is at any time maintained which provides that such bank will comply with instructions originated by Agent directing disposition of the funds in the deposit account without further consent by Borrower and such other terms and conditions as Agent may reasonably require, including as to any such agreement with respect to any Blocked Account, providing that all items received or deposited in the Blocked Accounts are the property of Agent, that the 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 bank will wire, or otherwise transfer, in immediately available funds, on a daily basis to the Agent Payment Account all funds received or deposited into the Blocked Accounts.

1.31. "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 (b) to the extent deducted in the computation of Net Income, (i) depreciation, amortization and other non-cash charges (including, but not limited to, imputed interest and deferred compensation) for such period, all in accordance with GAAP, plus (ii) the Interest Expense for such period, plus (iii) charges for Federal, Provincial, State, district, municipal, local and foreign income taxes.

1.32. "Eligible Accounts" shall mean Accounts created by Borrower which are and continue to be acceptable to Agent 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 sixty (60) days after the due date for such Accounts or ninety (90) days after the date of the original invoice for such Accounts (or such longer period of time for certain account debtors of Borrower which are approved by Agent in its sole discretion on a case-by-case basis);

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

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

(e) the chief executive office or principal place of business of the account debtor with respect to such Accounts is located in the United States of America, its territories or possessions or Canada (provided, that, at any time promptly upon Agent'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 Agent to perfect the security interests of Agent 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 Agent may request to enable Agent as secured party with respect thereto to collect such Accounts under the applicable Federal or Provincial laws of Canada) or, at Agent'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 Agent and payable only in the United States of America and in U.S. dollars, sufficient to cover such Account, in form and substance reasonably satisfactory to Agent and if required by Agent, the original of such letter of credit has been delivered to Agent or Agent's agent and the issuer thereof, and Borrower has complied with the terms of Section 5.2(h) hereof with respect to the assignment of the proceeds of such letter of credit to Agent or naming Agent as transferee beneficiary thereunder, as Agent may specify, or (ii) such Account is subject to credit insurance payable to Agent issued by an insurer and on terms and in an amount acceptable to Agent, or (iii) such Account is otherwise acceptable in all respects to Agent (subject to such lending formula with respect thereto as Agent 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 Agent shall have received an agreement in writing from the account debtor, in form and substance reasonably satisfactory to Agent, 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 is not owed any amounts that 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;

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(i) such Accounts are subject to the first priority, valid and perfected security interest of Agent 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 that are subject to an intercreditor agreement in form and substance reasonably satisfactory to Agent between the holder of such security interest or lien and Agent;

(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 or any Guarantor;

(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, (x) 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 Agent or (y) Agent has approved such Account in its sole discretion on a case-by-case basis;

(l) there are no proceedings or actions which are threatened or pending against the account debtors with respect to such Accounts which might evidence or result in any material adverse change in any such account debtor's financial condition (including, without limitation, any bankruptcy, dissolution, liquidation, reorganization or similar proceeding);

(m) such Accounts are not evidenced by or arising under any instrument or chattel paper;

(n) the aggregate amount of such Accounts owing by a single account debtor or its Affiliates do not constitute more than twenty (20%) percent of the aggregate amount of all otherwise Eligible Accounts (but the portion of the Accounts not in excess of such percentage may be deemed Eligible Accounts);

(o) such Accounts are not owed by an account debtor who has Accounts ineligible under clause (b) above which constitute more than fifty (50%) percent of the total Accounts of such account debtor;

(p) 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;

(q) 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 the current practices of Borrower as of the date hereof by more than twenty percent (20%) and is acceptable to Agent (but the portion of the Accounts not in excess of such credit limit may be deemed Eligible Accounts); and

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

The criteria for Eligible Accounts set forth above may only be changed and any new criteria for Eligible Accounts may only be established by Agent in good faith based on either: (i) an event, condition or other circumstance arising after the date hereof, or (ii) an event, condition or other circumstance existing on the date hereof to the extent Agent has no written notice thereof from Borrower prior to the date hereof, in either case under clause (i) or (ii) which adversely affects or could reasonably be expected to adversely affect the Accounts in the good faith determination of Agent. Any Accounts which are not Eligible Accounts shall nevertheless be part of the Collateral.

1.33. "Eligible Equipment" shall mean Equipment owned or operated in the ordinary course of the business of Borrower, in each case which is acceptable to Agent based on the criteria set forth below. In general, Eligible Equipment shall not include (a) components which are not part of operating Equipment; (b) Equipment which is uninsured, damaged, obsolete, in disrepair or under repair; (c) spare parts for Equipment; (d) Equipment at premises other than those owned and controlled by Borrower, except any Equipment which would otherwise be deemed Eligible Equipment that is not located at premises owned and operated by Borrower may nevertheless be considered Eligible Equipment: (i) as to locations which are leased by Borrower if Agent shall have received a Collateral Access Agreement from the owner and lessor of such location, duly authorized, executed and delivered by such owner and lessor or if Agent shall not have received a Collateral Access Agreement (in a form reasonably acceptable to Agent), Agent may, at its option, nevertheless consider Equipment at such location to be Eligible Equipment to the extent Agent shall have established such Reserves in respect of amounts at any time payable by Borrower to the owner and lessor thereof as Agent shall determine, and (ii) as to locations owned and operated by a third person, (A) if Agent shall have received a Collateral Access Agreement from such owner and operator with respect to such location, duly authorized, executed and delivered by such owner and operator or if Agent shall not have received a Collateral Access Agreement (in a form reasonably acceptable to Agent), Agent may, at its option, nevertheless consider Equipment at such location to be Eligible Equipment to the extent Agent shall have established such Reserves in respect of amounts at any time payable by Borrower to the owner

and operator thereof as Agent shall determine, and (B) in addition, as to locations owned and operated by a third person, Agent shall have received, if required by Agent: (1) UCC-1 financing statements between the owner and operator, as consignee or bailee and Borrower, as consignor or bailor, in form and substance satisfactory to Agent, which are duly assigned to Agent and (2) a written notice to any lender to the owner and operator of the first priority security interest in such Equipment of Agent; (e) Equipment subject to a security interest or lien in favor of any Person other than Agent except those permitted in this Agreement (but without limiting the right of Agent to establish any Reserves with respect to amounts secured by such security interest or lien in favor of any Person even if permitted herein); (f) Equipment which is not subject to the first priority, valid and perfected security interest of Agent; (g) Equipment which has become part of, or affixed to, any Real Property (other than Eligible Real Property) and (h) Equipment located outside the United States of America. The criteria for Eligible Equipment set forth above may only be changed and any new criteria for Eligible Equipment may only be established by Agent in good faith based on either: (i) an event, condition or other

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circumstance arising after the date hereof; or (ii) an event, condition or other circumstance existing on the date hereof to the extent Agent has no written notice thereof from Borrower prior to the date hereof, in either case under clause (i) or (ii) which adversely affects or could reasonably be expected to adversely affect the Equipment in the good faith determination of Agent. Any Equipment which is not Eligible Equipment shall nevertheless be part of the Collateral.

1.34. "Eligible Inventory" shall mean Inventory consisting of finished goods held for resale in the ordinary course of the business of Borrower and raw materials and works in process for such finished goods, in each case which are acceptable to Agent based on the criteria set forth below. In general, Eligible Inventory shall not include (a) findings or work-in-process (except for uncut greige goods which are not in any production process, including without limitation, dye and finishing); (b) components which are not part of finished goods; (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 that is not located at premises owned and operated by Borrower may nevertheless be considered Eligible Inventory: (i) as to locations which are leased by Borrower if Agent shall have received a Collateral Access Agreement from the owner and lessor of such location, duly authorized, executed and delivered by such owner and lessor or if Agent shall not have received a Collateral Access Agreement (in a form reasonably acceptable to Agent), Agent may, at its option, nevertheless consider Inventory at such location to be Eligible Inventory to the extent Agent shall have established such Reserves in respect of amounts at any time payable by Borrower to the owner and lessor thereof as Agent shall determine, and (ii) as to locations owned and operated by a third person, (A) if Agent shall have received a Collateral Access Agreement from such owner and operator with respect to such location, duly authorized, executed and delivered by such owner and operator or if Agent shall not have received a Collateral Access Agreement (in a form reasonably acceptable to Agent), Agent may, at its option, nevertheless consider Inventory at such location to be Eligible Inventory to the extent Agent shall have established such Reserves in respect of amounts at any time payable by Borrower to the owner and operator thereof as Agent shall determine, and (B) in addition, as to locations owned and operated by a third person, Agent shall have received, if required by Agent: (1) UCC-1 financing statements between the owner and operator, as consignee or bailee and Borrower, as consignor or bailor, in form and substance satisfactory to Agent, which are duly assigned to Agent and (2) a written notice to any lender to the owner and operator of the first priority security interest in such Inventory of Agent; (g) Inventory subject to a security interest or lien in favor of any Person other than Agent except those permitted in this Agreement (but without limiting the right of Agent to establish any Reserves with respect to amounts secured by such security interest or lien in favor of any Person even if permitted herein); (h) bill and hold goods; (i) unserviceable, obsolete or slow moving Inventory or Inventory unsold within one (1) year of its production; (j) Inventory which is not subject to the first priority, valid and perfected security interest of Agent; (k) returned, damaged and/or defective Inventory; (l) Inventory purchased or sold on consignment and (m) Inventory located outside the United States of America. The criteria for Eligible Inventory set forth above may only be changed and any new criteria for Eligible Inventory may only be established by Agent in good faith

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based on either: (i) an event, condition or other circumstance arising after the date hereof, or (ii) an event, condition or other circumstance existing on the date hereof to the extent Agent has no written notice thereof from Borrower prior to the date hereof, in either case under clause (i) or (ii) which adversely affects or could reasonably be expected to adversely affect the Inventory in the good faith determination of Agent. Any Inventory which is not Eligible Inventory shall nevertheless be part of the Collateral.

1.35. "Eligible Real Property" shall mean Real Property of Borrower owned in fee subject to a Mortgage in favor of Agent; provided, however, that Eligible Real Property shall not include (a) Real Property subject to pending or threatened (in writing to Borrower) condemnation by any Governmental Authority or any pending or threatened (in writing to Borrower) enforcement action by any Governmental Authority with respect to the environmental condition of such Real Property; (b) Real Property subject to a security interest or lien in favor of any Person other than Agent except those permitted in this Agreement (but without limiting the right of Agent to establish any Reserves with respect to amounts secured by such security interest or lien in favor of any Person even if permitted herein); (c) Real Property which is not subject to the first priority, valid and perfected security interest of Agent; (d) Real Property with respect to which improvements thereon are uninsured and (e) Real Property located outside the United States of America. The criteria for Eligible Real Property set forth above may only be changed and any new criteria for Eligible Real Property may only be established by Agent in good faith based on either: (i) an event, condition or other circumstance arising after the date hereof; or (ii) an event, condition or other circumstance existing on the date hereof to the extent Agent has no written notice thereof from Borrower prior to the date hereof, in either case under clause (i) or (ii) which adversely affects or could reasonably be expected to adversely affect the Real Property in the good faith determination of Agent. Any Real Property which is not Eligible Real Property shall nevertheless be part of the Collateral.

1.36. "Eligible Transferee" shall mean (a) any Lender; (b) the parent company of any Lender and/or any Affiliate of such Lender which is at least fifty (50%) percent owned by such Lender or its parent company; (c) any person (whether a corporation, partnership, trust or otherwise) that is engaged in the business of making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an institutional Affiliate of such investment advisor, and in each case is approved by Agent; and (d) any other commercial bank, financial institution or institutional "accredited investor" (as defined in Regulation D under the Securities Act of 1993) approved by Agent; provided, that, neither Borrower nor any Guarantor nor any Affiliate of Borrower or any Guarantor shall qualify as an Eligible Transferee and (ii) no Person to whom any Indebtedness which is in any way subordinated in right of payment to any other Indebtedness of Borrower or any Guarantor shall qualify as an Eligible Transferee, except as Agent may otherwise specifically agree.

1.37. "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, including, but not limited to, the Natural Resources and Environmental Protection Act, MCLA 324.101 et seq. 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.

1.38. "Equipment" shall mean all of Borrower's now owned and hereafter acquired equipment, wherever located, including machinery, data processing and computer equipment and computer hardware and software (whether owned or licensed, and including embedded software), 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.

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

1.40. "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.

1.41. "ERISA Event" shall mean (a) any "reportable event", as defined in Section 4043(c) 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 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; (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; (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

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Affiliate in excess of \$1,000,000 and (j) any other event or condition with respect to a Plan including 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 in excess of \$1,000,000.

1.42. "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 Agent) on or about 9:00 a.m. (Atlanta, Georgia 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.

1.43. "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.

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

1.45. "Excess Availability" shall mean (a) the lesser of: (i) the Borrowing Base and (ii) the Maximum Credit, minus (b) the sum of: (i) the amount

of all then outstanding and unpaid Obligations, 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.

1.46. "Excess Cash Flow Recapture Amount" shall mean with respect to each fiscal year of Borrower ending on or after June 30, 2004, an amount equal to such percentage of Borrower's Net Income (to the extent positive) for such fiscal year as may be determined by Agent in its reasonable discretion, (not to exceed forty percent (40%) of Borrower's Net Income for any fiscal year) after receipt and review by Agent of the Annual Financial Statements for such fiscal year.

1.47. "Excess Closing Availability" shall mean the amount, as determined by Agent, calculated at any time, equal to: (a) the lesser of: (i) the Borrowing Base (without regard to any Reserves) and (ii) the Maximum Credit, minus (b) the sum of: (i) the amount of all then outstanding and unpaid Obligations, plus (ii) the amount of all Reserves, plus (iii) the aggregate amount of all then outstanding and unpaid trade payables and other obligations of Borrower which are outstanding, as of such time, more than thirty (30) days past due, (iv) without duplication, the amount of checks issued by Borrower to pay trade payables and other obligations which are more than thirty (30) days past due as of such time, but not yet cleared or paid by the bank, plus (v) all transaction fees associated with the Purchase Agreements and the execution of this Agreement not paid on the date hereof.

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

1.49. "Financing Agreements" shall mean, collectively, this Agreement, the Guarantee, the Intercreditor Agreement, the Pledge Agreement, the Subordination Agreement, the Mortgages and all notes, guarantees, security agreements, deposit account control agreements, investment property control agreements, pledge agreements, subordination agreements, intercreditor agreements, and all 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.

1.50. "Fixed Asset Loan Amortization Amount" shall mean an amount equal to (a) from and after November 1, 2003 through November 30, 2003, \$118,055, plus (b) from and after the first day of each month commencing December 1, 2003 and through the last day of each such month, the product of: (i) \$118,055 multiplied by (ii) the cumulative number of months that have elapsed since November 1, 2003.

1.51. "Fixed Asset Loan Limit" means \$8,500,000.

1.52. "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.

1.53. "Fixed Charges" for any period shall mean the sum of, without duplication, (a) all Interest Expense, (b) all Capital Expenditures, (c) all regularly scheduled principal payments of Indebtedness for borrowed money (including, without limitation, all principal payments under the Seller Note but excluding payments of Additional Consideration) and Indebtedness with respect to Capital Leases, and (d) an amount equal to the product of: (i) \$118,055 multiplied by (ii) the cumulative number of months that elapsed during such period of determination.

1.54. "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, except that, for purposes of Section 9.17 hereof and for purposes of calculating "Net Income" as defined in this Agreement, until such time as Borrower notifies Agent of a change in GAAP that would have a material effect on the calculation of Net

Income or the covenants set forth in Section 9.17 and Borrower and Agent mutually agree on the treatment of such change or the recalculation of such covenant, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements delivered to Agent prior to the date hereof.

1.55. "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.

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1.56. "Guarantee" shall mean, individually, the guarantee executed by a Guarantor substantially in the form of Exhibit B and "Guarantees" shall collectively refer to all such guarantees, as the same may be amended, restated, supplemented or otherwise modified from time to time.

1.57. "Guarantors" shall mean, collectively, each of (a) Parent, and (b) SAIM, together with their successors and assigns.

1.58. "Hazardous Materials" shall mean any hazardous, toxic or dangerous substances, materials or 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).

1.59. "Hedging Obligations" shall mean, with respect to any Person, the obligations and liabilities of such Person under any of the following agreements or arrangements to the extent that the primary purpose thereof is the reduction of risk for fluctuations in interest rates or currency values relating to its customary business and not for speculative purposes: (a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (b) other agreements or arrangements designed to protect such person against fluctuations in interest rates or currency values.

1.60. "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 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, drafts or similar documents or instruments issued for such Person's account; (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; (h)

all obligations owed by such Person under License Agreements with respect to non-refundable, advance or minimum guarantee royalty payments; (i) Hedging Obligations; and (j) all obligations of such Person with respect to earn-out, return rate or other contingent obligations arising out of acquisition or acquisition-related agreements.

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

1.62. "Intercreditor Agreement" shall mean that certain Intercreditor Agreement, dated as of the date hereof, between Agent and Parent Revolving Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

1.63. "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 (including any goodwill associated with any trademark or the license of any trademark); customer and other lists in whatever form maintained; and trade secret rights, copyright rights, rights in works of authorship, domain names and domain name registrations; software and contract rights relating to computer software programs, in whatever form created or maintained.

1.64. "Interest Expense" shall mean, for any period, as to any Person, as determined in accordance with GAAP, (a) the total interest expense of such Person, whether paid or accrued during such period (including the interest component of Capital Leases for such period), but excluding interest paid in property other than cash and any other interest expense not payable in cash, minus (b) any net payments in an aggregate amount not to exceed \$20,000 for any fiscal quarter received by such Person during such period as interest income in respect of its investments in cash.

1.65. "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.

1.66. "Interest Rate" shall mean,

(a) Subject to clause (b) of this definition below:

(i) as to Prime Rate Loans, a rate equal to the Prime Rate,

(ii) as to Eurodollar Rate Loans, a rate equal to the Adjusted Eurodollar Rate (in each case, 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 Agent 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) plus the Applicable Margin.

(b) Notwithstanding anything to the contrary contained in clause (a) of this definition, the Interest Rate otherwise applicable shall be increased by two (2.0%) percent per annum, at Agent's option, without notice to Borrower, or any of them, (i) for the period (A) from and after the effective date of termination or non-renewal hereof until Agent has received full and final payment in immediately available

funds, cash of all outstanding and unpaid Obligations and cash collateral in the amounts and on the terms required under Section 13.1 hereof for the Letter of Credit Accommodations) and (B) from and after the date of the occurrence of any Event of Default for so long as such Event of Default is continuing, as determined by Agent and (ii) on Loans at any time outstanding in excess of the Borrowing Base (whether or not such excess(es) arise or are made with or without Agent's knowledge or consent and whether made before or after an Event of Default).

1.67. "Inventory" shall mean all of Borrower's now owned and hereafter existing or acquired goods, wherever located, which (a) are leased by Borrower as lessor; (b) are held by Borrower for sale or lease or to be furnished under a contract of service; (c) are furnished by Borrower under a contract of service; or (d) consist of raw materials, work in process, finished goods or materials used or consumed in its business.

1.68. "Inventory Loan Limit" shall mean \$20,000,000.

1.69. "Investment Property Control Agreement" shall mean an agreement in writing, in form and substance satisfactory to Agent, by and among Agent, Borrower and any securities intermediary, commodity intermediary or other person who has custody, control or possession of any investment property of Borrower acknowledging that such securities intermediary, commodity intermediary or other person has custody, control or possession of such investment property on behalf of Agent, that it will comply with entitlement orders originated by Agent with respect to such investment property, or other instructions of Agent, or (as the case may be) apply any value distributed on account of any commodity contract as directed by Agent, in each case, without the further consent of Borrower and including such other terms and conditions as Agent may require.

1.70. "Lenders" shall mean the financial institutions who are signatories hereto as Lenders and other persons made a party to this Agreement as a Lender in accordance with Section 13.6 hereof, and their respective

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successors and assigns; each sometimes being referred to herein individually as a "Lender".

1.71. "Letter of Credit Accommodations" shall mean, collectively, the letters of credit, merchandise purchase or other guaranties which are from time to time either (a) issued or opened by Agent for the account of Borrower or (b) with respect to which Agent has agreed to indemnify the issuer or guaranteed to the issuer the performance by Borrower of its obligations to such issuer; sometimes being referred to herein individually as a "Letter of Credit Accommodation".

1.72. "License Agreements" shall have the meaning set forth in Section 8.11 hereof.

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

1.74. "Material Adverse Effect" shall mean a material adverse effect on (a) the financial condition, business, performance, prospects or operations of Parent and its Subsidiaries, taken as a whole, or (b) the legality, validity or enforceability of this Agreement or any of the other Financing Agreements creating or evidencing Indebtedness of Borrower to Agent or Lenders or granting in favor of Agent any collateral security therefor; (c) the legality, validity, enforceability, perfection or priority of the security interests and liens of Agent upon any Collateral; (d) the Collateral or its value; (e) the ability of Borrower to repay the Obligations or of Borrower to perform its obligations under this Agreement or any of the other Financing Agreements as and when to be performed; or (f) the ability of Agent or any Lender to enforce the Obligations or realize upon the Collateral or otherwise with respect to the rights and remedies of Agent and Lenders under this Agreement or any of the other Financing Agreements.

1.75. "Material Contract" shall mean (a) the Purchase Agreements, (b) 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, and (c) 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.

1.76. "Maximum Credit" shall mean the amount of \$38,500,000 subject to increase as set forth in Section 2.1(d) hereof.

1.77. "Merger" shall mean the merger of Target with and into Borrower with Borrower as the surviving corporation pursuant to the terms of the Merger Documents.

1.78. "Merger Documents" shall mean any all agreements, documents, instruments, consents, shareholder approvals and resolutions, required to consummate, or otherwise relating to the Merger, including without limitation the Articles of Merger, as the same now exist or may hereafter be amended or modified with the consent of Agent.

1.79. "Mortgages" shall mean, individually and collectively, each of the mortgages, deeds to secure debt, deeds of trust or similar agreements granting to Agent a lien on the Real Property set forth on Schedule 1.79 (as the

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same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced).

1.80. "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.

1.81. "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.

1.82. "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.

1.83. "Net Orderly Liquidation Value" means with respect to Borrower's Equipment and Inventory, the value that is estimated to be recoverable in an orderly liquidation of such Equipment or Inventory net of estimated liquidation expenses as determined from time to time by a qualified appraisal company selected by Agent.

1.84. "Obligations" shall mean (a) any and all Loans, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by Borrower to Agent or any Lender and/or any of their 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

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direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, or secured or unsecured and (b) for purposes only of Sections 5 and 6.4(a) hereof, any and all Hedging Obligations owing by Borrower to Agent or any Affiliate of Agent.

1.85. "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 (including, without limitation, Guarantors) other than Borrower.

1.86. "Parent" shall mean Delta Apparel, Inc., a Georgia corporation.

1.87. "Parent Revolving Agent" shall mean Congress in its capacity as agent under the Parent Revolving Loan Agreement, and any successor or assignee thereof.

1.88. "Parent Revolving Loan Agreement" shall mean that certain Amended and Restated Loan and Security Agreement dated as of the date hereof, among Parent, Parent Revolving Agent and the "Lenders" (as defined therein) party thereto from time to time, as amended, restated, supplemented or otherwise modified from time to time.

1.89. "Participant" shall mean any financial institution that acquires and holds a participation in the interest of any Lender in any of the Loans and Letter of Credit Accommodations in conformity with the provisions of Section 13.6 of this Agreement governing participations.

1.90. "Permitted Holder" shall mean Parent.

1.91. "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.

1.92. "Plan" shall mean 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.

1.93. "Pledge Agreement" shall mean that certain Stock Pledge Agreement by Parent and Borrower in favor of Congress, in its capacity as Agent and in its capacity as Parent Revolving Agent, dated as of the Agreement Date, as the same may be amended, restated, supplemented or otherwise modified from time to time.

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

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1.95. "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.

1.96. "Pro Rata Share" shall mean as to any Lender, the fraction (expressed as a percentage) the numerator of which is such Lender's Commitment and the denominator of which is the aggregate amount of all of the Commitments of Lenders, as adjusted from time to time in accordance with the provisions of Section 13.6 hereof; provided, that, if the Commitments have been terminated, the numerator shall be the unpaid amount of such Lender's Loans and its interest in the Letter of Credit Accommodations and the denominator shall be the

aggregate amount of all unpaid Loans and Letter of Credit Accommodations.

1.97. "Provision for Taxes" shall mean an amount equal to all taxes imposed on or measured by net income, whether Federal, State, provincial, county or local, and whether foreign or domestic, that are paid or payable by any Person in respect of any period in accordance with GAAP.

1.98. "Purchase Agreements" shall mean, individually and collectively, the Stock Purchase Agreement, the Seller Note, and the Related Agreements (as defined in the Stock Purchase Agreement), as all of the foregoing now exist and as amended to the extent permitted herein.

1.99. "Purchased Stock" shall mean all of the issued and outstanding shares of common stock of M. J. Soffe Co., a North Carolina corporation.

1.100. "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.

1.101. "Receivables" shall mean all of the following now owned or hereafter arising or acquired property of Borrower: (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 payment intangibles of Borrower, 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 accounts, 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 of Borrower) 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

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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 lives of employees on which Borrower is a beneficiary).

1.102. "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).

1.103. "Reference Bank" shall mean Wachovia Bank, National Association, or such other bank as Agent may from time to time designate.

1.104. "Register" shall have the meaning set forth in Section 13.6(b) hereof.

1.105. "Renewal Date" shall have the meaning set forth in Section 13.1(a) hereof.

1.106. "Required Lenders" shall mean, at any time, those Lenders whose Pro Rata Shares aggregate sixty-six and two-thirds (66 2/3%) percent or more of the aggregate of the Commitments of all Lenders, or if the Commitments shall have been terminated, Lenders to whom at least sixty-six and two-thirds (66 2/3%) percent of the then outstanding Obligations are owing.

1.107. "Reserves" shall mean as of any date of determination, such

amounts as Agent may from time to time establish and revise in good faith reducing the amount of 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 or unknown to Agent as of the Closing Date, which, as determined by Agent 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 or (ii) the assets, business or financial condition of Borrower or any Obligor, or (iii) the security interests and other rights of Agent or any Lender in the Collateral (including the enforceability, perfection and priority thereof) or (b) to reflect Agent's good faith belief that any collateral report or financial information furnished by or on behalf of Borrower or any Obligor to Agent 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) to reflect expenses or costs incurred by Borrower with respect to cooperative advertising, (e) in the amount of any Hedging Obligations of Borrower owed to Agent or any Affiliate of Agent or (f) in respect of any state of facts which Agent determines in good faith constitutes a Default or an Event of Default. Without limiting the generality of the foregoing, Reserves may be established to reflect that dilution with respect to the Accounts (based on the ratio of the aggregate amount of non-cash reductions in Accounts for any period to the aggregate dollar amount of the sales of Borrower for such period) as calculated by Agent for any period is or is reasonably anticipated to be greater than five (5%) percent. To the extent Agent may revise the lending formulas used to determine the Borrowing Base or establish new criteria or revise existing criteria for Eligible Accounts

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or Eligible Inventory so as to address any circumstances, condition, event or contingency in a manner satisfactory to Agent, Agent shall not establish a Reserve for the same purpose. The amount of any Reserve established by Agent shall have a reasonable relationship to the event, condition or other matter which is the basis for such reserve as determined by Agent in good faith.

1.108. "SAIM" shall mean SAIM, LLC, a North Carolina limited liability company.

1.109. "Sellers" shall mean collectively, James F. Soffe, John D. Soffe and Anthony M. Cimaglia, and their respective heirs, executors, successors and assigns.

1.110. "Seller Note" means that certain Promissory Note dated as of the date hereof in the original principal amount of \$8,000,000 executed and delivered by Borrower in favor of Sellers in effect on the date hereof and as amended in compliance with the terms hereof. A true and correct copy of the Seller Note as in effect on the date hereof is annexed hereto as Exhibit D.

1.111. "Solvent" shall mean, at any time with respect to any Person, that at such time such Person (a) is able to pay its debts as they mature and has (and has a reasonable basis to believe it will continue to have) sufficient capital (and not unreasonably small capital) to carry on its business consistent with its practices as of the date hereof, and (b) the assets and properties of such Person at a fair valuation (and including as assets for this purpose at a fair valuation all rights of subrogation, contribution or indemnification arising pursuant to any guarantees given by such Person) are greater than the Indebtedness of such Person, and including subordinated and contingent liabilities computed at the amount which, such person has a reasonable basis to believe, represents an amount which can reasonably be expected to become an actual or matured liability (and including as to contingent liabilities arising pursuant to any guarantee the face amount of such liability as reduced to reflect the probability of it becoming a matured liability).

1.112. "Special Agent Advances" shall have the meaning set forth in Section 12.11(a) hereof.

1.113. "Stock Purchase Agreement" means the Amended and Restated Stock Purchase Agreement, dated as of October 3, 2003, among Parent, Borrower, Target and Sellers.

1.114. "Subordination Agreement" shall mean that certain Subordination Agreement, dated as of the date hereof, among Congress, in its capacity as Agent and in its capacity as Parent Revolving Agent, Borrower, Parent and Sellers, as the same may be amended, restated, supplemented or otherwise modified from time to time.

1.115. "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 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.

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1.116. "Target" shall mean M. J. Soffe Co., a North Carolina corporation.

1.117. "UCC" shall mean the Uniform Commercial Code as in effect in the State of Georgia, and any successor statute, as in effect from time to time (except that terms used herein which are defined in the Uniform Commercial Code as in effect in the State of Georgia on the date hereof shall continue to have the same meaning notwithstanding any replacement or amendment of such statute except as Agent may otherwise determine).

1.118. "Value" shall mean, as determined by Agent 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 provided, that, for purposes of the calculation of the Borrowing Base, (i) the Value of the Inventory shall not include: (A) the portion of the value of Inventory equal to the profit earned by any Affiliate on the sale thereof to Borrower or (B) write-ups or write-downs in value with respect to currency exchange rates and (ii) notwithstanding anything to the contrary contained herein, the cost of the Inventory shall be computed in the same manner and consistent with the most recent appraisal of the Inventory received and accepted by Agent prior to the date hereof, if any.

1.119. "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.

SECTION 2. CREDIT FACILITIES

2.1 Loans.

(a) Subject to and upon the terms and conditions contained herein, each Lender severally (and not jointly) agrees to fund its Pro Rata Share of Loans to Borrower from time to time in amounts requested by Borrower up to the amount outstanding at any time equal to the lesser of: (i) the Borrowing Base or (ii) the Maximum Credit at such time. Except as otherwise provided herein or permitted hereunder, (x) the aggregate principal amount of the sum of the Loans and Letter of Credit Accommodations outstanding at any time to Borrower shall not exceed the lesser of the Borrowing Base or the Maximum Credit, and (y) the aggregate principal amount of the Loans outstanding at any time to Borrower based on the Eligible Inventory of Borrower shall not exceed the Inventory Loan Limit.

(b) Agent may, in its discretion, from time to time, upon not less than five (5) days' prior notice to Borrower, reduce the lending formula(s) with respect to Eligible Inventory to the extent that Agent determines that: (i) the number of days of the turnover of the Inventory for any period has changed or (ii) the liquidation value of the Eligible Inventory, or any category thereof, has decreased, including any decrease attributable to a change in the nature, quality or mix of the Inventory. The amount of any decrease in the lending formula shall have a reasonable relationship to the event, condition or circumstance which is the basis for such decrease as determined by Agent in good

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faith. In determining whether to reduce the lending formula(s), Agent may

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

(c) In the event that (i) the aggregate principal amount of the Loans and Letter of Credit Accommodations outstanding at any time exceeds the lesser of the Maximum Credit or the Borrowing Base, or (ii) the aggregate amount of the outstanding Letter of Credit Accommodations exceeds the sublimit for Letter of Credit Accommodations set forth in Section 2.2(e), such event shall not limit, waive or otherwise affect any rights of Agent or Lenders in such circumstances or on any future occasions and Borrower shall, upon demand by Agent, which may be made at any time or from time to time, immediately repay to Agent the entire amount of any such excess(es) for which payment is demanded.

(d) The Maximum Credit may be permanently increased, one time only, by \$2,500,000 to \$41,000,000, upon the written request of Borrower to Agent and Lenders. Such request shall be irrevocable and shall become effective three (3) Business Days after such request is received by Agent, provided, that, as of the proposed effective date of any such increase, Agent 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 \$2,500,000 and each Lender's Commitment shall be deemed to automatically increase by its Pro Rata Share of the increased amount.

2.2 Letter of Credit Accommodations.

(a) Subject to and upon the terms and conditions contained herein, at the request of Borrower, Agent agrees, for the ratable risk of each Lender according to its Pro Rata Share, to provide or arrange for Letter of Credit Accommodations for the account of Borrower containing terms and conditions acceptable to Agent and the issuer thereof. Any payments made by or on behalf of Agent or any Lender to any issuer thereof and/or related parties in connection with the Letter of Credit Accommodations shall constitute additional 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 Agent, for the benefit of Lenders, a letter of credit fee at a rate equal to two and one-half (2 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 Agent may, and upon the written direction of Required Lenders shall, require Borrower to pay to Agent for the ratable benefit of Lenders such letter of credit fee, at a rate equal to four and one-half (4 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 Agent and Lenders have received full and final payment of all Obligations (notwithstanding entry of a judgment against Borrower) and (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

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determined by Agent. 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 Agent two (2) Business Days' prior written notice 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 terms 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 Agent: (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 Agent, 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 Agent 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 and the documents of title with respect thereto are consigned to the issuer, the sum of (1) the percentage equal to one hundred (100%) percent minus the then applicable percentage with respect to Eligible Inventory set forth in the definition of the term Borrowing Base multiplied by the Value of such Eligible Inventory, plus (2) freight, taxes, duty and other amounts which Agent estimates must be paid 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 (B) if the proposed Letter of Credit Accommodation is for any other purpose or the documents of title are not consigned to the issuer in connection with a Letter of Credit Accommodation for the purpose of purchasing Inventory, an amount equal to one hundred (100%) percent of the face amount thereof and all other commitments and obligations made or incurred by Agent with respect 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).

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(e) Except in Agent's discretion, with the consent of all Lenders, the amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Agent in connection therewith shall not at any time exceed \$7,500,000 in the aggregate.

(f) Borrower shall indemnify and hold Agent and Lenders harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Agent or any 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 Agent and Lenders 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 willful misconduct of Agent or any Lender as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. The provisions of this Section 2.2(f) 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 shall, at Agent's request, instruct all suppliers, carriers, forwarders, customs brokers, warehouses or others receiving or holding cash, checks, Inventory, documents or instruments in which Agent holds a security interest to deliver them to Agent and/or subject to Agent's order, and if they shall come into Borrower's possession, to deliver them, upon Agent's request, to Agent in their original form. Borrower shall also, at Agent's request, designate Agent 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 Agent all instruments, documents and other writings and property received by issuer pursuant to the Letter of Credit Accommodations and to accept and rely upon Agent'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 Agent or any Lender in any manner. Agent and Lenders shall have no liability of any kind with respect to any Letter of Credit Accommodation provided by an issuer other than Agent or any Lender unless Agent 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 Agent, 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. Agent 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

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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. Agent 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 Agent for the ratable benefit of Lenders. Any duties or obligations undertaken by Agent to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement by Agent in favor of any issuer or correspondent to the extent relating to any Letter of Credit Accommodation, shall be deemed to have been undertaken by Borrower to Agent for the ratable benefit of Lenders and to apply in all respects to Borrower.

(j) Immediately upon the issuance or amendment of any Letter of Credit Accommodation, each Lender shall be deemed to have irrevocably and unconditionally purchased and received, without recourse or warranty, an undivided interest and participation to the extent of such Lender's Pro Rata Share of the liability with respect to such Letter of Credit Accommodation (including, without limitation, all Obligations with respect thereto).

(k) Borrower is irrevocably and unconditionally obligated, without presentment, demand or protest, to pay to Agent any amounts paid by an issuer of a Letter of Credit Accommodation with respect to such Letter of Credit Accommodation (whether through the borrowing of Loans in accordance with Section 2.2(a) or otherwise). In the event that Borrower fails to pay Agent on the date of any payment under a Letter of Credit Accommodation in an amount equal to the amount of such payment, Agent (to the extent it has actual notice thereof) shall promptly notify each Lender of the unreimbursed amount of such payment and each Lender agrees, upon one (1) Business Day's notice, to fund to Agent the purchase of its participation in such Letter of Credit Accommodation in an amount equal to its Pro Rata Share of the unpaid amount. The obligation of each Lender to deliver to Agent an amount equal to its respective participation pursuant to the foregoing sentence is absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuance of any Event of Default, the failure to satisfy any other condition set forth in Section 4 or any other event or circumstance. If such amount is not made available by a Lender when due, Agent shall be entitled to recover such amount on demand from such Lender with interest thereon, for each day from the date such amount was due until the date such amount is paid to Agent at the interest rate then payable by Borrower in respect of Loans that are Prime Rate Loans as set forth in Section 3.1(a) hereof.

2.3 [Intentionally Omitted].

2.4 Commitments. The aggregate amount of each Lender's Pro Rata Share of the Loans and Letter of Credit Accommodations shall not exceed the amount of such Lender's Commitment, as the same may from time to time be amended in accordance with the provisions hereof.

SECTION 3. INTEREST AND FEES

3.1 Interest.

(a) Borrower shall pay to Agent, for the benefit of Lenders, 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 shall be payable on demand.

(b) Borrower may from time to time request Eurodollar Rate Loans or may 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 Eurodollar Rate Loans or the amount of the Prime Rate Loans to be converted to Eurodollar Rate Loans or the amount of the Eurodollar Rate Loans to be continued (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 Agent of such a request from Borrower, such Eurodollar Rate Loans shall be made or 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 Default or 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 Agent and specified by Agent 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, (vi) the maximum amount of the Eurodollar Rate Loans at any time requested by Borrower shall not exceed the amount equal to ninety (90%) percent of the lowest principal amount of the Loans which it is anticipated will be outstanding during the applicable Interest Period, in each case as determined by Agent (but with no obligation of Agent to make such Loans), and (vii) Agent and each Lender shall have determined that the Interest Period or Adjusted Eurodollar Rate is available to Agent and such Lender and can be readily determined as of the date of the request for such Eurodollar Rate Loan by Borrower. Any request by a Borrower for Eurodollar Rate Loans or 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, Agent and Lenders 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 Agent and Lenders 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 Agent 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 Agent's option, upon notice by Agent to convert to Prime Rate Loans in the event that this Agreement shall terminate or not be renewed. Borrower shall pay to Agent, for the benefit of Lenders, upon demand by Agent (or Agent may, at its option, charge any loan account of Borrower) any amounts required to compensate any Lender or 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 Agent, for the account of Lenders, 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. 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 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. In no event shall charges constituting interest payable by Borrower to Agent and Lenders exceed the maximum amount or the rate permitted under any applicable law or regulation, and if any such part or provision of this Agreement is in contravention of any such law or regulation, such part or provision shall be deemed amended to conform thereto.

3.2 Fees. Borrower agrees to pay to Agent the following non-refundable fees as follows:

(a) the fees set forth in that certain fee letter agreement dated as of the date hereof between Borrower and Agent; and

(b) on the first day of each month in arrears for the benefit of Lenders, an unused line fee at a rate equal to one quarter of one percent (0.250%) per annum calculated upon the amount by which \$30,000,000 exceeds the average daily principal balance of the outstanding Loans and Letter of Credit Accommodations during the immediately preceding month (or part thereof) (the "Average Daily Balance") 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 and shall be fully earned when due; provided, however, that from and after the date that (i) the difference of (A) the Average Daily Balance minus (B) the amount of availability generated by clause (a)(iii) of the Borrowing Base, exceeds (ii) \$30,000,000, such fee shall be calculated upon the amount by which the Maximum Credit exceeds the Average Daily Balance.

3.3 Changes in Laws and Increased Costs of Loans.

(a) If after the date hereof, either (i) any change in, or in the interpretation of, any law or regulation is introduced, including, without limitation, with respect to reserve requirements, applicable to any Lender or any banking or financial institution from whom any Lender borrows funds or obtains credit (a "Funding Bank"), or (ii) a Funding Bank or any Lender complies with any future guideline or request from any central bank or other Governmental Authority or (iii) a Funding Bank or any Lender determines that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof has or would have the effect described below, or a Funding Bank or any Lender complies with any request or directive regarding capital adequacy (whether or not having the force of law) of any such

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authority, central bank or comparable agency, and in the case of any event set forth in this clause (iii), such adoption, change or compliance has or would have the direct or indirect effect of reducing the rate of return on any Lender's capital as a consequence of its obligations hereunder to a level below that which such Lender could have achieved but for such adoption, change or compliance (taking into consideration the Funding Bank's or such Lender's policies with respect to capital adequacy) by an amount reasonably deemed by such Lender to be material, and the result of any of the foregoing events described in clauses (i), (ii) or (iii) is or results in an increase in the cost to such Lender of funding or maintaining the Loans or the Letter of Credit Accommodations or its Commitment, then Borrower shall from time to time upon demand by such Lender pay to such Lender additional amounts sufficient to indemnify such Lender against such increased cost on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified). A certificate as to the amount of such increased cost shall be submitted to Borrower by such Lender and shall be conclusive, absent manifest error.

(b) If prior to the first day of any Interest Period, (i) Agent shall have determined in good faith (which determination shall be conclusive and binding upon Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, (ii) Agent determines that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to Agent of making or maintaining Eurodollar Rate Loans during such Interest Period, or (iii) Dollar deposits in the principal amounts of the Eurodollar Rate Loans to which such Interest Period is to be applicable are not generally available in the London interbank market, Agent shall give telecopy or telephonic notice thereof to Borrower as soon as practicable thereafter, and will also give prompt written notice to Borrower

when such conditions no longer exist. If such notice is given (A) any Eurodollar Rate Loans requested to be made on the first day of such Interest Period shall be made as Prime Rate Loans, (B) any Loans that were to have been converted on the first day of such Interest Period to or continued as Eurodollar Rate Loans shall be converted to or continued as Prime Rate Loans and (C) each outstanding Eurodollar Rate Loan shall be converted, on the last day of the then-current Interest Period thereof, to Prime Rate Loans. Until such notice has been withdrawn by Agent, no further Eurodollar Rate Loans shall be made or continued as such, nor shall Borrower have the right to convert Prime Rate Loans to Eurodollar Rate Loans.

(c) Notwithstanding any other provision herein, if the adoption of or any change in any law, treaty, rule or regulation or final, non-appealable determination of an arbitrator or a court or other Governmental Authority or in the interpretation or application thereof occurring after the date hereof shall make it unlawful for any Lender to make or maintain Eurodollar Rate Loans as contemplated by this Loan Agreement, (i) such Lender shall promptly give written notice of such circumstances to Borrower (which notice shall be withdrawn whenever such circumstances no longer exist), (ii) the commitment of such Lender hereunder to make Eurodollar Rate Loans, continue Eurodollar Rate Loans as such and convert Prime Rate Loans to Eurodollar Rate Loans shall forthwith be canceled and, until such time as it shall no longer be unlawful for such Lender

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to make or maintain Eurodollar Rate Loans, such Lender shall then have a commitment only to make a Prime Rate Loan when a Eurodollar Rate Loan is requested and (iii) Loans then outstanding as Eurodollar Rate Loans, if any, shall be converted automatically to Prime Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Rate Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 3.3(d) below.

(d) Borrower shall indemnify Agent and Lenders and hold Agent and Lenders harmless from any loss or expense which Agent or Lenders may sustain or incur as a consequence of (i) default by Borrower in making a borrowing of, conversion into or extension of Eurodollar Rate Loans after Borrower has given a notice requesting the same in accordance with the provisions of this Loan Agreement, (ii) default by Borrower in making any prepayment of a Eurodollar Rate Loan after Borrower has given a notice thereof in accordance with the provisions of this Agreement, and (iii) the making of a prepayment of Eurodollar Rate Loans on a day which is not the last day of an Interest Period with respect thereto. With respect to Eurodollar Rate Loans, such indemnification may include an amount equal to the excess, if any, of (A) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or extended, for the period from the date of such prepayment or of such failure to borrow, convert or extend to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or extend, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Eurodollar Rate Loans provided for herein over (B) the amount of interest (as determined by such Agent or Lender) which would have accrued to Agent or Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. This covenant shall survive the termination or non-renewal of this Loan Agreement and the payment of the Obligations

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 Agent and Lenders making the initial Loans and providing the initial Letter of Credit Accommodations hereunder:

(a) Agent shall have received, in form and substance satisfactory to Agent, evidence that the Purchase Agreements and Merger Documents have been duly executed and delivered by and to the appropriate parties thereto and shall have received true and correct copies thereof;

(b) all requisite corporate action and proceedings in connection with this Agreement and the other Financing Agreements shall be satisfactory in form and substance to Agent, and Agent shall have received all information and copies of all documents, including records of requisite corporate action and proceedings which Agent may have requested in connection therewith, such

documents where requested by Agent or its counsel to be certified by appropriate corporate officers or Governmental Authority (and including a copy of the articles or certificate of incorporation or articles of organization, as the case may be, of Borrower and each Guarantor certified by the Secretary of State (or equivalent Governmental Authority) which shall set forth the same complete corporate name of Borrower or such Guarantor as is set forth herein and such

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document as shall set forth the organizational identification number of Borrower or such Guarantor, if one is issued in its jurisdiction of incorporation);

(c) no material adverse change in the business, assets or prospects of Parent and its Subsidiaries, taken as a whole, shall have occurred;

(d) Agent shall have completed a field review of the Records and such other information with respect to the Collateral and business, operations and assets of Borrower, Guarantors and Target as Agent may require to determine the amount of Loans available to Borrower (including, without limitation, current perpetual inventory records and/or roll-forwards of Accounts and Inventory of Borrower and Target through the date of closing and test counts of the Inventory in a manner satisfactory to Agent, together with such supporting documentation as may be necessary or appropriate, and other documents and information that will enable Agent to accurately identify and verify the Collateral), the results of which in each case shall be satisfactory to Agent, not more than three (3) Business Days prior to the date hereof;

(e) Agent shall have received, in form and substance satisfactory to Agent, all consents, waivers, acknowledgments and other agreements from third persons which Agent 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 processors and warehouses at which Collateral is located;

(f) the Excess Closing Availability as determined by Agent, as of the date hereof, shall be not less than \$4,000,000 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;

(g) Agent shall have received, in form and substance satisfactory to Agent, Deposit Account Control Agreements by and among Agent, Borrower and each bank where Borrower has a deposit account, in each case, duly authorized, executed and delivered by such bank and Borrower (or Agent shall be the bank's customer with respect to such deposit account as Agent may specify);

(h) Agent shall have received evidence, in form and substance satisfactory to Agent, that Agent has a valid perfected first priority security interest in all of the Collateral (including, without limitation, all assets of Target upon consummation of the Merger), other than Liens permitted under this Agreement;

(i) Agent shall have received and reviewed lien and judgment search results for the jurisdiction of incorporation or organization of Borrower, each Guarantor and Target, the jurisdiction of the chief executive office of Borrower, each Guarantor and Target and all jurisdictions in which assets of Borrower, each Guarantor and Target are located, which search results shall be in form and substance satisfactory to Agent;

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(j) Agent shall have received the stock certificates representing all of the issued and outstanding shares of the Capital Stock of Borrower and owned by Borrower, to the extent that the equity interest that constitutes such Capital Stock is certificated, in each case together with stock powers duly executed in blank with respect thereto;

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

(l) Agent shall have received, in form and substance satisfactory to Agent, such opinion letter of counsel(s) to Borrower, Guarantors and Target with

respect to the Purchase Agreements, the effectiveness of the Merger, the Financing Agreements and the security interests and liens of Agent and Lenders with respect to the Collateral and such other matters as Agent may request;

(m) Agent shall have received, in form and substance satisfactory to Agent, a pro forma balance sheet of Borrower, prepared on a consolidating basis, reflecting the initial transactions contemplated hereunder, including, but not limited to, (i) the consummation of the acquisition of the Purchased Stock by Borrower from Sellers and the other transactions contemplated by the Purchase Agreements and the Merger and (ii) the Loans and Letter of Credit Accommodations provided by Agent 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, subject to post-closing adjustments, represents the reasonable, good faith opinion of such officer as to the subject matter thereof as of the date of such certificate;

(n) Agent shall have received, in form and substance satisfactory to Agent, evidence that Borrower has received a cash contribution or advance of not less than \$20,000,000 and such proceeds have been applied to the cash portion of the purchase price of the Purchased Stock payable pursuant to the Stock Purchase Agreement;

(o) Agent shall have received evidence, in form and substance satisfactory to Agent, that all conditions precedent to the consummation of the purchase of Purchased Stock by Borrower shall have been satisfied except payment of the purchase price therefor, and that upon the making of the initial Loans hereunder, Borrower shall own the Purchased Stock and the Merger shall be consummated;

(p) Agent shall have received a valuation and/or appraisal of the trademarks of Target, the results of which shall be satisfactory to Agent;

(q) Agent shall have received, in form and substance satisfactory to Agent, a valid and effective mortgagee's title insurance policy issued by a company and agent acceptable to Agent (i) insuring the priority, amount and sufficiency of the Mortgages, (ii) insuring against matters that would be disclosed by surveys and (iii) containing any endorsements, assurances or affirmative coverage requested by Agent for protection of its interests;

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(r) Agent shall have received surveys with respect to the Real Property located in Fayetteville, North Carolina subject to the Mortgages, and such surveys shall be satisfactory in form and substance to Agent;

(s) Agent shall have received the appraisals of the Equipment and Real Property of Target, the results of which shall be satisfactory to Agent;

(t) Agent shall have received, in form and substance satisfactory to Agent, a copy of the Seller Note;

(u) to the extent such consent shall not be expressly set forth in the Purchase Agreements, Agent shall have received, in form and substance satisfactory to Agent, the agreement of Sellers consenting to the collateral assignment by Borrower or any Obligor to Agent of all of Borrower's and such Obligor's rights and remedies and claims for damages and other relief under the Purchase Agreements and granting Agent such other rights as Agent may require, duly authorized, executed and delivered by Sellers;

(v) Agent shall have received a duly executed copy of the Parent Revolving Loan Agreement and evidence of the satisfaction of all conditions precedent to the effective thereof;

(w) Agent shall have received an accounts payable report for Target and Borrower as of the Agreement Date, in form acceptable to Agent; and

(x) the other Financing Agreements (including, without limitation, the Guarantee, the Intercreditor Agreement, the Pledge Agreement, and the Subordination Agreement) and all instruments and documents hereunder and thereunder shall have been duly executed and delivered to Agent, in form and substance satisfactory to Agent.

4.2 Conditions Precedent to All Loans and Letter of Credit Accommodations. Each of the following is an additional condition precedent to

the making of 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);

(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

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Accommodations, or (B) the consummation of the transactions contemplated pursuant to the terms hereof or the other Financing Agreements or (ii) has or has a reasonable likelihood of having a Material Adverse Effect; and

(c) no Default or 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.

4.3 Conditions Subsequent to Initial Loans and Letter of Credit Accommodations. The obligation of Lenders to continue to make Loans or extend credit hereunder is subject to the fulfillment, on or before the date applicable thereto, of each of the conditions subsequent set forth below (the failure by Borrower to so perform or cause to be performed constituting an Event of Default):

(a) within 21 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent surveys with respect to the Real Property located in Bladenboro, North Carolina and Rowland, North Carolina, each in form and substance satisfactory to Agent, together with evidence of the removal of any survey exceptions with respect to the title insurance policies relating to such Real Property; and

(b) within 30 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent a Deposit Account Control Agreement, executed by Borrower and First Citizens Bank, duly authorized, executed and delivered by such bank and Borrower; and

(c) within 30 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent agreements relating to credit card services, each of which is between Borrower and each Person that collects credit card receivables on behalf of Borrower; and

(d) within 30 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent Deposit Account Control Agreements, executed by Borrower and Bank of America, N.A., in each case duly authorized, executed and delivered by such bank and Borrower or, within 90 days of the Agreement Date, Borrower shall (i) deliver evidence of the closure of its accounts with Bank of America, N.A., (ii) establish new accounts at a bank or banks other than Bank of America, N.A. and (iii) deliver to Agent Deposit Account Control Agreements, executed by Borrower and such other bank or banks, duly authorized, executed and delivered by such bank or banks and Borrower with respect to such accounts; and

(e) within 45 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent evidence of the closure of the following accounts:

(i) Fifth Third - account number 2679947 (collection account, Lansing, Michigan),

(ii) First National - account number 81906 (collection account; Kansas City, Missouri), and

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(iii) Bank of America, N.A. - account number 50064856 (disbursement account; insurance and clearing; Fayetteville, North Carolina); and

(f) within 60 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent additional information with respect to Borrower's disclosures set forth on Schedule 8.9 hereto as Agent may request and thereafter take such corrective action with respect thereto as Agent shall reasonably request.

SECTION 5. GRANT AND PERFECTION OF SECURITY INTEREST

5.1 Grant of Security Interest. To secure payment and performance of all Obligations, Borrower hereby grants to Agent a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Agent, for itself and the ratable benefit of Lenders, as security, all personal and real property and fixtures and interests in property and fixtures 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 Agent or any Lender, collectively, the "Collateral") including:

(a) all Accounts;

(b) all general intangibles, including, without limitation, all Intellectual Property;

(c) all goods, including, without limitation, Inventory and Equipment;

(d) all Real Property and fixtures;

(e) all chattel paper including, without limitation, all tangible and electronic chattel paper;

(f) all instruments including, without limitation, all promissory notes;

(g) all documents;

(h) all deposit accounts;

(i) all letters of credit, banker's acceptances and similar instruments and including all letter-of-credit rights;

(j) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Receivables and other Collateral, including (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Receivables or other Collateral, including returned, repossessed and reclaimed goods, and (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors;

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(k) all (i) investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts) and (ii) monies, credit balances, deposits and other property of Borrower now or hereafter held or received by or in transit to Agent, any 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;

(l) all commercial tort claims, including, without limitation, those identified in the Information Certificate;

(m) to the extent not otherwise described above, all Receivables;

(n) all Records; and

(o) 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 or other involuntary conversion of any kind or nature of any or all of the other Collateral.

Subject to the restrictions on the incurrence of purchase money Indebtedness in Section 9.9(b) hereof but notwithstanding anything to the contrary contained in clause (c) above, the types or items of Collateral described in such clause shall not include any Equipment purchased with the proceeds of such purchase money Indebtedness which is, or at the time of Borrower's acquisition thereof shall be, subject to a 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 Agent, for itself and the ratable benefit of Lenders, in such item of Equipment is prohibited by the terms of the agreement between Borrower and the holder of such purchase money lien or security interest and the consent of such holder to Agent's lien has not been or is not waived, or the consent of such holder has not been or is not otherwise obtained, or under applicable law such prohibition cannot be waived and (b) the purchase money lien on such item of Equipment is or shall become and remain valid and perfected.

5.2 Perfection of Security Interests.

(a) Borrower irrevocably and unconditionally authorizes Agent (or its agent) to file at any time and from time to time such financing statements with respect to the Collateral naming Agent or its designee as the secured party and Borrower as debtor, as Agent may require, and including any other information with respect to Borrower or otherwise required by part 5 of Article 9 of the Uniform Commercial Code of such jurisdiction as Agent may determine, together with any amendment and continuations with respect thereto, which authorization shall apply to all financing statements filed on, prior to or after the date hereof. Borrower hereby ratifies and approves all financing statements naming Agent or its designee as secured party and Borrower as debtor with respect to the Collateral (and any amendments with respect to such financing statements) filed by or on behalf of Agent prior to the date hereof and ratifies and confirms the authorization of Agent to file such financing statements (and amendments, if any). Borrower hereby authorizes Agent to adopt on behalf of Borrower any symbol required for authenticating any electronic filing. In the

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event that the description of the collateral in any financing statement naming Agent or its designee as the secured party and Borrower as debtor includes assets and properties of Borrower that do not at any time constitute Collateral, whether hereunder, under any of the other Financing Agreements or otherwise, the filing of such financing statement shall nonetheless be deemed authorized by Borrower to the extent of the Collateral included in such description and it shall not render the financing statement ineffective as to any of the Collateral or otherwise affect the financing statement as it applies to any of the Collateral. In no event shall Borrower at any time file, or permit or cause to be filed, any correction statement or termination statement with respect to any financing statement (or amendment or continuation with respect thereto) naming Agent or its designee as secured party and Borrower as debtor.

(b) Borrower does not have any chattel paper (whether tangible or electronic) or instruments as of the date hereof, except as set forth in the Information Certificate. In the event that Borrower shall be entitled to or shall receive any chattel paper or instrument after the date hereof, Borrower shall promptly notify Agent thereof in writing. Promptly upon the receipt thereof by or on behalf of Borrower (including by any agent or representative), Borrower shall deliver, or cause to be delivered to Agent, all tangible chattel paper and instruments that Borrower has or may at any time acquire, accompanied by such instruments of transfer or assignment duly executed in blank as Agent may from time to time specify, in each case except as Agent may otherwise agree. At Agent's option, Borrower shall, or Agent may at any time on behalf of Borrower, cause the original of any such instrument or chattel paper to be conspicuously marked in a form and manner acceptable to Agent with the following legend referring to chattel paper or instruments as applicable: "This [chattel paper][instrument] is subject to the security interest of Congress Financial Corporation (Southern), as Agent and any sale, transfer, assignment or encumbrance of this [chattel paper][instrument] violates the rights of such secured party."

(c) In the event that Borrower shall at any time hold or acquire an interest in any electronic chattel paper or any "transferable record" (as such term is defined in Section 201 of the Federal Electronic Signatures in Global

and National Commerce Act or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction) Borrower shall promptly notify Agent thereof in writing. Promptly upon Agent's request, Borrower shall take, or cause to be taken, such actions as Agent may request to give Agent control of such electronic chattel paper under Section 9-105 of the UCC and control of such transferable record under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as in effect in such jurisdiction.

(d) Borrower does not have any deposit accounts as of the date hereof, except as set forth in the Information Certificate. Borrower shall not, directly or indirectly, after the date hereof open, establish or maintain any deposit account unless each of the following conditions is satisfied: (i) Agent shall have received not less than five (5) Business Days prior written notice of the intention of Borrower to open or establish such account which notice shall specify in reasonable detail and specificity acceptable to Agent the name of the account, the owner of the account, the name and address of the bank at which such account is to be opened or established, the individual at such bank with whom Borrower is dealing and the purpose of the account, (ii) the bank where such account is opened or maintained shall be acceptable to Agent, and (iii) on or before the opening of such deposit account, Borrower shall as Agent may

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specify either (A) deliver to Agent a Deposit Account Control Agreement with respect to such deposit account duly authorized, executed and delivered by Borrower and the bank at which such deposit account is opened and maintained or (B) arrange for Agent to become the customer of the bank with respect to the deposit account on terms and conditions acceptable to Agent. The terms of this subsection (d) shall not apply to deposit accounts specifically and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's salaried employees.

(e) Borrower does not own or hold, directly or indirectly, beneficially or as record owner or both, any investment property, as of the date hereof, or have any investment account, securities account, commodity account or other similar account with any bank or other financial institution or other securities intermediary or commodity intermediary as of the date hereof, in each case except as set forth in the Information Certificate.

(f) In the event that Borrower shall be entitled to or shall at any time after the date hereof hold or acquire any certificated securities, Borrower shall promptly endorse, assign and deliver the same to Agent, accompanied by such instruments of transfer or assignment duly executed in blank as Agent may from time to time specify. If any securities, now or hereafter acquired by Borrower are uncertificated and are issued to Borrower its nominee directly by the issuer thereof, Borrower shall immediately notify Agent thereof and shall as Agent may specify, either (A) cause the issuer to agree to comply with instructions from Agent as to such securities, without further consent of Borrower or such nominee, or (B) arrange for Agent to become the registered owner of the securities.

(g) Borrower shall not, directly or indirectly, after the date hereof open, establish or maintain any investment account, securities account, commodity account or any other similar account (other than a deposit account) with any securities intermediary or commodity intermediary unless each of the following conditions is satisfied: (A) Agent shall have received not less than five (5) Business Days prior written notice of the intention of Borrower to open or establish such account which notice shall specify in reasonable detail and specificity reasonably acceptable to Agent the name of the account, the owner of the account, the name and address of the securities intermediary or commodity intermediary at which such account is to be opened or established, the individual at such intermediary with whom Borrower is dealing and the purpose of the account, (B) the securities intermediary or commodity intermediary (as the case may be) where such account is opened or maintained shall be reasonably acceptable to Agent, and (C) on or before the opening of such investment account, securities account or other similar account with a securities intermediary or commodity intermediary, Borrower shall as Agent may specify either (1) execute and deliver, and cause to be executed and delivered to Agent, an Investment Property Control Agreement with respect thereto duly authorized, executed and delivered by Borrower and such securities intermediary or commodity intermediary or (2) arrange for Agent to become the entitlement holder with respect to such investment property on terms and conditions acceptable to Agent.

(h) Borrower is not the beneficiary or otherwise entitled to any right to payment under any letter of credit, banker's acceptance or similar instrument as of the date hereof, except as set forth in the Information Certificate. In the event that Borrower shall be entitled to or shall receive any right to payment under any letter of credit, banker's acceptance or any similar instrument, whether as beneficiary thereof or otherwise after the date hereof,

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Borrower shall promptly notify Agent thereof in writing. Borrower shall immediately, as Agent may specify, either (i) deliver, or cause to be delivered to Agent, with respect to any such letter of credit, banker's acceptance or similar instrument, the written agreement of the issuer and any other nominated person obligated to make any payment in respect thereof (including any confirming or negotiating bank), in form and substance satisfactory to Agent, consenting to the assignment of the proceeds of the letter of credit to Agent by Borrower and agreeing to make all payments thereon directly to Agent or as Agent may otherwise direct or (ii) cause Agent to become, at Borrower's expense, the transferee beneficiary of the letter of credit, banker's acceptance or similar instrument (as the case may be).

(i) Borrower has no commercial tort claims as of the date hereof, except as set forth in the Information Certificate. In the event that Borrower shall at any time after the date hereof have any commercial tort claims, Borrower shall promptly notify Agent thereof in writing, which notice shall (i) set forth in reasonable detail the basis for and nature of such commercial tort claim and (ii) include the express grant by Borrower to Agent of a security interest in such commercial tort claim (and the proceeds thereof). In the event that such notice does not include such grant of a security interest, the sending thereof by Borrower to Agent shall be deemed to constitute such grant to Agent. Upon the sending of such notice, any commercial tort claim described therein shall constitute part of the Collateral and shall be deemed included therein. Without limiting the authorization of Agent provided in Section 5.2(a) hereof or otherwise arising by the execution by Borrower of this Agreement or any of the other Financing Agreements, Agent is hereby irrevocably authorized from time to time and at any time to file such financing statements naming Agent or its designee as secured party and Borrower as debtor, or any amendments to any financing statements, covering any such commercial tort claim as Collateral. In addition, Borrower shall promptly upon Agent's request, execute and deliver, or cause to be executed and delivered, to Agent such other agreements, documents and instruments as Agent may require in connection with such commercial tort claim.

(j) Borrower does not have any goods, documents of title or other Collateral in the custody, control or possession of a third party as of the date hereof, except as set forth in the Information Certificate and except for goods located in the United States in transit to a location of Borrower permitted herein in the ordinary course of business of Borrower in the possession of the carrier transporting such goods. In the event that any goods, documents of title or other Collateral are at any time after the date hereof in the custody, control or possession of any other person not referred to in the Information Certificate or such carriers, Borrower shall promptly notify Agent thereof in writing. Promptly upon Agent's request, Borrower shall deliver to Agent a Collateral Access Agreement duly authorized, executed and delivered by such person and Borrower.

(k) Borrower shall take any other actions reasonably requested by Agent from time to time to cause the attachment, perfection and first priority of, and the ability of Agent to enforce, the security interest of Agent in any and all of the Collateral, including, without limitation, (i) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the UCC or other applicable law, to the extent, if any, that Borrower's signature thereon is required therefor, (ii) causing Agent's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of Agent to

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enforce, the security interest of Agent in such Collateral, (iii) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of Agent to enforce, the security interest of Agent in such Collateral, (iv) obtaining the consents and approvals of any Governmental Authority or third party, including, without limitation, any consent of any licensor, lessor or other person obligated on Collateral, and

taking all actions required by any earlier versions of the UCC or by other law, as applicable in any relevant jurisdiction.

SECTION 6. COLLECTION AND ADMINISTRATION

6.1 Borrower's Loan Accounts. Agent 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 Agent's customary practices as in effect from time to time.

6.2 Statements. Agent shall render to Borrower each month a statement setting forth the balance in the Borrower's loan account(s) maintained by Agent 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 Agent 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 Agent 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 Agent. Until such time as Agent shall have rendered to 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 Agent and Lenders 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 Agent may specify, with such banks as are acceptable to Agent 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. Borrower shall deliver, or cause to be delivered to Agent a Deposit Account Control Agreement duly authorized, executed and delivered by each bank where a Blocked Account is maintained as provided in Section 5.2 hereof or at any time and from time to time Agent may become bank's customer with respect to any of the Blocked Accounts and promptly upon Agent's request, Borrower shall execute and deliver such agreements and documents as Agent may require in connection therewith. Borrower agrees that all payments made to such Blocked Accounts or other funds received and collected by Agent or any Lender, whether in respect of the Receivables, as proceeds of Inventory or other Collateral or otherwise shall be treated as payments to Agent and Lenders in respect of the Obligations and therefore shall constitute the property of Agent and Lenders to the extent of the then outstanding Obligations.

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(b) Borrower and its shareholders, directors, employees, agents, Subsidiaries or other Affiliates shall, acting as trustee for Agent, receive, as the property of Agent, 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 Agent. In no event shall the same be commingled with Borrower's own funds. Borrower agrees to reimburse Agent on demand for any amounts owed or paid to any bank or other financial institution at which a Blocked Account or any other deposit account or investment account is established or any other bank financial institution or other person involved in the transfer of funds to or from the Blocked Accounts arising out of Agent's payments to or indemnification of such bank or person. The obligation of Borrower to reimburse Agent for such amounts pursuant to this Section 6.3 shall survive the termination or non-renewal of this Agreement.

6.4 Payments.

(a) All Obligations shall be payable to the Agent Payment Account as provided in Section 6.3 or such other place as Agent may designate from time to time. Agent 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 Agent from Borrower; second, to pay any fees, indemnities or expense reimbursements then due to Lenders from Borrower;

third, to pay interest due in respect of any Loans (and including any Special Agent Advances); fourth, to pay or prepay principal in respect of Special Agent Advances; fifth, to pay principal due in respect of the Loans; sixth, to pay or prepay any other Obligations whether or not then due, in such order and manner as Agent determines. Notwithstanding anything to the contrary contained in this Agreement, (i) unless so directed by Borrower, or unless a Default or an Event of Default shall exist or have occurred and be continuing, Agent 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 and (ii) to the extent Borrower uses any proceeds of the Loans or Letter of Credit Accommodations to acquire rights in or the use of any Collateral or to repay any Indebtedness used to acquire rights in or the use of any Collateral, payments in respect of the Obligations shall be deemed applied first to the Obligations arising from Loans and Letter of Credit Accommodations that were not used for such purposes and second to the Obligations arising from Loans and Letter of Credit Accommodations the proceeds of which were used to acquire rights in or the use of any Collateral in the chronological order in which Borrower acquired such rights in or use.

(b) At Agent'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 Agent and Lenders 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, Agent or any 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

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Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Agent or such Lender. Borrower shall be liable to pay to Agent, and does hereby indemnify and hold Agent and Lenders harmless for the amount of any payments or proceeds surrendered or returned. This Section 6.4(b) shall remain effective notwithstanding any contrary action which may be taken by Agent or any 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. Agent 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 Agent, 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.

6.6 Use of Proceeds. Borrower shall use the initial proceeds of the Loans provided by Lenders to Borrower hereunder only for: (a) payments to each of the persons listed in the disbursement direction letter furnished by Borrower to Agent on or about the date hereof and (b) costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of this Agreement, the other Financing Agreements and the Purchase Agreements and consummation of the Merger. All other Loans made or Letter of Credit Accommodations provided to or for the benefit of 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..

6.7 Pro Rata Treatment. Except to the extent otherwise provided in this Agreement: (a) the making and conversion of Loans shall be made among the Lenders based on their respective Pro Rata Shares as to the Loans and (b) each payment on account of any Obligations to or for the account of one or more of Lenders in respect of any Obligations due on a particular day shall be allocated among the Lenders entitled to such payments based on their respective Pro Rata Shares and shall be distributed accordingly.

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6.8 Sharing of Payments, Etc.

(a) Borrower agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim Agent or any Lender may otherwise have, each Lender shall be entitled, at its option (but subject, as among Agent and Lenders, to the provisions of Section 12.3(b) hereof), to offset balances held by it for the account of Borrower at any of its offices, in dollars or in any other currency, against any principal of or interest on any Loans owed to such Lender or any other amount payable to such Lender hereunder, that is not paid when due (regardless of whether such balances are then due to Borrower), in which case it shall promptly notify Borrower and Agent thereof; provided, that, such Lender's failure to give such notice shall not affect the validity thereof.

(b) If any Lender (including Agent) shall obtain from Borrower payment of any principal of or interest on any Loan owing to it or payment of any other amount under this Agreement or any of the other Financing Agreements through the exercise of any right of setoff, banker's lien or counterclaim or similar right or otherwise (other than from Agent as provided herein), and, as a result of such payment, such Lender shall have received more than its Pro Rata Share of the principal of the Loans or more than its share of such other amounts then due hereunder or thereunder by Borrower to such Lender than the percentage thereof received by any other Lender, it shall promptly pay to Agent, for the benefit of Lenders, the amount of such excess and simultaneously purchase from such other Lenders a participation in the Loans or such other amounts, respectively, owing to such other Lenders (or such interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all Lenders shall share the benefit of such excess payment (net of any expenses that may be incurred by such Lender in obtaining or preserving such excess payment) in accordance with their respective Pro Rata Shares or as otherwise agreed by Lenders. To such end all Lenders shall make appropriate adjustments among themselves (by the resale of participation sold or otherwise) if such payment is rescinded or must otherwise be restored.

(c) Borrower agrees that any Lender purchasing a participation (or direct interest) as provided in this Section may exercise, in a manner consistent with this Section, all rights of setoff, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans or other amounts (as the case may be) owing to such Lender in the amount of such participation.

(d) Nothing contained herein shall require any Lender to exercise any right of setoff, banker's lien, counterclaims or similar rights or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other Indebtedness or obligation of Borrower. If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section applies, such Lender shall, to the extent practicable, assign such rights to Agent for the benefit of Lenders and, in any event, exercise its rights in respect of such secured claim in a manner consistent with the rights of Lenders entitled under this Section to share in the benefits of any recovery on such secured claim.

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6.9 Settlement Procedures.

(a) In order to administer the Credit Facility in an efficient manner and to minimize the transfer of funds between Agent and Lenders, Agent may, at its option, subject to the terms of this Section, make available, on behalf of Lenders, the full amount of the Loans requested or charged to Borrower's loan account(s) or otherwise to be advanced by Lenders pursuant to the terms hereof, without requirement of prior notice to Lenders of the proposed Loans.

(b) With respect to all Loans made by Agent on behalf of Lenders as provided in this Section, the amount of each Lender's Pro Rata Share of the outstanding Loans shall be computed weekly, and shall be adjusted upward or downward on the basis of the amount of the outstanding Loans as of 5:00 p.m. (Atlanta, Georgia time) on the Business Day immediately preceding the date of each settlement computation; provided, that, Agent retains the absolute right at any time or from time to time to make the above described adjustments at intervals more frequent than weekly, but in no event more than twice in any week. Agent shall deliver to each of the Lenders after the end of each week, or at such lesser period or periods as Agent shall determine, a summary statement of the amount of outstanding Loans for such period (such week or lesser period or periods being hereinafter referred to as a "Settlement Period"). If the summary statement is sent by Agent and received by a Lender prior to 12:00 p.m. (Atlanta, Georgia time), then such Lender shall make the settlement transfer described in this Section by no later than 3:00 p.m. (Atlanta, Georgia time) on the same Business Day and if received by a Lender after such time, then such Lender shall make the settlement transfer by not later than 3:00 p.m. (Atlanta, Georgia time) on the next Business Day following the date of receipt. If, as of the end of any Settlement Period, the amount of a Lender's Pro Rata Share of the outstanding Loans is more than such Lender's Pro Rata Share of the outstanding Loans as of the end of the previous Settlement Period, then such Lender shall forthwith (but in no event later than the time set forth in the preceding sentence) transfer to Agent by wire transfer in immediately available funds the amount of the increase. Alternatively, if the amount of a Lender's Pro Rata Share of the outstanding Loans in any Settlement Period is less than the amount of such Lender's Pro Rata Share of the outstanding Loans for the previous Settlement Period, Agent shall forthwith transfer to such Lender by wire transfer in immediately available funds the amount of the decrease. The obligation of each of the Lenders to transfer such funds and effect such settlement shall be irrevocable and unconditional and without recourse to or warranty by Agent. Agent and each Lender agrees to mark its books and records at the end of each Settlement Period to show at all times the dollar amount of its Pro Rata Share of the outstanding Loans and Letter of Credit Accommodations. Each Lender shall only be entitled to receive interest on its Pro Rata Share of the Loans to the extent such Loans have been funded by such Lender. Because the Agent on behalf of Lenders may be advancing and/or may be repaid Loans prior to the time when Lenders will actually advance and/or be repaid such Loans, interest with respect to Loans shall be allocated by Agent in accordance with the amount of Loans actually advanced by and repaid to each Lender and the Agent and shall accrue from and including the date such Loans are so advanced to but excluding the date such Loans are either repaid by Borrower or actually settled with the applicable Lender as described in this Section.

(c) To the extent that Agent has made any such amounts available and the settlement described above shall not yet have occurred, upon repayment of any Loans by Borrower, Agent may apply such amounts repaid directly to any

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amounts made available by Agent pursuant to this Section. In lieu of weekly or more frequent settlements, Agent may, at its option, at any time require each Lender to provide Agent with immediately available funds representing its Pro Rata Share of each Loan, prior to Agent's disbursement of such Loan to Borrower. In such event, all Loans under this Agreement shall be made by the Lenders simultaneously and proportionately to their Pro Rata Shares. No Lender shall be responsible for any default by any other Lender in the other Lender's obligation to make a Loan requested hereunder nor shall the Commitment of any Lender be increased or decreased as a result of the default by any other Lender in the other Lender's obligation to make a Loan hereunder.

(d) If Agent is funding a particular Loan to Borrower pursuant to this Section above on any day, Agent may assume that each Lender will make available to Agent such Lender's Pro Rata Share of the Loan requested or otherwise made on such day and Agent may, in its discretion, but shall not be obligated to, cause a corresponding amount to be made available to or for the benefit of Borrower on such day. If Agent makes such corresponding amount available to Borrower and such corresponding amount is not in fact made available to Agent by such Lender, Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon for each day from the date such payment was due until the date such amount is paid to Agent at the Federal Funds Rate for each day during such period (as published by the Federal Reserve Bank of Atlanta or at Agent's option based on the arithmetic mean determined by Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (Atlanta, Georgia time) on that day by each of the three leading brokers of Federal funds transactions in New York City selected by Agent) and if

such amounts are not paid within three (3) days of Agent's demand, at the highest Interest Rate provided for in Section 3.1 hereof applicable to Prime Rate Loans. During the period in which such Lender has not paid such corresponding amount to Agent, notwithstanding anything to the contrary contained in this Agreement or any of the other Financing Agreements, the amount so advanced by Agent to or for the benefit of Borrower shall, for all purposes hereof, be a Loan made by Agent for its own account. Upon any such failure by a Lender to pay Agent, Agent shall promptly thereafter notify Borrower of such failure and Borrower shall pay such corresponding amount to Agent for its own account within five (5) Business Days of Borrower's receipt of such notice. A Lender who fails to pay Agent its Pro Rata Share of any Loans made available by the Agent on such Lender's behalf, or any Lender who fails to pay any other amount owing by it to Agent, is a "Defaulting Lender". Agent shall not be obligated to transfer to a Defaulting Lender any payments received by Agent for the Defaulting Lender's benefit, nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder (including any principal, interest or fees). Amounts payable to a Defaulting Lender shall instead be paid to or retained by Agent. Agent may hold and, in its discretion, re-lend to Borrower the amount of all such payments received or retained by it for the account of such Defaulting Lender. For purposes of voting or consenting to matters with respect to this Agreement and the other Financing Agreements and determining Pro Rata Shares, such Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitment shall be deemed to be zero (0). This Section shall remain effective with respect to a Defaulting Lender until such default is cured. The operation of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, or relieve or excuse the performance by Borrower or any Obligor of their duties and obligations hereunder.

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(e) Nothing in this Section or elsewhere in this Agreement or the other Financing Agreements shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve Lender from its obligation to fulfill its Commitment hereunder or to prejudice any rights that Borrower may have against any Lender as a result of any default by any Lender hereunder in fulfilling its Commitment.

6.10 Obligations Several; Independent Nature of Lenders' Rights. The obligation of each Lender hereunder is several, and no Lender shall be responsible for the obligation or commitment of any other Lender hereunder. Nothing contained in this Agreement or any of the other Financing Agreements and no action taken by the Lenders pursuant hereto or thereto shall be deemed to constitute the Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and subject to Section 12.3 hereof, each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

SECTION 7. COLLATERAL REPORTING AND COVENANTS

7.1 Collateral Reporting.

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

(i) on a regular basis as required by Agent, (A) schedules of sales made, credits issued and cash received, (B) reports of Borrower's Inventory, including all in-transit Inventory, and (C) a Borrowing Base certificate in the form of Exhibit E hereto;

(ii) as soon as possible after the end of each month (but in any event within twenty (20) days after the end thereof), on a monthly basis or more frequently as Agent may request, (A) perpetual inventory reports, (B) inventory reports by location and category (including identifying Inventory at locations owned and operated by third parties or on consignment) and including product mixes and sizes, (C) agings of accounts receivable (together with a reconciliation to the previous month's aging and general ledger), (D) agings of accounts payable (and including information indicating the amounts owing to owners and lessors of leased premises, warehouses, processors and other third parties from time to time in possession of any Collateral) and (E) reports detailing any sales or transfers of Equipment or Real Property during the prior month;

(iii) upon Agent'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; and

(iv) such other reports as to the Collateral as Agent shall request from time to time.

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(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 Agent and to follow Agent'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 Agent 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 Account exceeding \$100,000, or any disputes with account debtors involving an Account exceeding \$100,000, or any settlement, adjustment or compromise thereof, (ii) all material adverse information known to Borrower relating to the financial condition of any account debtor and (iii) any event or circumstance which, to the best of Borrower's knowledge, would cause Agent 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 Agent's consent, except in the ordinary course of Borrower's business in accordance with practices and policies previously disclosed in writing to Agent and except as set forth in the schedules delivered to Agent pursuant to Section 7.1(a) above. So long as no Event of Default exists or has occurred and is continuing, Borrower shall have the right to 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, Agent 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) With respect to each Account: (i) the amounts shown on any invoice delivered to Agent or schedule thereof delivered to Agent shall be true and complete, (ii) no payments shall be made thereon except payments immediately delivered to Agent 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 Agent 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 Agent, (iv) there shall be no setoffs, deductions, contra, defenses, counterclaims or disputes existing or asserted with respect thereto except as reported to Agent in accordance with the terms of this Agreement, (v) none of the transactions giving rise thereto will violate any applicable foreign, Federal, State or local 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.

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

(d) On or before January 31, 2004, Borrower shall deliver to Agent a report dated as of December 31, 2003, setting forth the balance of each account payable for Borrower and Target which existed as of the Agreement Date,

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accompanied by a certificate of the chief financial officer of Borrower certifying that all accounts payable of Borrower and Target as of the Agreement Date have been paid in full except for accounts payable being disputed in good faith and fully disclosed on such certificate.

7.3 Inventory Covenants. With respect to the Inventory: (a) Borrower shall at all times maintain inventory records reasonably satisfactory to Agent, 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 Agent may request on or after an Event of Default, and promptly following such physical inventory shall supply Agent with a report in the form and with such specificity as may be satisfactory to Agent 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 Agent, 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 Agent's request, Borrower shall, at its expense, no more than two (2) times in any twelve (12) month period, but at any time or times as Agent may request on or after an Event of Default, deliver or cause to be delivered to Agent written appraisals as to the Inventory in form, scope and methodology acceptable to Agent and by an appraiser acceptable to Agent, addressed to Agent and Lenders and upon which Agent and Lenders are expressly permitted to rely; (e) Borrower shall produce, use, store and maintain the Inventory with all 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) none of the Inventory or other Collateral constitutes farm products or the proceeds thereof; 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 Agent or the specific identification of such Inventory with respect thereto provided by Borrower to Lender pursuant to Section 7.1(a) hereof, acquire or accept any Inventory on consignment or approval. In addition to, and not in limitation of, anything to the contrary contained herein, Agent shall have the right to request the delivery to Agent of all documents, invoices and bills of lading relating to any in-transit Inventory.

7.4 Equipment and Real Property Covenants. With respect to the Equipment and Real Property: (a) upon Agent's request, Borrower shall, at its expense, no more than one (1) time in any twelve (12) month period, but at any time or times as Agent may request on or after an Event of Default, deliver or cause to be delivered to Agent written appraisals as to the Equipment and/or the Real Property in form, scope and methodology acceptable to Agent and by an appraiser acceptable to Agent, addressed to Agent and upon which Agent is expressly permitted to rely; (b) Borrower shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear

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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 and except for the movement of motor vehicles used by or for the benefit of Borrower in the ordinary course of business; (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 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 Agent (and all persons designated by Agent) as Borrower's true and lawful attorney-in-fact, and authorizes Agent, in Borrower's or Agent's name, to: (a) at any time 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 Agent 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 or 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 Agent, 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 Agent'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 Agent or any 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 Agent and any Lender and deposit the same in Agent'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 or foreign export control authorities in Borrower's name, Agent's name or the name of Agent'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 Agent's name, any order, sale or transaction, obtain the necessary documents in connection therewith and collect

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the proceeds thereof, and (vi) sign Borrower's name on any verification of Receivables and notices thereof to account debtors or any secondary obligors or other obligors in respect thereof. Borrower hereby releases Agent and Lenders and their respective 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 Agent's or any Lender's own gross negligence or willful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

7.6 Right to Cure. Agent may, at its option, (a) upon notice to Borrower, cure any default by Borrower under any material agreement with a third party that affects the Collateral, its value or the ability of Agent to collect, sell or otherwise dispose of the Collateral or the rights and remedies of Agent therein or the ability of Borrower to perform its obligations hereunder or 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 Agent's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Agent and Lenders with respect thereto. Agent may add any amounts so expended to the Obligations and charge Borrower's account therefor, such amounts to be repayable by Borrower on demand. Agent and Lenders 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 Agent or any Lender under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

7.7 Access to Premises. From time to time as requested by Agent, at the cost and expense of Borrower, (a) Agent 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 Agent such copies of such books and records or extracts therefrom as Agent may request, and (c) Agent or any Lender or Agent's designee may use during normal business hours such of Borrower's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Receivables and

realization of other Collateral.

SECTION 8. REPRESENTATIONS AND WARRANTIES

Borrower hereby represents and warrants to Agent and Lenders the following (which shall survive the execution and delivery of this Agreement and which shall be deemed to be made after giving effect to the Merger), the truth and accuracy of which are a continuing condition of the making of Loans and providing Letter of Credit Accommodations to Borrower:

8.1 Corporate Existence, Power and Authority. 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. The execution, delivery and performance of this Agreement, the other Financing Agreements and the transactions contemplated hereunder and thereunder (a) are all within Borrower's corporate powers, (b) have been duly authorized, (c) are not in contravention of law or the terms of

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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 and (d) will not result in the creation or imposition of, or require or give rise to any obligation to grant, any lien, security interest, charge or other encumbrance upon any property of Borrower other than the liens and security interest under the Financing Agreements. This Agreement and the other Financing Agreements constitute legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms.

8.2 Name; State of Organization; Chief Executive Office; Collateral Locations.

(a) The exact legal name of Borrower is as set forth on the signature page of this Agreement and in the Information Certificate. Borrower has not during the past five years, been known by or used 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.

(b) Borrower is an organization of the type and organized in the jurisdiction set forth in the Information Certificate. The Information Certificate accurately sets forth the organizational identification number of Borrower or accurately states that Borrower has none and accurately sets forth the federal employer identification number of Borrower.

(c) The chief executive office and mailing address of Borrower and Borrower's Records concerning Accounts are located only at the address identified as such in Schedule 8.2 to the Information Certificate hereto and its only other places of business and the only other locations of Collateral, if any, are the addresses set forth in Schedule 8.2 to 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.

8.3 Financial Statements; No Material Adverse Change. All financial statements relating to Borrower or Target which have been or may hereafter be delivered by or on behalf of Borrower to Agent and Lenders pursuant to Section 9.6(a) have been prepared in accordance with GAAP (except as to any interim financial statements, to the extent such statements are subject to normal year-end adjustments and do not include any notes) and fairly present the financial condition and the results of operation of Borrower and Target as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by Borrower to Agent prior to the date of this Agreement, there has been no act, condition or event which has had or is likely to have a Material Adverse Effect since June 30, 2003. Each Borrowing Base certificate delivered to Agent shall be true and correct as of the date specified therein.

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

liens granted to Agent under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral (including all assets of Target) subject only to the liens indicated on Schedule 8.4 to the Information Certificate hereto and the

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other liens permitted under Section 9.8 hereof. Borrower has good and marketable fee simple title to or valid leasehold interests in all of its Real Property and good, valid and merchantable title to all of its other properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except (a) those granted to Agent, (b) as shown in the title insurance policies delivered and accepted by Agent in connection with the Mortgages, or (c) as 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 in Schedule 8.6 to the Information Certificate, (a) 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 (b) 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, the Purchase Agreements or the Merger Documents, in each case, which if adversely determined against Borrower has or could reasonably be expected to have a Material Adverse Effect.

8.7 Compliance with Other Agreements and Applicable Laws.

Borrower is not in default in any material respect under, or in violation in any material respect 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 and Borrower is in compliance in all material respects with the requirements of all applicable provisions of laws, rules, regulations, licenses, permits, approvals and orders of any foreign, Federal, State or local Governmental Authority relating to its business.

8.8 Environmental Compliance.

(a) Except as set forth on Schedule 8.8 to the Information Certificate, 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.

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(b) Except as set forth on Schedule 8.8 to the Information Certificate, 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 Borrower under any Environmental Law, and all licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.

8.9 Employee Benefits.

(a) Except as set forth on Schedule 8.9 hereto, each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or State law. Except as set forth on Schedule 8.9 hereto, 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 or is a standardized Plan that does not require a separate determination letter. To the best of Borrower's knowledge, nothing has occurred which would cause the loss of a favorable 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 of Borrower's knowledge, 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.

(c) Except as set forth on Schedule 8.9 hereto, (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) are not less than such Plan's liabilities under Section 4001(a)(16) of ERISA; (iii) Borrower and its ERISA Affiliates 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

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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 to the Information Certificate hereto, subject to the right of Borrower to establish new accounts in accordance with Section 5.2 hereof.

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 to the Information Certificate hereto and has not granted any licenses with respect thereto other than as set forth in Schedule 8.11 to the Information Certificate. No event has occurred which permits or would permit after notice or passage of time or both, the revocation, suspension or termination of such rights. To the best of Borrower's knowledge, except as set forth on Schedule 8.11 to the Information Certificate, 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 to the Information Certificate hereto 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 (collectively, together with such agreements or other arrangements as may be entered into by Borrower after the date hereof, collectively, the "License Agreements" and individually, a "License Agreement"). No trademark, servicemark, copyright 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 Agent, is affixed to any Eligible Inventory, except to the extent permitted under the term of the License Agreements listed on Schedule 8.11 to the Information Certificate hereto.

8.12 Subsidiaries; Affiliates; Capitalization.

(a) Borrower does not have any direct or indirect Subsidiaries or Affiliates and is not engaged in any joint venture or partnership except as set forth in Schedule 8.12 to the Information Certificate.

(b) Borrower is the record and beneficial owner of all of the issued and outstanding shares of Capital Stock of each of the Subsidiaries listed on the Information Certificate as being owned by Borrower and there are no proxies,

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irrevocable or otherwise, with respect to such shares and no equity securities of any of the Subsidiaries are or may become required to be issued by reason of any options, warrants, rights to subscribe to, calls or commitments of any kind or nature and there are no contracts, commitments, understandings or arrangements by which any Subsidiary is or may become bound to issue additional shares of its Capital Stock or securities convertible into or exchangeable for such shares.

(c) The issued and outstanding shares of Capital Stock of Borrower are directly and beneficially owned and held by the persons indicated on the Information Certificate, and in each case all of such shares have been duly authorized and are fully paid and non-assessable, free and clear of all claims, liens, pledges and encumbrances of any kind, other than liens in favor of the Agent, except as disclosed in writing to Agent prior to the date hereof.

8.13 Labor Disputes.

(a) Set forth on Schedule 8.13 to the Information Certificate 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 Borrower's knowledge, 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 Borrower's knowledge, threatened against it, and (ii) no significant strike, labor dispute, slowdown or stoppage is pending against Borrower or, to the best of Borrower's knowledge, threatened against Borrower.

8.14 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) except as set forth on Schedule 8.4 to the Information Certificate with respect to SAIM, the ability of Borrower or any of its Subsidiaries to incur Indebtedness or grant security interests to Agent or any Lender in the Collateral.

8.15 Material Contracts. Schedule 8.15 to the Information Certificate 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 Agent. 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.

8.16 Payable Practices. Borrower has not made any material adverse change in the historical accounts payable practices from those in effect for Target immediately prior to the date hereof.

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8.17 Accuracy and Completeness of Information. All information furnished by or on behalf of Borrower in writing to Agent or any 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 is not misleading. Since June 30, 2003, no event or circumstance has occurred which has had or could reasonably be expected to have a Material Adverse Effect, which has not been fully and accurately disclosed to Agent in writing prior to the date hereof.

8.18 Acquisition of Purchased Stock; Merger.

(a) Upon payment by Borrower of the purchase price therefor with the proceeds of the initial Loans hereunder, (i) the Purchase Agreements and the transactions contemplated thereunder have been duly executed, delivered and performed in accordance with their terms by the respective parties thereto in all respects, including the fulfillment (not merely the waiver, except as may be disclosed to Agent and consented to in writing by Agent) of all conditions precedent set forth therein and giving effect to the terms of the Purchase Agreements and the assignments to be executed and delivered by Seller thereunder, Borrower acquired and has good title to the Purchased Stock, free and clear of all claims, liens, pledges and encumbrances of any kind, other than liens in favor of the Agent, and (ii) the Merger is valid and effective in accordance with the terms of the Merger Documents, and the corporation statutes of the State of North Carolina and Borrower is the surviving corporation pursuant to the Merger.

(b) Upon payment by Borrower of the purchase price with respect to the Stock Purchase Agreement with the proceeds of the initial Loans hereunder and the filing of the Merger Documents, all actions and proceedings required by the Purchase Agreements or the Merger Documents, applicable law or regulation (including, but not limited to, compliance with the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended) have been taken and the transactions required thereunder have been duly and validly taken and consummated.

(c) No court of competent jurisdiction has issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the Purchase Agreements or the Merger Documents 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 Purchase Agreements or the Merger Documents.

(d) Borrower has delivered, or caused to be delivered, to Agent true, correct and complete copies of the Purchase Agreements and the Merger Documents.

8.19 Solvency. Borrower is Solvent and will continue to be Solvent after the creation of the Obligations, the security interests of Agent and the other transactions contemplated hereunder.

8.20 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

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to have been made again to Agent and Lenders on the date of each additional loan, advance or letter of credit accommodation hereunder and shall be conclusively presumed to have been relied on by Agent and Lenders regardless of any investigation made or information possessed by Agent or any 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 Agent or any Lender.

SECTION 9. AFFIRMATIVE AND NEGATIVE COVENANTS

9.1 Maintenance of Existence.

(a) 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, trade names, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted.

(b) Borrower shall not change its name unless each of the following conditions is satisfied: (i) Agent shall have received not less than thirty (30) days' prior written notice from Borrower of such proposed change in its corporate name, which notice shall accurately set forth the new name; and (ii) Agent shall have received 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 or organization of Borrower as soon as it is available. Notwithstanding the foregoing, Borrower shall be permitted to amend its organizational documents as necessary to change its name to M. J. Softe Co.

(c) Borrower shall not change its chief executive office or its mailing address or organizational identification number (or if it does not have one, shall not acquire one) unless Agent shall have received not less than thirty (30) days' prior written notice from Borrower of such proposed change, which notice shall set forth such information with respect thereto as Agent may require and Agent shall have received such agreements as Agent may require in connection therewith. Borrower shall not change its type of organization, jurisdiction of organization or other legal structure.

9.2 New Collateral Locations. Borrower may only open any new location within the continental United States provided Borrower (a) gives Agent fifteen (15) days prior written notice from Borrower of the intended opening of any such new location and (b) executes and delivers, or causes to be executed and delivered, to Agent such agreements, documents, and instruments as Agent may deem reasonably necessary or desirable to protect its interests in the Collateral at such location.

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,

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permits and stipulations relating to environmental pollution and employee health and safety, including all of the Environmental Laws.

(b) Borrower shall give written notice to Agent 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 other than in the ordinary course of business and other than as permitted under any applicable Environmental Law. 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 Agent. Borrower shall take prompt action to respond to any non-compliance with any of the Environmental Laws and shall regularly report to Agent on such response.

(c) Without limiting the generality of the foregoing, whenever Agent determines that there is non-compliance, or any condition which requires any action by or on behalf of Borrower in order to avoid any such non-compliance, with any Environmental Law, Borrower shall, at Agent's request and Borrower's expense: (i) cause an independent environmental engineer acceptable to Agent 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 Agent 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 Agent 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.

(d) Borrower shall indemnify and hold harmless Agent, its directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including reasonable attorneys' fees actually incurred 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 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 Agent or any Lender as a result of the financing arrangements provided for herein and Borrower agrees to indemnify and hold Agent and Lenders harmless with respect to the foregoing, and to repay to Agent or such Lender on demand the amount

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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 Agent or Lenders from any amounts charged or paid hereunder to such Agent or Lenders. 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 Agent as to form, amount and insurer. Borrower shall furnish certificates, policies or endorsements to Agent as Agent shall require as proof of such insurance, and, if Borrower fails to do so, Agent 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 Agent of any cancellation or reduction of coverage and that Agent 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 Agent 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 Agent. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Agent as its interests may appear and further specify that Agent and Lenders shall be paid regardless of any act or omission by Borrower or any of its Affiliates. At its option, Agent may apply any insurance proceeds received by Agent 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 Agent 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 relation to the Collateral and the business of Borrower and its Subsidiaries in accordance with GAAP. Borrower shall promptly furnish to Agent and Lenders all such financial and other information as Agent 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 Agent is authorized to obtain such information directly from them. Without limiting the foregoing, Borrower shall furnish or cause to be furnished to Agent, the following:

(i) within thirty (30) days after the end of each fiscal month, monthly unaudited consolidated financial statements, and unaudited consolidating 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

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through such fiscal month, certified to be correct by the chief financial officer of Borrower, subject to normal year-end adjustments and accompanied by a compliance certificate substantially in the form of Exhibit F hereto, along with a schedule in a form reasonably satisfactory to Agent of the calculations used in determining, as of the end of such month, whether Borrower is in compliance with the covenants set forth in Section 9.17 of this Agreement for such month;

(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 and audited consolidating financial statements of Parent and its Subsidiaries (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 Parent 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 Ernst & Young LLP or such other independent accounting firm selected by Borrower and acceptable to Agent, that such audited consolidated financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Parent and its Subsidiaries as of the end of and for the fiscal year then ended (the "Annual Financial Statements").

(b) Borrower shall promptly notify Agent in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to Collateral having a value of more than \$100,000 or any other property which is security for the Obligations or which if adversely determined could result in any Material Adverse Effect, (ii) any Material Contract of Borrower being terminated or amended or any new Material Contract entered into (in which event Borrower shall provide Agent 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 Default or Event of Default.

(c) Borrower shall promptly after the sending or filing thereof furnish or cause to be furnished to Agent 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 furnish or cause to be furnished to Agent such budgets, forecasts, projections and other information respecting the Collateral and the business of Borrower, as Agent may, from time to time, reasonably request. Agent is hereby authorized to deliver a copy of any financial statement or any other information relating to Borrower to any court or other Governmental Authority, to the extent required by any Governmental Authority or any Federal, state or local law, rule or regulation, subpoena or court order, or to any

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Affiliate of Lender or to any participant or assignee or prospective participant or assignee. Borrower hereby irrevocably authorizes and directs all accountants or auditors to deliver to Agent, 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 Agent and

Lenders such information as they may have regarding the business of Borrower. Any documents, schedules, invoices or other papers delivered to Agent or any Lender may be destroyed or otherwise disposed of by Agent or such Lender one (1) year after the same are delivered to Agent or such Lender, except as otherwise designated by Borrower to Agent or such Lender in writing.

(e) Borrower and its Subsidiaries shall deliver, or cause to be delivered, to Agent, within thirty (30) days after the date hereof, an internally-prepared unaudited opening balance sheet of Borrower and its Subsidiaries, prepared on a consolidated and consolidating basis, after giving effect to the transactions contemplated by this Agreement and the Purchase Agreements.

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; provided, that, Borrower and Target shall be permitted to consummate the Merger;

(b) sell, issue, assign, lease, license, 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 sale or other disposition of Equipment (including worn-out or obsolete Equipment or Equipment no longer used or useful in the business of Borrower) so long as (A) any proceeds are paid to Agent and (B) such sales or other dispositions do not involve Equipment having an aggregate fair market value in excess of \$100,000 for 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) Agent 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, (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 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 Agent or Lenders or are more restrictive or burdensome to Borrower than the terms of any Capital Stock in effect on the date hereof, (D) except as Agent may otherwise agree in writing, all of the proceeds from such sale and issuance shall be paid to Agent for application to the Obligations in such order and manner as Agent may determine or at Agent's option, to be held as cash collateral for the Obligations, and (E) as of the date of such issuance and sale and after giving effect thereto, no Default or Event of Default shall exist or have occurred;

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(iv) the assignment by Target within 150 days of the Agreement Date of certain doubtful Accounts to Sellers in accordance with Section 9.7 of the Stock Purchase Agreement; (v) the IRC Section 1031 exchange of certain real property located in Fayetteville, North Carolina between Target and Middle Road Properties LLC, as described in the Stock Purchase Agreement and (vi) dispositions of investments permitted under Section 9.10(b) to the extent the proceeds thereof are used to acquire additional investments permitted under Section 9.10(b).

(c) wind up, liquidate or dissolve; or

(d) agree to do any of the foregoing.

9.8 Encumbrances. Borrower shall not, and shall not 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, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any security interest or lien with respect to any such assets or properties, except:

(a) the security interests and liens of Agent for itself and the

benefit of Lenders;

(b) liens securing the payment of taxes, assessments or other governmental charges or levies either not yet overdue or the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrower, or 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) and purchase money mortgages on Real Property to secure Indebtedness permitted under Section 9.9(b) hereof;

(f) the security interests and liens on assets of Borrower securing the Seller Note and Additional Consideration in favor of Sellers to the extent such liens are subject to the Subordination Agreement;

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(g) the security interests and liens securing the Obligations (as defined under the Parent Revolving Loan Agreement) in favor of the Parent Revolving Agent to the extent such liens are subject to the Intercreditor Agreement;

(h) the security interests and liens set forth on Schedule 8.4 to the Information Certificate; and

(i) liens specified in any title insurance policy delivered to and accepted by Agent in connection with any Mortgage.

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, suffer or permit to exist, any Indebtedness, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly), the Indebtedness, performance, dividends or other obligations of any Person, except:

(a) the Obligations;

(b) purchase money Indebtedness (including Capital Leases) arising after the date hereof to the extent secured by purchase money security interests in Equipment (including Capital Leases) and purchase money mortgages on Real Property not to exceed \$2,000,000 in the aggregate at any time outstanding so long as such security interests and mortgages do not apply to any property of Borrower other than the Equipment or Real Property so acquired, and the Indebtedness secured thereby does not exceed the costs of the Equipment or Real Property so acquired, as the case may be;

(c) guarantees by Borrower or any Guarantor of the Obligations (as defined in the Parent Revolving Loan Agreement);

(d) Indebtedness of Borrower evidenced by or arising under the Seller Note and the Additional Consideration required to be paid in accordance with the Stock Purchase Agreement, in each case as in effect on the date hereof, provided, that:

(i) the aggregate principal amount of such Indebtedness shall not exceed \$20,000,000 (of which not more than \$8,000,000 shall constitute Indebtedness under the Seller Note and not more than \$12,000,000 shall constitute Indebtedness under the Additional

Consideration), less the aggregate amount of all repayments, repurchases or redemptions, whether optional or mandatory, in respect thereof;

(ii) Borrower shall not, directly or indirectly, make any payments in respect of such Indebtedness; except that, Borrower may make payments permitted under the Subordination Agreement;

(iii) Borrower shall not, directly or indirectly, without the written consent of Agent, (A) amend, modify, alter or change any terms of such Indebtedness or the Seller Note or any related agreements, documents or instruments, except that Borrower may, after prior written notice to Agent, 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

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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;

(iv) Borrower shall furnish to Lender all written notices of default, acceleration or demands in connection with such Indebtedness received by Borrower or on its behalf, promptly after receipt thereof or sent by Borrower or on its behalf concurrently with the sending thereof; and (v) Such Indebtedness is subject to the Subordination Agreement at all times.

(e) the Indebtedness set forth on Schedule 9.9 to the Information Certificate; 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 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 Agent, 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 Agent 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;

(f) Hedging Obligations of Borrower entered into by Borrower in the ordinary course of the businesses of Borrower consistent with the current practices of Borrower as of the date hereof; provided, that, such arrangements are with banks or other financial institutions that have combined capital and surplus and undivided profits of not less than \$250,000,000, and, in each case, such Indebtedness shall be unsecured (except that Hedging Obligations owing to Agent or any Affiliate of Agent may be secured by the Collateral); and

(g) Indebtedness of Borrower to any Guarantor in an aggregate amount at any time not to exceed \$5,000,000 to the extent permitted by the Parent Revolving Loan Agreement.

9.10 Loans, Investments, Etc. Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly, make, or suffer or permit to exist, 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 form or acquire any Subsidiaries, or agree to do any of the foregoing, except:

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(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

Loans are then outstanding and (ii) the terms and conditions of Section 5.2 hereof shall have been satisfied with respect to the deposit account, investment account or other account in which such cash or Cash Equivalents are held;

(c) (i) the existing equity investments of Borrower as of the date hereof in its Subsidiaries, provided, that, Borrower shall have any further obligations or liabilities to make any capital contributions or other additional investments or other payments to or in or for the benefit of any of such Subsidiaries and (ii) the purchase by Borrower of the Purchased Stock as of the Agreement Date;

(d) 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 Agent, upon Agent's request, together with such stock power, assignment or endorsement by Borrower as Agent may request;

(e) obligations of 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 Agent by Borrower and promptly delivered to Agent as so endorsed;

(f) loans by Borrower to a Guarantor after the date hereof, provided, that,

(i) as to all of such loans, (A) within thirty (30) days after the end of each fiscal month, Borrower shall provide to Agent a report in form and substance satisfactory to Agent of the outstanding amount of such loans as of the last day of the immediately preceding month and indicating any loans made and payments received during the immediately preceding month, (B) the Indebtedness arising pursuant to any such loan shall not be evidenced by a promissory note or other instrument, unless the single original of such note or other instrument is promptly delivered to Agent upon its request to hold as part of the Collateral, with such endorsement and/or assignment by the payee of such note or other instrument as Agent may require, (C) as of the date of any such loan and after giving effect thereto, Borrower shall be Solvent, (D) as of the date of any such loan and after giving effect thereto, (1) no Default or Event of Default shall exist or have occurred and be continuing, and (2) Borrower shall have Excess Availability of not less than \$5,000,000; (E) the Indebtedness arising pursuant to such loan shall be subject to, and subordinate in right of payment to, the right of Agent and Lenders to receive the prior final payment and satisfaction in full of all of the Obligations on terms and conditions acceptable to Agent, (F) promptly upon Agent's request, Agent shall have received a subordination agreement, in form and substance satisfactory to Agent, providing for the terms of the subordination in right of payment of such Indebtedness of Borrower to the prior final payment and satisfaction in full of all of the Obligations, duly authorized, executed and delivered by any Guarantor and Borrower, and (G) Borrower shall not, directly or indirectly make, or be required to

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make, any payments in respect of such Indebtedness prior to the end of the then current term of this Agreement; and (H) as of the date of any such loan and after giving effect thereto, the aggregate amount of all such loans shall not exceed \$5,000,000 in the aggregate with respect to all intercompany loans among Borrower and its Affiliates;

(g) the loans, advances and investments set forth on Schedule 9.10 to the Information Certificate hereto; provided, that, as to such loans and advances, (i) Borrower shall not, directly or indirectly, amend, modify, alter or change the terms of such loans and advances or any agreement, document or instrument related thereto and (ii) Borrower shall furnish to Agent all with notices of default, acceleration or demands in connection with such loans and advances 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 any Capital Stock of Borrower or such Subsidiary 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 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 (a) in any case in the form of shares of Capital Stock consisting of common stock, (b) any Subsidiary of Borrower may pay any dividends to Borrower, (c) so long as no Event of Default is continuing, Borrower may pay (by dividend or otherwise) to Parent the amount of Federal and state taxes which are attributable to the income or assets of Borrower (after giving effect to any "carry forward losses" or other net losses to which Borrower may be entitled) and (d) payments permitted under Section 9.12.

9.12 Transactions with Affiliates. Borrower shall not, directly or indirectly,

(a) purchase, acquire or lease any property from, or sell, transfer or lease any property to, any officer, director or other Affiliate of Borrower, except (i) 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 Borrower than Borrower would obtain in a comparable arm's length transaction with an unaffiliated person; (ii) to effectuate the IRC Section 1031 exchange as provided in the Purchase Agreement, or (iii) the stock pledge, lien and security interests securing the Seller Note and Additional Consideration, subject to the terms of the Subordination Agreement; or

(b) make any payments (whether by dividend, loan or otherwise) of management, consulting or other fees for management or similar services, or of any Indebtedness owing to any officer, employee, shareholder, director or any other Affiliate of Borrower, except (i) reasonable compensation to officers,

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employees and directors for services rendered to Borrower in the ordinary course of business (including payments to James F. Soffe, John D. Soffe and Anthony M. Cimaglia under those certain employment agreements dated as of the Agreement Date), (ii) an annual payment during each fiscal year by Borrower of management fees to Parent not to exceed \$400,000 so long as (A) after giving effect to each such payment, no Event of Default exists and is continuing; (B) Borrower had Excess Availability for each of the immediately preceding ninety (90) consecutive days prior to the date of such payment of not less than \$4,000,000; (C) after giving effect to any such payment, Borrower has Excess Availability of not less than \$4,000,000 and (D) that certain Industrial Lease Agreement, dated as of the Agreement Date, between Borrower and Middle Road Properties LLC shall not have expired or been terminated, (iii) payments by Borrower to Parent for actual and necessary reasonable out-of-pocket legal and accounting, insurance, marketing, payroll, information systems and similar types of services paid for by Borrower or Parent on behalf of Borrower, in the ordinary course of their respective businesses or as the same may be directly attributable to Borrower and (iv) loans, dividends or other payments permitted under Sections 9.10(f) and 9.11.

9.13 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) not allow or suffer to exist any occurrence of a reportable event or any other event or condition 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.

9.14 End of Fiscal Years; Fiscal Quarters. Borrower shall, for financial reporting purposes, cause its, and each of its Subsidiaries' (a) fiscal years to end on the Saturday closest to June 30 of each year and (b) fiscal quarters to end on the last day of the 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 14th week following the end of the third fiscal quarter whenever necessary to have the fourth fiscal quarter end the Saturday closest to June 30.

9.15 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.

9.16 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

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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) the security agreement securing the Seller Note provided such prohibitions are subject to the senior right of Agent hereunder, (iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of Borrower or any of its Subsidiaries, (v) customary restrictions on dispositions of real property interests found in reciprocal easement agreements of Borrower or any Subsidiary, (vi) 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 (vii) 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 Agent and Lenders than those encumbrances and restrictions under or pursuant to the contractual obligations so extended or continued.

9.17 Financial Covenants.

(a) Adjusted Tangible Net Worth. Borrower and its Subsidiaries shall, at all times have, and shall maintain, Adjusted Tangible Net Worth of not less than (a) from the Agreement Date through and including March 31, 2004, \$19,000,000, and (b) as of April 1, 2004 and at all times thereafter, \$20,000,000.

(b) Fixed Charge Coverage Ratio. Borrower shall not, as of the end of each month ending on and after October 31, 2003, permit the Fixed Charge Coverage Ratio for the twelve (12) month period most recently ending to be less than 1.5 to 1.0.

9.18 License Agreements.

(a) Borrower shall (i) promptly and faithfully observe and perform all of the material terms, covenants, conditions and provisions of the material License Agreements to be observed and performed by it, at the times set forth therein, if any, (ii) not do, permit, suffer or refrain from doing anything that could reasonably be expected to result in a default under or breach of any of the terms of any material License Agreement, (iii) not cancel, surrender, modify, amend, waive or release any material License Agreement in any material respect or any term, provision or right of the licensee thereunder in any material respect, or consent to or permit to occur any of the foregoing; except, that, subject to Section 9.18(b) below, Borrower may cancel, surrender or release any material License Agreement in the ordinary course of the business of Borrower; provided, that, Borrower shall give Agent not less than thirty (30) days prior written notice of its intention to so cancel, surrender and release any such material License Agreement, (iv) give Agent prompt written notice of any material License Agreement entered into by Borrower after the date hereof, together with a true, correct and complete copy thereof and such other information with respect thereto as Agent may request, (v) give Agent prompt written notice of any material breach of any obligation, or any default, by any party under any material License Agreement, and deliver to Agent (promptly upon

the receipt thereof by Borrower in the case of a notice to Borrower and concurrently with the sending thereof in the case of a notice from Borrower) a copy of each notice of default and every other notice and other communication received or delivered by Borrower in connection with any material License Agreement which relates to the right of Borrower to continue to use the property subject to such License Agreement, and (vi) furnish to Agent, promptly upon the request of Agent, such information and evidence as Agent may require from time

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to time concerning the observance, performance and compliance by Borrower or the other party or parties thereto with the terms, covenants or provisions of any material License Agreement.

(b) Borrower will either exercise any option to renew or extend the term of each material License Agreement in such manner as will cause the term of such material License Agreement to be effectively renewed or extended for the period provided by such option and give prompt written notice thereof to Agent or give Agent prior written notice that Borrower does not intend to renew or extend the term of any such material License Agreement or that the term thereof shall otherwise be expiring, not less than sixty (60) days prior to the date of any such non-renewal or expiration. In the event of the failure of Borrower to extend or renew any material License Agreement, Agent shall have, and is hereby granted, the irrevocable right and authority, at its option, to renew or extend the term of such material License Agreement, whether in its own name and behalf, or in the name and behalf of a designee or nominee of Agent or in the name and behalf of Borrower, as Agent shall determine at any time that an Event of Default shall exist or have occurred and be continuing. Agent may, but shall not be required to, perform any or all of such obligations of Borrower under any of the License Agreements, including, but not limited to, the payment of any or all sums due from Borrower thereunder. Any sums so paid by Agent shall constitute part of the Obligations.

9.19 After Acquired Real Property. If Borrower hereafter acquires any Real Property, fixtures or any other property that is of the kind or nature described in the Mortgages that is not already subject to a Mortgage 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 \$300,000 (or if a Default or Event of Default exists, then regardless of the fair market value of such assets), without limiting any other rights of Agent or any Lender, or duties or obligations of Borrower, promptly upon Agent's request, Borrower shall execute and deliver to Agent a mortgage, deed of trust or deed to secure debt, as Agent may determine, in form and substance substantially similar to the Mortgages and as to any provisions relating to specific state laws satisfactory to Agent 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 Agent 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 Agent) and such other agreements, documents and instruments as Agent may require in connection therewith.

9.20 Costs and Expenses. Borrower shall pay to Agent and Lenders 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, Agent'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

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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 Agent'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 Agent, 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 Agent or any 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 Agent during the course of periodic field examinations of the Collateral and Borrower's operations, plus a per diem charge at Agent's then standard rate for Agent's examiners in the field and office (which rate as of the date hereof is \$750 per person per day); and (g) the reasonable fees actually incurred and disbursements of counsel (including legal assistants) to Agent in connection with any of the foregoing and to any other Lenders in connection with enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against such Lender arising out of the transaction hereunder.

9.21 Further Assurances. At the request of Agent 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. Agent 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 Agent, Agent and Lenders may, at Agent's option, cease to make any further Loans or provide any further Letter of Credit Accommodations until Agent has received such certificate and, in addition, Agent has determined that such conditions are satisfied.

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 when due 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 or 9.15 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 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

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Borrower or any Obligor of any such covenant, or (iii) Borrower or any Obligor 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;

(b) any representation, warranty or statement of fact made by Borrower to Agent 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 or terminates, or purports to revoke or terminate, or fails to perform any of the terms, covenants, conditions or provisions of, any guarantee, security agreement, endorsement or other agreement of such party in favor of Agent;

(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 \$1,000,000 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 in connection with a moratorium or adjustment of the Indebtedness due to them;

(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 in respect any Indebtedness (other than Indebtedness owing to Agent or Lenders), in any case in an amount in excess of \$250,000, which default continues for more than the applicable cure

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period, if any, with respect thereto, or any default by Borrower or any Obligor under any Material Contract, which default continues for more than the applicable cure period, if any, with respect thereto and/or is not waived in writing by the other parties thereto;

(j) any material provision hereof or of any of the other Financing Agreements shall for any reason cease to be valid, binding and enforceable with respect to any party hereto or thereto (other than Agent) in accordance with its terms, or any such party shall challenge the enforceability hereof or thereof, or shall assert in writing, or take any action or fail to take any action based on the assertion that any provision hereof or of any of the other Financing Agreements has ceased to be or is otherwise not valid, binding or enforceable in accordance with its terms, or any security interest provided for herein or in any of the other Financing Agreements shall cease to be a valid and perfected first priority security interest in any of the Collateral purported to be subject thereto (except as otherwise permitted herein or therein);

(k) 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 \$300,000;

(l) any Change of Control shall occur;

(m) the indictment by any Governmental Authority, or as Agent may reasonably and in good faith determine, the threatened indictment by any Governmental Authority of Borrower or any Obligor of which Borrower, any Obligor or Agent 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 having a value in the aggregate in excess of \$300,000 or (ii) any other property of Borrower which is necessary or material to the conduct of its business;

(n) there shall occur any event causing a Material Adverse Effect; or

(o) there shall be (i) a default or event of default under any of the Seller Note, the Stock Purchase Agreement or any other guaranty, security agreement, mortgage or similar agreement executed by Borrower or any Guarantor in connection therewith, or (ii) an event of default under the Parent Revolving Loan Agreement which has not been waived by the requisite lenders thereunder prior to the exercise of remedies hereunder, or (iii) any default by Sellers under the Subordination Agreement.

10.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Agent and Lenders shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the UCC 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 Agent and Lenders hereunder, under any of the other Financing Agreements, the UCC or other applicable law, are cumulative, not exclusive and enforceable, in Agent's discretion, alternatively, successively,

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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 or Obligor of this Agreement or any of the other Financing Agreements. Subject to Section 12 hereof, Agent may at any time or times, proceed directly against Borrower or any Obligor to collect the Obligations without prior recourse to any Obligor or any of the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Agent may, in its discretion, and, without limitation, (i) accelerate the payment of all Obligations and demand immediate payment thereof to Agent for itself and the ratable benefit of Lenders, (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h), all Obligations shall automatically become immediately due and payable), and (ii) terminate the Commitments and this Agreement (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h), the Commitments and any other obligation of the Agent or a Lender hereunder shall automatically terminate).

(c) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Agent may, in its discretion, and upon the direction of the Required Lenders, shall (i) 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, (ii) require Borrower, at Borrower's expense, to assemble and make available to Agent any part or all of the Collateral at any place and time designated by Agent, (iii) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (iv) 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, (v) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Agent or elsewhere) at such prices or terms as Agent may deem reasonable, for cash, upon credit or for future delivery, with the Agent 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 (vi) terminate this Agreement. If any of the Collateral is sold or leased by Agent upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Agent. If notice of disposition of Collateral is required by law, ten (10) days prior notice by Agent 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 Agent 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. At any time an Event of Default exists or has occurred and is continuing, upon Agent's request, Borrower will either, as Agent shall specify, furnish cash collateral to the issuer to be used to secure and fund Agent's reimbursement obligations to the issuer in connection with any Letter of Credit Accommodations or furnish cash collateral to Agent for the Letter of Credit Accommodations. Such cash collateral shall be in the amount equal to one

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hundred ten (110%) percent of the amount of the Letter of Credit Accommodations plus the amount of any fees and expenses payable in connection therewith through the end of the expiration of such Letter of Credit Accommodations.

(d) Agent may, at any time or times that an Event of Default exists or has occurred and is continuing, enforce Borrower's rights against any account debtor, secondary obligor or other obligor in respect of any of the Accounts or other Receivables. Without limiting the generality of the foregoing, Agent may at such time or times, (i) notify any or all account debtors, secondary obligors and other obligors in respect thereof that the Receivables have been assigned to Agent and that Agent has a security interest therein and Agent may direct any or all accounts debtors, secondary obligors or other obligors to make payment of Receivables directly to Agent, (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 Receivables or other obligations included in the Collateral and thereby discharge or release the account debtor or any secondary obligors or other obligors in respect thereof without affecting any of the Obligations, (iii) demand, collect or enforce payment of any Receivables or such other obligations, but without any duty to do so, and Agent and Lenders shall not be liable for any 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 Agent may deem necessary or desirable for the protection of its interests and the interests of Lenders. At any time that an Event of Default exists or has occurred and is continuing, at Agent's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Agent and are payable directly and only to Agent and Borrower shall deliver to Agent such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Agent may require. In the event any account debtor returns Inventory when an Event of Default exists or has occurred and is continuing, Borrower shall, upon Agent's request, hold the returned Inventory in trust for Agent, segregate all returned Inventory from all of its other property, dispose of the returned Inventory solely according to Agent's instructions, and not issue any credits, discounts or allowances with respect thereto without Agent's prior written consent.

(e) To the extent that applicable law imposes duties on Agent or any Lender to exercise remedies in a commercially reasonable manner (which duties cannot be waived under such law), Borrower acknowledges and agrees that it is not commercially unreasonable for Agent or any Lender (i) to fail to incur expenses reasonably deemed significant by Agent or any Lender to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain consents of any Governmental Authority or other third party for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors, secondary obligors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation,

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whether or not the Collateral is of a specialized nature, (vi) to contact other persons, whether or not in the same business as Borrower, for expressions of interest in acquiring all or any portion of the Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, (xi) to purchase insurance or credit enhancements to insure Agent or Lenders against risks of loss, collection or disposition of Collateral or to provide to Agent or Lenders a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Agent in the collection or disposition of any of the Collateral. Borrower acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by Agent or any Lender would not be commercially unreasonable in the exercise by Agent or any Lender of remedies against the Collateral and that other actions or omissions by Agent or any Lender shall not be deemed commercially unreasonable solely on account of not being indicated in this Section. Without limitation of the foregoing, nothing contained in this Section shall be construed to grant any rights to

Borrower or to impose any duties on Agent or Lenders that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

(f) For the purpose of enabling Agent to exercise the rights and remedies hereunder, Borrower hereby grants to Agent, 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.

(g) Agent may apply the cash proceeds of Collateral actually received by Agent 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 Agent may elect, whether or not then due. Borrower shall remain liable to Agent and Lenders 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 reasonable attorneys' fees actually incurred and expenses.

(h) Without limiting the foregoing, upon the occurrence of a Default or an Event of Default, Agent and Lenders may, at Agent's option, and upon the occurrence of an Event of Default at the direction of the Required Lenders, Agent and Lenders shall, without notice, (i) cease making Loans or arranging for Letter of Credit Accommodations or reduce the lending formulas or amounts of 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 Agent and Lenders to Borrower, and/or (iii) Agent may, at its option, establish such Reserves as Agent determines without limitation or restriction, notwithstanding anything to the contrary contained herein

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SECTION 11. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

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 (other than the Mortgages to the extent provided therein) and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by, and construed in accordance with, the laws of the State of Georgia, without regard to principles of conflicts of law or other rule of law that would result in the application of the law of any jurisdiction other than the State of Georgia.

(b) Borrower and Agent and Lenders irrevocably consent and submit to the non-exclusive jurisdiction of a Georgia state court or superior court located in 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 Agent and Lenders shall have the right to bring any action or proceeding against Borrower or its property in the courts of any other jurisdiction which Agent 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 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 Agent'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 Agent against Borrower for the amount of the claim and other relief requested.

(d) TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND LENDERS 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, AGENT AND LENDERS 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, AGENT OR ANY LENDER MAY FILE AN ORIGINAL

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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) Agent and Lenders 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 Agent and such Lender, that the losses were the result of its acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Agent and each 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. Except as prohibited by law, Borrower waives any right which it may have to claim or recover in any litigation with Agent or any Lender any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. Borrower: (i) certifies that neither Agent, any Lender nor any representative, agent or attorney acting for or on behalf of Agent or any Lender has represented, expressly or otherwise, that Agent and Lenders would not, in the event of litigation, seek to enforce any of the waivers provided for in this Agreement or any of the other Financing Agreements and (ii) acknowledges that in entering into this Agreement and the other Financing Agreements, Agent and Lenders are relying upon, among other things, the waivers and certifications set forth in this Section 11.1 and elsewhere herein and therein.

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 chattel 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 Agent or any Lender may elect to give shall entitle Borrower to any other or further notice or demand in the same, similar or other circumstances.

11.3 Amendments and Waivers.

(a) Neither this Agreement nor any other Financing Agreement nor any terms hereof or thereof may be amended, waived, discharged or terminated unless such amendment, waiver, discharge or termination is in writing signed by Agent and the Required Lenders or, at Agent's option, by Agent with the authorization of the Required Lenders, and in addition, with respect to any amendments (other than with respect to any provision of Section 12 hereof), by Borrower; except, that, no such amendment, waiver, discharge or termination shall:

(i) reduce the interest rate or any fees or extend the time of payment of principal, interest or any fees or reduce the principal amount of any Loan or Letter of Credit Accommodations, in each case without the consent of each Lender directly affected thereby,

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(ii) increase the Commitment of any Lender over the amount thereof then in effect or provided hereunder, in each case without the consent of the Lender directly affected thereby,

(iii) release any Collateral (except as expressly provided hereunder or under any of the other Financing Agreements or applicable law and except as permitted under Section 12.11(b) hereof), without the consent of Agent and all of Lenders,

(iv) reduce any percentage specified in the definition of Required Lenders, without the consent of Agent and all of Lenders,

(v) consent to the assignment or transfer by Borrower or any Guarantor of any of their rights and obligations under this Agreement, without the consent of Agent and all of Lenders,

(vi) amend, modify or waive any terms of this Section 11.3 or Section 12.8 hereof, without the consent of Agent and all of Lenders, or

(vii) increase the advance rates constituting part of the Borrowing Base, without the consent of Agent and all of Lenders.

(b) Agent and Lenders shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its or their rights, powers and/or remedies unless such waiver shall be in writing and signed as provided herein. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Agent or any 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 Agent or any Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

(c) Notwithstanding anything to the contrary contained in Section 11.3(a) above, in the event that Borrower or any Guarantor requests that this Agreement or any other Financing Agreements be amended or otherwise modified in a manner which would require the unanimous consent of all of the Lenders and such amendment or other modification is agreed to by the Required Lenders, then, with the consent of Borrower, Agent and the Required Lenders, Borrower, Agent and the Required Lenders may amend this Agreement without the consent of the Lenders that did not agree to such amendment or other modification (collectively, the "Minority Lenders") to provide for (i) the termination of the Commitment of each of the Minority Lenders, (ii) the addition to this Agreement of one or more other Lenders, or an increase in the Commitment of one or more of the Required Lenders, so that the Commitments, after giving effect to such amendment, shall be in the same aggregate amount as the Commitments immediately before giving effect to such amendment, (iii) if any Loans are outstanding at the time of such amendment, the making of such additional Loans by such new Lenders or Required Lenders, as the case may be, as may be necessary to repay in full the outstanding Loans of the Minority Lenders immediately before giving

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effect to such amendment and (iv) the payment of all interest, fees and other Obligations payable or accrued in favor of the Minority Lenders and such other modifications to this Agreement as Borrower and the Required Lenders may determine to be appropriate.

(d) Notwithstanding anything to the contrary contained in Section 11.3(a) above, in connection with any amendment, waiver, discharge or termination, in the event that any Lender whose consent thereto is required shall fail to consent or fail to consent in a timely manner (such Lender being referred to herein as a "Non-Consenting Lender"), but the consent of any other Lenders to such amendment, waiver, discharge or termination that is required are obtained, if any, then Congress shall have the right, but not the obligation, at any time thereafter, and upon the exercise by Congress of such right, such Non-Consenting Lender shall have the obligation, to sell, assign and transfer to Congress or such Eligible Transferee as Congress may specify, the Commitment of such Non-Consenting Lender and all rights and interests of such Non-Consenting Lender pursuant thereto. Congress shall provide the Non-Consenting Lender with prior written notice of its intent to exercise its right under this Section, which notice shall specify on date on which such purchase and sale shall occur. Such purchase and sale shall be pursuant to the terms of an Assignment and Acceptance (whether or not executed by the Non-Consenting Lender), except that on the date of such purchase and sale, Congress, or such Eligible Transferee specified by Congress, shall pay to the Non-Consenting Lender (except as Congress and such Non-Consenting Lender may otherwise agree) the amount equal to: (i) the principal balance of the Loans held by the Non-Consenting Lender outstanding as of the close of business on the business day immediately

preceding the effective date of such purchase and sale, plus (ii) amounts accrued and unpaid in respect of interest and fees payable to the Non-Consenting Lender to the effective date of the purchase (but in no event shall the Non-Consenting Lender be deemed entitled to any early termination fee), minus (iii) the amount of the closing fee received by the Non-Consenting Lender pursuant to the terms hereof or of any of the other Financing Agreements multiplied by the fraction, the numerator of which is the number of months remaining in the then current term of the Credit Facility and the denominator of which is the number of months in the then current term thereof. Such purchase and sale shall be effective on the date of the payment of such amount to the Non-Consenting Lender and the Commitment of the Non-Consenting Lender shall terminate on such date.

(e) The consent of Agent shall be required for any amendment, waiver or consent affecting the rights or duties of Agent hereunder or under any of the other Financing Agreements, in addition to the consent of the Lenders otherwise required by this Section.

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 Agent and each Lender, and its officers, directors, agents, employees, advisors and counsel and their respective Affiliates (each such person being an "Indemnitee"), harmless from and against any and all losses, claims, damages, liabilities, costs or expenses (including reasonable attorneys' fees actually incurred and 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

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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 reasonable fees of counsel actually incurred and expenses of counsel, except, as to any indemnified party, for such losses, claims, damages, liabilities, costs or expenses resulting from gross negligence or willful misconduct of such party, 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 Agent and Lenders in satisfaction of indemnified matters under this Section. To the extent permitted by applicable law, Borrower shall not assert, and Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any of the other Financing Agreements or any undertaking or transaction contemplated hereby. All amounts due under this Section shall be payable upon demand. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

SECTION 12. THE AGENT

12.1 Appointment, Powers and Immunities. Each Lender irrevocably designates, appoints and authorizes Congress to act as Agent hereunder and under the other Financing Agreements with such powers as are specifically delegated to Agent by the terms of this Agreement and of the other Financing Agreements, together with such other powers as are incidental thereto. Agent (a) shall have no duties or responsibilities except those expressly set forth in this Agreement and in the other Financing Agreements, and shall not by reason of this Agreement or any other Financing Agreement be a trustee or fiduciary for any Lender; (b) shall not be responsible to Lenders for any recitals, statements, representations or warranties contained in this Agreement or in any of the other Financing Agreements, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or any other Financing Agreement, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Financing Agreement or any other document referred to or provided for herein or therein or for any failure by Borrower or any Obligor or any other Person to perform any of its

obligations hereunder or thereunder; and (c) shall not be responsible to Lenders for any action taken or omitted to be taken by it hereunder or under any other Financing Agreement or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. Agent may deem and treat the payee of any note as the holder thereof for all purposes hereof unless and until the assignment thereof pursuant to an agreement (if and to the extent permitted herein) in form and substance satisfactory to Agent shall have been delivered to and acknowledged by Agent.

12.2 Reliance by Agent. Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopy, telex, telegram or cable) believed by it to be genuine and

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correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Agent. As to any matters not expressly provided for by this Agreement or any other Financing Agreement, Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder in accordance with instructions given by the Required Lenders or all of Lenders as is required in such circumstance, and such instructions of such Agents and any action taken or failure to act pursuant thereto shall be binding on all Lenders. 12.3 Events of Default.

(a) Agent shall not be deemed to have knowledge or notice of the occurrence of an Event of Default or other failure of a condition precedent to the Loans and Letter of Credit Accommodations hereunder, unless and until Agent has received written notice from a Lender, or Borrower specifying such Event of Default or any unfulfilled condition precedent, and stating that such notice is a "Notice of Default or Failure of Condition". In the event that Agent receives such a Notice of Default or Failure of Condition, Agent shall give prompt notice thereof to the Lenders. Agent shall (subject to Section 12.7) take such action with respect to any such Event of Default or failure of condition precedent as shall be directed by the Required Lenders; provided, that, unless and until Agent shall have received such directions, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to or by reason of such Event of Default or failure of condition precedent, as it shall deem advisable in the best interest of Lenders. Without limiting the foregoing, and notwithstanding the existence or occurrence and continuance of an Event of Default or any other failure to satisfy any of the conditions precedent set forth in Section 4 of this Agreement to the contrary, Agent may, but shall have no obligation to, continue to make Loans and issue or cause to be issued Letter of Credit Accommodations for the ratable account and risk of Lenders from time to time if Agent believes making such Loans or issuing or causing to be issued such Letter of Credit Accommodations is in the best interests of Lenders.

(b) Except with the prior written consent of Agent, no Lender may assert or exercise any enforcement right or remedy in respect of the Loans, Letter of Credit Accommodations or other Obligations, as against Borrower or Obligor or any of the Collateral or other property of Borrower or Obligor.

12.4 Congress in its Individual Capacity. With respect to its Commitment and the Loans made and Letter of Credit Accommodations issued or caused to be issued by it (and any successor acting as Agent), so long as Congress shall be a Lender hereunder, it shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include Congress in its individual capacity as Lender hereunder. Congress (and any successor acting as Agent) and its Affiliates may (without having to account therefor to any Lender) lend money to, make investments in and generally engage in any kind of business with Borrower (and any of its Subsidiaries or Affiliates) as if it were not acting as Agent, and Congress and its Affiliates may accept fees and other consideration from Borrower or any Obligor and any of its Subsidiaries and Affiliates for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

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12.5 Indemnification. Lenders agree to indemnify Agent (to the extent

not reimbursed by Borrower hereunder and without limiting any obligations of Borrower hereunder) ratably, in accordance with their Pro Rata Shares, for any and all claims of any kind and nature whatsoever that may be imposed on, incurred by or asserted against Agent (including by any Lender) arising out of or by reason of any investigation in or in any way relating to or arising out of this Agreement or any other Financing Agreement or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (including the costs and expenses that Agent is obligated to pay hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents, provided, that, no Lender shall be liable for any of the foregoing to the extent it arises from the gross negligence or willful misconduct of the party to be indemnified as determined by a final non-appealable judgment of a court of competent jurisdiction. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

12.6 Non-Reliance on Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on Agent or other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of Borrower and Obligors and has made its own decision to enter into this Agreement and that it will, independently and without reliance upon Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Financing Agreements. Agent shall not be required to keep itself informed as to the performance or observance by Borrower or any Obligor of any term or provision of this Agreement or any of the other Financing Agreements or any other document referred to or provided for herein or therein or to inspect the properties or books of Borrower or any Obligor. Agent will use reasonable efforts to provide Lenders with any information received by Agent from Borrower or any Obligor which is required to be provided to Lenders or deemed to be requested by Lenders hereunder and with a copy of any Notice of Default or Failure of Condition received by Agent from Borrower or any Lender; provided, that, Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Except for notices, reports and other documents expressly required to be furnished to Lenders by Agent hereunder, Agent shall not have any duty or responsibility to provide any Lender with any other credit or other information concerning the affairs, financial condition or business of Borrower or Obligor that may come into the possession of Agent.

12.7 Failure to Act. Except for action expressly required of Agent hereunder and under the other Financing Agreements, Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from Lenders of their indemnification obligations under Section 12.5 hereof against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

12.8 Additional Loans. Agent shall not make any Loans or provide any Letter of Credit Accommodations to Borrower on behalf of Lenders intentionally and with actual knowledge that such Loans or Letter of Credit Accommodations would cause the aggregate amount of the total outstanding Loans and Letter of Credit Accommodations to Borrower to exceed the Borrowing Base, without the prior consent of all Lenders, except, that, Agent may make such additional Loans

or provide such additional Letter of Credit Accommodations on behalf of Lenders, intentionally and with actual knowledge that such Loans or Letter of Credit Accommodations will cause the total outstanding Loans and Letter of Credit Accommodations to Borrower to exceed the Borrowing Base, as Agent may deem necessary or advisable in its discretion, provided, that: (a) the total principal amount of the additional Loans or additional Letter of Credit Accommodations to Borrower which Agent may make or provide after obtaining such actual knowledge that the aggregate principal amount of the Loans equal or exceed the Borrowing Base shall not exceed the aggregate amount equal to \$5,000,000 outstanding at any time and shall not cause the total principal amount of the Loans and Letter of Credit Accommodations to exceed the Maximum Credit and (b) no such additional Loan or Letter of Credit Accommodation shall be outstanding more than ninety (90) days after the date such additional Loan or Letter of Credit Accommodation is made or issued (as the case may be), except as the Required Lenders may otherwise agree. Each Lender shall be obligated to pay Agent the amount of its Pro Rata Share of any such additional Loans or Letter of

Credit Accommodations provided that Agent is acting in accordance with the terms of this Section 12.8.

12.9 Concerning the Collateral and the Related Financing Agreements. Each Lender authorizes and directs Agent to enter into this Agreement and the other Financing Agreements. Each Lender agrees that any action taken by Agent or Required Lenders in accordance with the terms of this Agreement or the other Financing Agreements and the exercise by Agent or Required Lenders of their respective powers set forth therein or herein, together with such other powers that are incidental thereto, shall be binding upon all of the Lenders.

12.10 Field Audit, Examination Reports and other Information; Disclaimer by Lenders. By signing this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report and a monthly report with respect to the Borrowing Base prepared by Agent (each field audit or examination report and monthly report with respect to the Borrowing Base being referred to herein as a "Report" and collectively, "Reports"), appraisal and financial statements;

(b) expressly agrees and acknowledges that Agent (A) does not make any representation or warranty as to the accuracy of any Report, appraisal or financial statement or (B) shall not be liable for any information contained in any Report, appraisal or financial statement;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or any other party performing any audit or examination will inspect only specific information regarding Borrower and any Obligor and will rely significantly upon Borrower's and any Obligor's books and records, as well as on representations of Borrower's and any Obligor's personnel; and

(d) agrees to keep all Reports confidential and strictly for its internal use in accordance with the terms of Section 13.5 hereof, and not to distribute or use any Report in any other manner.

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12.11 Collateral Matters.

(a) Agent may, at its option, from time to time, at any time on or after an Event of Default and for so long as the same is continuing or upon any other failure of a condition precedent to the Loans and Letter of Credit Accommodations hereunder, make such disbursements and advances ("Special Agent Advances") which Agent, in its sole discretion, deems necessary or desirable either (i) to preserve or protect the Collateral or any portion thereof or (ii) to enhance the likelihood or maximize the amount of repayment by Borrower of the Loans and other Obligations, provided, that, the aggregate principal amount of the Special Agent Advances pursuant to this clause (ii), plus the then outstanding principal amount of the additional Loans and Letter of Credit Accommodations which Agent may make or provide as set forth in Section 12.8 hereof, shall not exceed the aggregate amount of ten (10%) percent of the Maximum Credit or (iii) to pay any other amount chargeable to Borrower pursuant to the terms of this Agreement or any of the other Financing Agreements consisting of costs, fees and expenses and payments to any issuer of Letter of Credit Accommodations. Special Agent Advances shall be repayable on demand and be secured by the Collateral. Special Agent Advances shall not constitute Loans but shall otherwise constitute Obligations hereunder. Interest on Special Advances shall be payable at the Interest Rate then applicable to Prime Rate Loans. Agent shall notify each Lender and Borrower in writing of each such Special Agent Advance, which notice shall include a description of the purpose of such Special Agent Advance. Without limitation of its obligations pursuant to Section 6.9, each Lender agrees that it shall make available to Agent, upon Agent's demand, in immediately available funds, the amount equal to such Lender's Pro Rata Share of each such Special Agent Advance. If such funds are not made available to Agent by such Lender, Agent shall be entitled to recover such funds, on demand from such Lender together with interest thereon for each day from the date such payment was due until the date such amount is paid to Agent at the Federal Funds Rate for each day during such period (as published by the Federal Reserve Bank of Atlanta or at Agent's option based on the arithmetic mean determined by Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (Atlanta, Georgia time) on that day by each of the three leading brokers of Federal funds transactions in New York City selected by Agent) and if such amounts are not paid within three (3) days of

Agent's demand, at the highest Interest Rate provided for in Section 3.1 hereof applicable to Prime Rate Loans.

(b) Lenders hereby irrevocably authorize Agent, at its option and in its discretion to release any security interest in, mortgage or lien upon, any of the Collateral (i) upon termination of the Commitments and payment and satisfaction of all of the Obligations and delivery of cash collateral to the extent required under Section 13.1 below, or (ii) constituting property being sold or disposed of if Borrower certifies to Agent that the sale or disposition is made in compliance with Section 9.7 hereof (and Agent may rely conclusively on any such certificate, without further inquiry), or (iii) constituting property in which Borrower or any Obligor did not own an interest at the time the security interest, mortgage or lien was granted or at any time thereafter, or (iv) having a value in the aggregate in any fiscal quarter period of less than \$500,000, and to the extent Agent may release its security interest in and lien upon any such Collateral pursuant to the sale or other disposition thereof, such sale or other disposition shall be deemed consented to by Lenders, or (v) if required or permitted under the terms of any of the other Financing Agreements, including any intercreditor agreement, or (vi) approved, authorized or ratified in writing by all of Lenders. Except as provided above, Agent will not release any security interest in, mortgage or lien upon, any of the

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Collateral without the prior written authorization of all of Lenders. Upon request by Agent at any time, Lenders will promptly confirm in writing Agent's authority to release particular types or items of Collateral pursuant to this Section.

(c) Without any manner limiting Agent's authority to act without any specific or further authorization or consent by the Required Lenders, each Lender agrees to confirm in writing, upon request by Agent, the authority to release Collateral conferred upon Agent under this Section. Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the security interest, mortgage or liens granted to Agent upon any Collateral to the extent set forth above; provided, that, (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create any obligations or entail any consequence other than the release of such security interest, mortgage or liens without recourse or warranty and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any security interest, mortgage or lien upon (or obligations of Borrower or any Obligor in respect of) the Collateral retained by Borrower or any Obligor.

(d) Agent shall have no obligation whatsoever to any Lender or any other Person to investigate, confirm or assure that the Collateral exists or is owned by Borrower or any Obligor or is cared for, protected or insured or has been encumbered, or that any particular items of Collateral meet the eligibility criteria applicable in respect of the Loans or Letter of Credit Accommodations hereunder, or whether any particular reserves are appropriate, or that the liens and security interests granted to Agent pursuant hereto or any of the Financing Agreements or otherwise have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this Agreement or in any of the other Financing Agreements, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in the Collateral as a Lender and that Agent shall have no duty or liability whatsoever to any other Lender.

12.12 Agency for Perfection. Each Lender hereby appoints Agent and each other Lender as agent and bailee for the purpose of perfecting the security interests in and liens upon the Collateral of Agent in assets which, in accordance with Article 9 of the UCC can be perfected only by possession (or where the security interest of a secured party with possession has priority over the security interest of another secured party) and Agent and each Lender hereby acknowledges that it holds possession of any such Collateral for the benefit of Agent as secured party. Should any Lender obtain possession of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver such Collateral to Agent or in accordance with Agent's instructions.

12.13 Successor Agent. Agent may resign as Agent upon thirty (30) days'

notice to Lenders and Borrower. If Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor agent for Lenders. If no successor agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with Lenders and Borrower, a successor agent from among Lenders. Upon the acceptance by the

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Lender so selected of its appointment as successor agent hereunder, such successor agent shall succeed to all of the rights, powers and duties of the retiring Agent and the term "Agent" as used herein and in the other Financing Agreements shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 12 shall inure to its benefit as to any actions taken or omitted by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is thirty (30) days after the date of a retiring Agent's notice of resignation, the retiring Agent's resignation shall nonetheless thereupon become effective and Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

SECTION 13. TERM OF AGREEMENT; MISCELLANEOUS

13.1 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 (October 3, 2006) (the "Renewal Date"), and from year to year thereafter, unless sooner terminated pursuant to the terms hereof. Agent may, at its option (or shall at the direction of any Lender in writing received in writing by Agent at least sixty (60) days prior to the Renewal Date or the anniversary of any Renewal Date, as the case may be), terminate this Agreement and the other Financing Agreements, or Borrower may terminate this Agreement and the other Financing Agreements, in each case, 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. In addition, Borrower may terminate this Agreement at any time upon ten (10) days prior written notice to Agent (which notice shall be irrevocable) and Agent may terminate this Agreement at any time on or after an Event of Default. Upon the Renewal Date or any other effective date of termination or non-renewal of the Financing Agreements, Borrower shall pay to Agent all outstanding and unpaid Obligations and shall furnish cash collateral to Agent (or at Agent's option, a letter of credit issued for the account of Borrower and at Borrower's expense, in form and substance satisfactory to Agent, by an issuer acceptable to Agent and payable to Agent as beneficiary) in such amounts as Agent determines are necessary to secure (or reimburse) Agent and Lenders from loss, cost, damage or expense, including reasonable attorneys' fees actually incurred and 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 Agent or any Lender has not yet received final and indefeasible payment and any continuing obligations of Agent or any Lender pursuant to any Deposit Account Control Agreement. The amount of such cash collateral (or letter of credit, as Agent may determine) as to any Letter of Credit Accommodations shall be in the amount equal to one hundred ten (110%) percent of the amount of the Letter of Credit Accommodations plus the amount of any fees and expenses payable in connection therewith through the end of the latest expiration date of such Letter of Credit Accommodations. Such payments in respect of the Obligations and cash collateral shall be remitted by wire transfer in Federal funds to the Agent Payment Account or such other bank account of Agent, as Agent may, in its discretion, designate in writing to

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Borrower for such purpose. Interest shall be due until and including the next Business Day, if the amounts so paid by Borrower to the Agent Payment Account or other bank account designated by Agent 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 or any Obligor 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 Agent's continuing security interest in the Collateral and the rights and

remedies of Agent and Lenders 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. Accordingly, Borrower waives any rights it may have under the UCC to demand the filing of termination statements with respect to the Collateral and Agent shall not be required to send such termination statements to Borrower, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all of the Obligations are paid and satisfied in full in immediately available funds.

(c) If for any reason this Agreement is terminated prior to the Renewal Date, 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 Agent's and each Lender's lost profits as a result thereof, Borrower agrees to pay to Agent for itself and the ratable benefit of Lenders, upon the effective date of such termination, an early termination fee in the amount equal to

| AMOUNT ----- | PERIOD ----- |
|-------------------------------|---|
| (i) 2% of Maximum Credit | From the date hereof to and including the first anniversary of the date hereof |
| (ii) 1% of the Maximum Credit | After the first anniversary of the date hereof to and including the second anniversary of the date hereof |
| (iii) 1/2% of Maximum Credit | After the second anniversary of the date hereof, to (but not including) the third anniversary of the date hereof or if the term of this Agreement is extended, at any time prior to the end of the then current term. |

Such early termination fee shall be presumed to be the amount of damages sustained by Agent and Lenders as a result of such early termination and Borrower agrees that it is reasonable under the circumstances currently existing. In addition, Agent and Lenders 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 Agent and Lenders do not exercise the right to terminate this Agreement, but elect, at their 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 13.1 shall be deemed included in the Obligations.

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Notwithstanding anything set forth herein to the contrary, in the event the Obligations are refinanced in full by Wachovia Bank, National Association or an Affiliate thereof at any time after the first anniversary of the date hereof, no early termination fee shall be payable to Agent or Lenders.

13.2 Interpretative Provisions.

(a) All terms used herein which are defined in Article 1, Article 8 or Article 9 of the UCC 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, any Obligor, Agent and Lenders pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns.

(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" and the word "will" when used in this Agreement shall be construed to have the same meaning and effect as the word "shall."

(f) All references to the term "good faith" used herein when applicable to Agent or any Lender shall mean, notwithstanding anything to the contrary contained herein or in the UCC, honesty in fact in the conduct or transaction concerned. Borrower shall have the burden of proving any lack of good faith on the part of Agent or any Lender alleged by Borrower at any time.

(g) 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 Agent, if such Event of Default is capable of being cured as determined by Agent.

(h) 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 Agent prior to the date hereof. Notwithstanding anything to the contrary in GAAP or any interpretations or other pronouncements by the Financial Accounting Standards Board or otherwise, the term "unqualified opinion" as used herein to refer to opinions or reports provided by accountants shall mean an opinion or report that is not only unqualified but also does not include any explanatory note or language, including any explanation, supplemental comment or other comment concerning the ability of the applicable person to continue as a going concern or otherwise.

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(i) 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".

(j) 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.

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

(l) 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.

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

13.3 Notices. 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 Borrower:

M. J. SOFFE CO.
c/o DELTA APPAREL, INC.
2750 Premiere Parkway, Suite 100
Duluth, GA 30097
Attention: Herb Mueller
Telephone No.: (678) 775-6900
Telecopy No.: (678) 584-1880

If to Agent:

CONGRESS FINANCIAL CORPORATION (SOUTHERN)
200 Galleria Parkway, Suite 1500
Atlanta, GA 30339
Attention: Gary Silvers
Telephone No.: (770) 956-0094
Telecopy No.: (770) 956-1861

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13.4 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.

13.5 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 Agent, Lenders, Borrower and their respective successors and assigns, except that Borrower may not assign its rights under this Agreement or the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Agent and Lenders. Any such purported assignment without such express prior written consent shall be void. No Lender may assign its rights and obligations under this Agreement without the prior written consent of Agent, except as provided in Section 13.6 below. The terms and provisions of this Agreement and the other Financing Agreements are for the purpose of defining the relative rights and obligations of Borrower, Agent and Lenders with respect to the transactions contemplated hereby and there shall be no third party beneficiaries of any of the terms and provisions of this Agreement or any of the other Financing Agreements.

13.6 Assignments; Participations.

(a) Each Lender may assign all or, if less than all, a portion equal to at least \$5,000,000 in the aggregate for the assigning Lender, of such rights and obligations under this Agreement to one or more Eligible Transferees (but not including for this purpose any assignments in the form of a participation), each of which assignees shall become a party to this Agreement as a Lender by execution of an Assignment and Acceptance; provided, that, (i) if such Eligible Transferee is not a bank, Agent shall receive a representation in writing by such Eligible Transferee that no part of its acquisition of its Loans is made out of assets of any employee benefit plan, (ii) such transfer or assignment will not be effective until recorded by Agent on the Register and (iii) Agent shall have received for its sole account payment of a processing fee from the assigning Lender or the assignee in the amount of \$5,000. As used in this Section, the term "employee benefit plan" shall have the meaning assigned to it in Title I of ERISA and shall also include a "plan" as defined in Section 4975(e)(1) of the Code.

(b) Agent shall maintain a register of the names and addresses of Lenders, their Commitments and the principal amount of their Loans (the "Register"). Agent shall also maintain a copy of each Assignment and Acceptance delivered to and accepted by it and shall modify the Register to give effect to each Assignment and Acceptance. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and Borrower, Obligors, Agent and Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrower and any Lender at any reasonable time and from time to time upon reasonable prior notice.

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(c) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (i) the assignee thereunder shall be a party hereto and to the other Financing Agreements and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations (including, without limitation, the obligation to participate in Letter of Credit Accommodations) of a Lender hereunder and thereunder and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement.

(d) By execution and delivery of an Assignment and Acceptance, the

assignor and assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any of the other Financing Agreements or the execution, legality, enforceability, genuineness, sufficiency or value of this Agreement or any of the other Financing Agreements furnished pursuant hereto, (ii) the assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower, any Obligor or any of their Subsidiaries or the performance or observance by Borrower or any Obligor of any of the Obligations; (iii) such assignee confirms that it has received a copy of this Agreement and the other Financing Agreements, together with such other documents and information it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such assignee will, independently and without reliance upon the assigning Lender, Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Financing Agreements, (v) such assignee appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Financing Agreements as are delegated to Agent by the terms hereof and thereof, together with such powers as are incidental thereto, and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement and the other Financing Agreements are required to be performed by it as a Lender. Agent and Lenders may furnish any information concerning Borrower or any Obligor in the possession of Agent or any Lender from time to time to assignees and Participants.

(e) Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement and the other Financing Agreements (including, without limitation, all or a portion of its Commitments and the Loans owing to it and its participation in the Letter of Credit Accommodations, without the consent of Agent or the other Lenders); provided, that, (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment hereunder) and the other Financing Agreements shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and Borrower, Obligors and Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Financing Agreements, (iii) the Participant shall not have any rights under this Agreement or any of the other Financing Agreements (the Participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such

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Lender in favor of the Participant relating thereto) and all amounts payable by Borrower or any Obligor hereunder shall be determined as if such Lender had not sold such participation, and (iv) if such Participant is not a bank, represent that no part of its acquisition of its participation is made out of assets of any employee benefit plan. As used in this Section, the term "employee benefit plan" shall have the meaning assigned to it in Title I of ERISA and shall also include a "plan" as defined in Section 4975(e)(1) of the Code.

(f) Nothing in this Agreement shall prevent or prohibit any Lender from pledging its Loans hereunder to a Federal Reserve Bank in support of borrowings made by such Lenders from such Federal Reserve Bank; provided, that, no such pledge shall release such Lender from any of its obligations hereunder or substitute any such pledgee for such Lender as a party hereto.

(g) Borrower shall assist Agent or any Lender permitted to sell assignments or participations under this Section 13.6 in whatever manner necessary in order to enable or effect any such assignment or participation, including (but not limited to) the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested and the delivery of informational materials, appraisals or other documents for, and the participation of relevant management in meetings and conference calls with, potential Lenders or Participants. Borrower shall certify the correctness and accuracy of all descriptions of Borrower and its affairs provided, prepared or reviewed by Borrower that are contained in any selling materials prepared for potential Lenders in connection with the initial syndication of the Loans and all other information provided by it and included in such materials.

(h) Each Lender organized under the laws of a jurisdiction outside the

United States shall, on or prior to the date of its execution and delivery of this Agreement in the case of each Lender which is a party hereto at the date hereof, or on or prior to the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as reasonably requested in writing by Borrower (but only so long thereafter as such Lender remains lawfully able to do so), provide Agent and Borrower with two original U.S. Internal Revenue Service Forms W-8BEN or W-8ECI, or any successor or other form prescribed by the U.S. Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement.

13.7 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.

13.8 Counterparts, Etc. This Agreement or any of the other Financing Agreements may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement or any of the

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other Financing Agreements by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Agreement or any of such other Financing Agreements. Any party delivering an executed counterpart of any such agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

[Remainder of page intentionally left blank.]

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

AGENT AND
LENDER
- - - - -

BORROWER:
- - - - -

CONGRESS FINANCIAL CORPORATION (SOUTHERN)

MJS ACQUISITION COMPANY,
a North Carolina corporation

By: /s/ Susan L. Miller
- - - - -

By: /s/ Robert W. Humphreys
- - - - -

Title: First Vice President
- - - - -

Title: President and CEO
- - - - -

GUARANTORS:

DELTA APPAREL, INC., a Georgia corporation

By: /s/ Robert W. Humphreys

Title: President and CEO

SAIM, LLC, a North Carolina limited liability company

By: MJS Acquisition Company, its sole member

By: /s/ Robert W. Humphreys

Title: President and CEO

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

by and among

DELTA APPAREL, INC.

as Borrower

CONGRESS FINANCIAL CORPORATION (SOUTHERN),
as Agent

and

THE FINANCIAL INSTITUTIONS NAMED HEREIN,
as Lenders

Dated: October 3, 2003

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AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This Amended and Restated Loan and Security Agreement dated October 3, 2003 (this "Agreement"), is entered into by and among DELTA APPAREL, INC., a Georgia corporation ("Borrower"), the parties hereto from time to time as Lenders, whether by execution of this Agreement or an Assignment and Acceptance (each individually, a "Lender" and collectively, "Lenders"), and CONGRESS FINANCIAL CORPORATION (SOUTHERN), a Georgia corporation, in its capacity as agent for Agents (in such capacity, "Agent").

W I T N E S S E T H:

WHEREAS, Borrower and Congress Financial Corporation (Southern) ("Congress") are parties to that certain Loan and Security Agreement dated May 16, 2000, as amended by that certain Amendment No. 1 to Loan and Security Agreement dated as of October 17, 2001, and that certain Amendment No. 2 to Loan and Security Agreement dated August 23, 2002 (as amended, modified, or supplemented, from time to time prior to the date hereof, the "Existing Loan Agreement"); and

WHEREAS, Borrower desires that the Existing Loan Agreement be amended, modified and restated to, among other things, (a) permit to the creation of a wholly-owned Subsidiary of Borrower, MJS Acquisition Company ("MJS"), and the acquisition of M. J. Soffe Co. ("Soffe") by MJS pursuant to the terms of that certain Amended and Restated Stock Purchase Agreement, dated as of October 3, 2003, among Borrower, MJS and Sellers (the "Soffe Stock Purchase Agreement") and

the documents relating thereto, (b) increase the amount of the revolving loans available to Borrower by \$15,000,000 to \$40,000,000, (c) provide for Congress to act as agent for the Lenders party hereto and (d) amend certain other provisions of the Loan Agreement; and

WHEREAS, Borrower agrees that the security interests granted to Congress pursuant to the Existing Loan Agreement and the other Existing Financing Agreements, shall remain outstanding and in full force and effect in accordance with the Existing Financing Agreements, in each case, as amended as of the date hereof and shall continue to secure the Obligations; and

WHEREAS, each of Borrower and Congress acknowledges and agrees that (i) the Obligations represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Existing Obligations arising in connection with the Existing Loan Agreement and the other Existing Financing Agreements executed in connection therewith; (ii) it intends that the collateral pledged under the Existing Loan Agreement and the other Existing Financing Agreements executed in connection therewith shall secure, without interruption or impairment of any kind, all Existing Obligations under the Existing Loan Agreement and the other Existing Financing Agreements executed in connection therewith as amended, restated, renewed, extended, consolidated and modified hereunder, together with all other Obligations hereunder; and (iii) all liens evidenced by the Existing Loan Agreement and the other Existing Financing Agreements executed in connection therewith are hereby ratified, confirmed and continued; and

WHEREAS, Borrower and Congress intend that (i) the provisions of the Existing Loan Agreement and the other Existing Financing Agreements executed in connection therewith, to the extent restated, renewed, extended, consolidated, amended and modified hereby and by the other Financing Agreements dated as of the date hereof, be hereby superseded and replaced by the provisions hereof and of the other Financing Agreements; and (ii) by entering into and performing their respective obligations hereunder, this transaction shall not constitute a novation; and

WHEREAS, each Lender is willing to agree (severally and not jointly) to make such loans and provide such financial accommodations to Borrower on a pro rata basis according to its Commitment (as defined below) on the terms and conditions set forth herein and Agent is willing to act as agent for Lenders on the terms and conditions set forth herein and the other Financing Agreements;

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 of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a secondary obligation incurred or to be incurred, or (d) arising out of the use of a credit or charge card or information contained on or for use with the card.

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.

1.3 "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

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(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 "Agent" shall mean Congress Financial Corporation (Southern), in its capacity as agent on behalf of Lenders pursuant to the terms hereof and any replacement or successor agent hereunder.

1.5 "Agent Payment Account" shall have the meaning set forth in Section 6.3(a) hereof.

1.6 "Agreement Date" shall mean October 3, 2003.

1.7 "Alabama Mortgage" shall have the meaning set forth in Section 4.3(a) hereof.

1.8 "Assignment and Acceptance" shall mean an Assignment and Acceptance substantially in the form of Exhibit A attached hereto (with blanks appropriately completed) delivered to Agent in connection with an assignment of a Lender's interest hereunder in accordance with the provisions of Section 13.6 hereof.

1.9 "Average Daily Balance" shall have the meaning set forth in Section 3.2(b) hereof.

1.10 "Blocked Accounts" shall have the meaning set forth in Section 6.3(a) hereof.

1.11 "Borrowing Base" shall mean, at any time, the amount equal to:

(a) the sum of:

(i) eighty-five (85%) percent of the Net Amount of the Eligible Accounts, plus

(ii) the lesser of:

(1) the Inventory Loan Limit, or

(2) 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; plus

(iii) to the extent greater than zero, the lesser of:

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(1) (A) the Fixed Asset Loan Limit, minus

(B) the Fixed Asset Loan Amortization Amount, or

(2) (A) eighty-five percent (85%) of the appraised Net Orderly Liquidation Value of Eligible Equipment determined from time to time by a qualified appraiser acceptable to

Agent, minus

(B) the Fixed Asset Loan Amortization Amount, minus

(b) Reserves.

For purposes only of applying the Inventory Loan Limit, Agent may treat the then undrawn amounts of outstanding Letter of Credit Accommodations for the purpose of purchasing Eligible Inventory as Loans to the extent Agent 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 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. The amounts of Eligible Inventory shall, at Agent's option, be determined based on the lesser of the amount of Inventory set forth in the general ledger of Borrower or the perpetual inventory record maintained by Borrower.

1.12 "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 or the State of Georgia or the State of North Carolina, and a day on which the Reference Bank and Agent 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.

1.13 "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.

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

1.15 "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, or partnership, limited liability company or

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other equity 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).

1.16 "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 or 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 of 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.

1.17 "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 or any Guarantor to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), other than as permitted in Section 9.7 hereof; (b) the liquidation or dissolution of Borrower or any Guarantor or the adoption of a plan by the stockholders of Borrower or any Guarantor relating to the dissolution or liquidation of Borrower or any Guarantor, other than as permitted in Section 9.7 hereof; (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 a majority of the voting power of the total outstanding Voting Stock of Borrower or any Guarantor or the Board of Directors of Borrower or any Guarantor; 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 or any Guarantor (together with any new directors who have been appointed by any Permitted Holder, or whose nomination for election by the stockholders of Borrower or such Guarantor, as the 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.

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1.18 "Code" shall mean the Internal Revenue Code of 1986, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

1.19 "Collateral" shall have the meaning set forth in Section 5.1 hereof.

1.20 "Collateral Access Agreement" shall mean an agreement in writing, in form and substance satisfactory to Agent, 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 Agent 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 Agent access to, and the right to remain on, the premises of such lessor, consignee or other person so as to exercise Agent's rights and remedies and otherwise deal with such Collateral and in the case of any consignee or other person who at any time has custody, control or possession of any Collateral, acknowledges that it holds and will hold possession of the Collateral for the benefit of Agent and Lenders and agrees to follow all instructions of Agent with respect thereto.

1.21 "Commitment" shall mean, at any time, as to each Lender, the principal amount set forth below such Lender's signature on the signatures pages hereto designated as the Commitment or on Schedule 1 to the Assignment and Acceptance Agreement pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 13.6 hereof, as the same may be adjusted from time to time in accordance with the terms hereof; sometimes being collectively referred to herein as "Commitments".

1.22 "Congress" shall mean Congress Financial Corporation (Southern), a Georgia corporation, in its individual capacity, and its successors and assigns.

1.23 "Credit Facility" shall mean the Loans and Letter of Credit Accommodations provided to or for the benefit of Borrower pursuant to Sections 2.1 and 2.2 hereof.

1.24 "Customs Brokers" shall mean the persons listed on Schedule 1.24 hereto or such other person as may be selected by Borrower after the date hereof and after written notice by Borrower to Agent who is reasonably acceptable to

Agent, 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.

1.25 "Default" shall mean an act, condition or event which with notice or passage of time or both would constitute an Event of Default.

1.26 "Defaulting Lender" shall have the meaning set forth in Section 6.9(d) hereof.

1.27 "Deposit Account Control Agreement" shall mean an agreement in writing, in form and substance satisfactory to Agent, by and among Agent, Borrower with a deposit account at any bank and the bank at which such deposit account is at any time maintained which provides that such bank will comply with

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instructions originated by Agent directing disposition of the funds in the deposit account without further consent by Borrower and such other terms and conditions as Agent may require, including as to any such agreement with respect to any Blocked Account, providing that all items received or deposited in the Blocked Accounts are the property of Agent, that the 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 bank will wire, or otherwise transfer, in immediately available funds, on a daily basis to the Agent Payment Account all funds received or deposited into the Blocked Accounts.

1.28 "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.

1.29 "EBITDA" shall mean, as to Borrower, with respect to any period, an amount equal to: (a) the Net Income of Borrower and its Subsidiaries for such period on a consolidated basis determined in accordance with GAAP, plus (b) to the extent deducted in the computation of Net Income, (i) depreciation, amortization and other non-cash charges (including, but not limited to, imputed interest and deferred compensation) for such period, all in accordance with GAAP, plus (ii) the Interest Expense for such period, plus (iii) charges for Federal, Provincial, State, district, municipal, local and foreign income taxes; provided that, for purposes of determining EBITDA, Subsidiaries of Borrower shall not include MJS or the Subsidiaries of MJS.

1.30 "Eligible Accounts" shall mean Accounts created by Borrower which are and continue to be acceptable to Agent 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 Agent, on terms and conditions acceptable to Agent);

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(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 Agent'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 Agent to perfect the security interests of Agent 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 Agent may request to enable Agent as secured party with respect thereto to collect such Accounts under the applicable Federal or Provincial laws of Canada) or, at Agent'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 Agent and payable only in the United States of America and in U.S. dollars, sufficient to cover such Account, in form and substance satisfactory to Agent and if required by Agent, the original of such letter of credit has been delivered to Agent or Agent's agent and Borrower has complied with the terms of Section 5.2(h) hereof with respect to the assignment of the proceeds of such letter of credit to Agent or naming Agent as transferee beneficiary thereunder, as Agent may specify, or (ii) such Account is subject to credit insurance payable to Agent issued by an insurer and on terms and in an amount acceptable to Agent, or (iii) such Account is otherwise acceptable in all respects to Agent (subject to such lending formula with respect thereto as Agent 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 Agent shall have received an agreement in writing from the account debtor, in form and substance satisfactory to Agent, 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);

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(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 Agent 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 Agent'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 Agent;

(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;

(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 Agent, on terms and conditions acceptable to Agent) 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 Agent (but the portion of the Accounts not in excess of such credit limit may be deemed Eligible Accounts); and

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(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 Agent.

General criteria for Eligible Accounts may be established and revised from time to time by Agent 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 Agent 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 Agent. Any Accounts which are not Eligible Accounts shall nevertheless be part of the Collateral.

1.31 "Eligible Equipment" shall mean Equipment owned or operated in the ordinary course of the business of Borrower, in each case which is acceptable to Agent based on the criteria set forth below. In general, Eligible Equipment shall not include (a) components which are not part of operating Equipment; (b) Equipment which is uninsured, damaged, obsolete, in disrepair or under repair; (c) spare parts for Equipment; (d) Equipment at premises other than those owned and controlled by Borrower, except any Equipment which would otherwise be deemed Eligible Equipment that is not located at premises owned and operated by Borrower may nevertheless be considered Eligible Equipment: (i) as to locations which are leased by Borrower if Agent shall have received a Collateral Access Agreement from the owner and lessor of such location, duly authorized, executed and delivered by such owner and lessor or if Agent shall not have received a Collateral Access Agreement (in a form reasonably acceptable to Agent), Agent may, at its option, nevertheless consider Equipment at such location to be Eligible Equipment to the extent Agent shall have established such Reserves in respect of amounts at any time payable by Borrower to the owner and lessor thereof as Agent shall determine, and (ii) as to locations owned and operated by a third person, (A) if Agent shall have received a Collateral Access Agreement from such owner and operator with respect to such location, duly authorized, executed and delivered by such owner and operator or if Agent shall not have received a Collateral Access Agreement (in a form reasonably acceptable to Agent), Agent may, at its option, nevertheless consider Equipment at such location to be Eligible Equipment to the extent Agent shall have established such Reserves in respect of amounts at any time payable by Borrower to the owner and operator thereof as Agent shall determine, and (B) in addition, as to locations owned and operated by a third person, Agent shall have received, if required by Agent: (1) UCC-1 financing statements between the owner and operator, as consignee or bailee and Borrower, as consignor or bailor, in form and substance satisfactory to Agent, which are duly assigned to Agent and (2) a

written notice to any lender to the owner and operator of the first priority security interest in such Equipment of Agent; (e) Equipment subject to a security interest or lien in favor of any Person other than Agent except those permitted in this Agreement (but without limiting the right of Agent to establish any Reserves with respect to amounts secured by such security interest or lien in favor of any Person even if permitted herein); (f) Equipment which is not subject to the first priority, valid and perfected security interest of Agent; (g) Equipment which has become part of, or affixed to, any Real Property and (h) Equipment located outside the United States of America. The criteria for Eligible Equipment set forth above may only be changed and any new criteria for Eligible Equipment may only be established by Agent in good faith based on either: (i) an event, condition or other circumstance arising after the date

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hereof; or (ii) an event, condition or other circumstance existing on the date hereof to the extent Agent has no written notice thereof from Borrower prior to the date hereof, in either case under clause (i) or (ii) which adversely affects or could reasonably be expected to adversely affect the Equipment in the good faith determination of Agent. Any Equipment which is not Eligible Equipment shall nevertheless be part of the Collateral.

1.32 "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 Agent 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 Agent shall have received a Collateral Access Agreement from the owner and lessor of such location, duly authorized, executed and delivered by such owner and lessor, except that notwithstanding that Agent shall not have received such an agreement for a particular leased location, Agent may consider Inventory at such leased location which would otherwise be Eligible Inventory to be Eligible Inventory and in such event, Agent may at any time establish such Reserves as Agent 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 Agent 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), Agent shall have received a Collateral Access Agreement duly authorized, executed and delivered by the owner and operator of such premises (except that notwithstanding that Agent shall not have received such an agreement as to a particular third party location, Agent may consider Inventory at such location which would otherwise be Eligible Inventory to be Eligible Inventory and in such event, Agent may at any time establish such Reserves as Agent may determine in respect of amounts at any time payable by Borrower to such third party, without limiting any other rights or remedies of Agent under this Agreement or under the other Financing Agreements with respect to the establishment of Reserves or otherwise), and in addition, if required by Agent, 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 Agent and (B) any secured Agent to the owner and operator is properly notified of the first priority lien on such Inventory of Agent; (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 Agent 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) Agent 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) Agent 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

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thereof, (iv) Agent 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 Agent 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 Agent, 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 Agent; (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 Agent 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 Agent 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 Agent. Any Inventory which is not Eligible Inventory shall nevertheless be part of the Collateral.

1.33 "Eligible Transferee" shall mean (a) any Lender; (b) the parent company of any Lender and/or any Affiliate of such Lender which is at least fifty (50%) percent owned by such Lender or its parent company; (c) any person (whether a corporation, partnership, trust or otherwise) that is engaged in the business of making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an institutional Affiliate of such investment advisor, and in each case is approved by Agent; and (d) any other commercial bank, financial institution or institutional "accredited investor" (as defined in Regulation D under the Securities Act of 1993) approved by Agent; provided, that, neither Borrower nor any Guarantor nor any Affiliate of Borrower or any Guarantor shall qualify as an Eligible Transferee and (ii) no Person to whom any Indebtedness which is in any way subordinated in right of payment to any other Indebtedness of Borrower or any Guarantor shall qualify as an Eligible Transferee, except as Agent may otherwise specifically agree

1.34 "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

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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.

1.35 "Equipment" shall mean all of Borrower's now owned and hereafter acquired equipment, wherever located, including machinery, data processing and computer equipment and computer hardware and software (whether owned or licensed, and including embedded software), 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.

1.36 "ERISA" shall mean the United States Employee Retirement Income

Security Act of 1974, together with all rules, regulations and interpretations thereunder or related thereto.

1.37 "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.

1.38 "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 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.

1.39 "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 Agent) 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

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accordance with this Agreement, with a maturity of comparable duration to the Interest Period selected by Borrower.

1.40 "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.

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

1.42 "Excess Availability" shall mean the amount, as determined by Agent, calculated at any time, equal to: (a) the lesser of: (i) the Borrowing Base and (ii) the Maximum Credit, minus (b) the sum of: (i) the amount of all then outstanding and unpaid Obligations, 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.

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

1.44 "Existing Loan Agreement" shall have the meaning set forth in the recitals of this Agreement.

1.45 "Existing Financing Agreements" shall mean Financing Agreements as defined in the Existing Loan Agreement.

1.46 "Existing Obligations" shall mean Obligations as defined in the Existing Loan Agreement.

1.47 "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 1.47 hereto but not including the Real Property subject to the Mortgages.

1.48 "Financing Agreements" shall mean, collectively, this Agreement, the Intercreditor Agreement, the Subordination Agreement, the Guarantees, the Mortgages 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.

1.49 "Fixed Asset Loan Amortization Amount" shall mean an amount equal to (a) from and after November 1, 2003 through November 30, 2003, \$166,666.67, plus (b) from and after the first day of each month commencing December 1, 2003 and through the last day of each such month, the product of: (i) \$166,666.67 multiplied by (ii) the cumulative number of months that have elapsed since November 1, 2003.

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1.50 "Fixed Asset Loan Limit" shall mean \$10,000,000.

1.51 "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 of Borrower during such period to (b) Fixed Charges of Borrower and its Subsidiaries for the same period; provided that, for purposes of calculating the Fixed Charge Coverage Ratio, Subsidiaries of Borrower shall not include MJS or the Subsidiaries of MJS.

1.52 "Fixed Charges" for any Person 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) and (d) an amount equal to the product of: (i) \$166,666.67 multiplied by (ii) the cumulative number of months that elapsed during such period of determination.

1.53 "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, except that, for purposes of Section 9.21 hereof and for purposes of calculating "Net Income" as defined in this Agreement, until such time as Borrower notifies Agent of a change in GAAP that would have a material effect on the calculation of Net Income or the covenant set forth in Section 9.21 and Borrower and Agent mutually agree on the treatment of such change or the recalculation of such covenant, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements delivered to Agent prior to the date hereof.

1.54 "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.

1.55 "Guarantee" shall mean, individually, any guarantee executed by a Guarantor substantially in the form of Exhibit C attached hereto, and "Guarantees" shall collectively refer to all such guarantees, as each may be amended, modified, supplemented, extended or restated from time to time.

1.56 "Guarantors" shall mean, collectively, each of (a) MJS and (b) SAIM, together with their successors and assigns.

1.57 "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

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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).

1.58 "Hedging Obligations" shall mean, with respect to any Person, the obligations and liabilities of such Person under any of the following agreements or arrangements to the extent that the primary purpose thereof is the reduction of risk for fluctuations in interest rates or currency values relating to its customary business and not for speculative purposes: (a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (b) other agreements or arrangements designed to protect such person against fluctuations in interest rates or currency values.

1.59 "Honduras Subsidiary" shall mean each of Delta Apparel Honduras, S.A. and Delta Cortes, S.A.

1.60 "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 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; (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 and (h) Hedging Obligations.

1.61 "Information Certificate" shall mean the Information Certificate of Borrower constituting Exhibit D hereto containing material information with respect to Borrower, its business and assets provided by or on behalf of

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Borrower to Agent in connection with the preparation of this Agreement and the other Financing Agreements and the financing arrangements provided for herein.

1.62 "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 (including any goodwill associated with any trademark or the license of any trademark); customer and other lists in whatever form maintained; and trade secret rights, copyright rights, rights in works of authorship, domain names and domain name registrations; software and contract rights relating to computer software programs, in whatever form created or maintained.

1.63 "Intercreditor Agreement" shall mean that certain Intercreditor Agreement dated as of October 3, 2003, between Agent and Subsidiary Agent, as amended, modified, supplemented, extended or restated from time to time.

1.64 "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 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.

1.65 "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.

1.66 "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 Agent 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 Agent's receipt of the financial statements required to be delivered to Agent pursuant to Section 9.6(a)(ii) hereof in respect of the fiscal quarter

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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 Agent in respect of the Obligations from the date of closing to June 30, 2000 shall be calculated on an annualized basis) as calculated by Agent 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 Agent'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 Agent and (ii) on the Loans at

any time outstanding in excess of the amounts available to Borrower under Section 2 (whether or not such excesses) arise or are made with or without Agent's knowledge or consent and whether made before or after an Event of Default).

1.67 "Inventory" shall mean all of Borrower's now owned and hereafter existing or acquired goods, wherever located, which (a) are leased by Borrower as lessor; (b) are held by Borrower for sale or lease or to be furnished under a contract of service; (c) are furnished by Borrower under a contract of service; or (d) consist of raw materials, work in process, finished goods or materials used or consumed in its business.

1.68 "Inventory Loan Limit" shall mean \$20,000,000.

1.69 "Investment Property Control Agreement" shall mean an agreement in writing, in form and substance satisfactory to Agent, by and among Agent, Borrower and any securities intermediary, commodity intermediary or other person who has custody, control or possession of any investment property of Borrower acknowledging that such securities intermediary, commodity intermediary or other person has custody, control or possession of such investment property on behalf of Agent, that it will comply with entitlement orders originated by Agent with respect to such investment property, or other instructions of Agent, or (as the case may be) apply any value distributed on account of any commodity contract as directed by Agent, in each case, without the further consent of Borrower and including such other terms and conditions as Agent may require.

1.70 "Lenders" shall mean the financial institutions who are signatories hereto as Lenders and other persons made a party to this Agreement

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as a Lender in accordance with Section 13.6 hereof, and their respective successors and assigns; each sometimes being referred to herein individually as a "Lender".

1.71 "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 Agent for the account of Borrower or any Obligor (excluding such items issued or opened for MJS or its Subsidiaries under the Subsidiary Loan Agreement) or (b) with respect to which Agent has agreed to indemnify the issuer or guaranteed to the issuer the performance by Borrower of its obligations to such issuer.

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

1.73 "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 and its Subsidiaries taken as a whole or the validity or enforceability of this Agreement, any of the other Financing Agreements, or any of the rights and remedies of Agent hereunder or thereunder.

1.74 "Maximum Credit" shall mean the amount of \$40,000,000.

1.75 "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 Agent and Lenders, 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).

1.76 "Mexican Subsidiary" shall mean Delta Campeche, S.A. de C.V., a company organized under the laws of Mexico.

1.77 "MJS" shall have the meaning set forth in the recitals of this Agreement

1.78 "Monthly Average Excess Availability" shall mean, at any time, the average of the amount of the Excess Availability for the immediately preceding thirty (30) days as calculated by Agent based on the amount of the Excess Availability on each date during such period.

1.79 "Mortgages" shall mean, individually and collectively, each of the following, as each may be amended, modified, supplemented, extended or restated from time to time: (a) the Deed of Trust and Security Agreement, dated May 16, 2000, by Borrower in favor of Agent with respect to the Real Property and

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related assets of Borrower located in Maiden, North Carolina; (b) the Deed of Trust and Security Agreement, dated May 16, 2000, by Borrower in favor of Agent with respect to the Real Property and related assets of Borrower located in Knoxville, Tennessee; (c) the Open-End Mortgage and Security Agreement, dated May 16, 2000, by Borrower in favor of Agent with respect to the Real Property and related assets of Borrower located in Edgefield, South Carolina; and (d) the Mortgage, Assignment of Rents and Leases and Security Agreement dated as of October 3, 2003, with respect to the Real Property and related assets of Borrower located in Fayette County, Alabama.

1.80 "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.

1.81 "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.

1.82 "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; provided, the Honduras Subsidiaries and the Mexican Subsidiary shall be considered to be wholly-owned Subsidiaries of Borrower for purposes of the calculation of Net Income hereunder so long as Borrower owns at least 97% of the Capital Stock of each such Subsidiaries.

1.83 "Net Orderly Liquidation Value" shall mean with respect to Borrower's Equipment, the value that is estimated to be recoverable in an orderly liquidation of such Equipment net of estimated liquidation expenses as determined from time to time by a qualified appraisal company selected by Agent.

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1.84 "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 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.

1.85 "Obligations" shall mean (a) any and all Loans, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by Borrower to Agent or any Lender or any of their 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 Agent or Lenders and (b) for purposes only of Sections 5 and 6.4 hereof, any and all Hedging Obligations owing by Borrower to Agent or any Affiliate of Agent.

1.86 "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 (including, without limitation, Guarantors), other than Borrower.

1.87 "Participant" shall mean any financial institution that acquires and holds a participation in the interest of any Lender in any of the Loans and Letter of Credit Accommodations in conformity with the provisions of Section 13.6 of this Agreement governing participations.

1.88 "Permits" shall have the meaning set forth in Section 8.7(b) hereof.

1.89 "Permitted Holders" shall mean the persons listed on Schedule 1.89 hereto and their respective successors and assigns.

1.90 "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.

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1.91 "Plan" shall mean 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.

1.92 "Pledge Agreement" shall mean that certain Stock Pledge Agreement by Borrower and MJS in favor of Congress, in its capacity as Agent and in its capacity as Subsidiary Agent, dated as of the Agreement Date, as the same may be amended, restated, supplemented or otherwise modified from time to time.

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

1.94 "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.

1.95 "Pro Rata Share" shall mean as to any Lender, the fraction (expressed as a percentage) the numerator of which is such Lender's Commitment and the denominator of which is the aggregate amount of all of the Commitments of Lenders, as adjusted from time to time in accordance with the provisions of Section 13.6 hereof; provided, that, if the Commitments have been terminated, the numerator shall be the unpaid amount of such Lender's Loans and its interest in the Letter of Credit Accommodations and the denominator shall be the aggregate amount of all unpaid Loans and Letter of Credit Accommodations

1.96 "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.

1.97 "Purchase Agreements" shall mean, individually and collectively, the Stock Purchase Agreement, the Seller Note, and the Related Agreements (as defined in the Stock Purchase Agreement), as all of the foregoing now exist and as amended to the extent permitted herein or in the Subsidiary Loan Agreement.

1.98 "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.

1.99 "Receivables" shall mean all of the following now owned or hereafter arising or acquired property of Borrower: (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 payment intangibles of Borrower, 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 accounts, contract rights, chattel

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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 of Borrower) 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 lives of employees on which Borrower is a beneficiary).

1.100 "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).

1.101 "Reference Bank" shall mean Wachovia Bank, National Association, or such other bank as Agent may from time to time designate.

1.102 "Register" shall have the meaning set forth in Section 13.6(b) hereof.

1.103 "Renewal Date" shall the meaning set forth in Section 13.1(a) hereof.

1.104 "Required Lenders" shall mean, at any time, those Lenders whose

Pro Rata Shares aggregate sixty-six and two-thirds (66 2/3%) percent or more of the aggregate of the Commitments of all Lenders, or if the Commitments shall have been terminated, Lenders to whom at least sixty-six and two-thirds (66 2/3%) percent of the then outstanding Obligations are owing.

1.105 "Reserves" shall mean as of any date of determination, such amounts as Agent may from time to time establish and revise in good faith reducing the amount of 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 Agent had no actual knowledge as of such date, which, as determined by Agent 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 Agent or any Lender in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Agent's good faith belief that any collateral report or financial information furnished by or on behalf of Borrower or any Obligor to Agent is or

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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, or (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 Agent'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 the amount of any Hedging Obligations of Borrower owed to Agent or any Affiliate of Agent or (f) in respect of any state of facts which Agent 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 Agent 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 Agent, Agent shall not establish a Reserve for the same purpose. The amount of any Reserve established by Agent shall have a reasonable relationship to the event, condition or other matter which is the basis For such reserve as determined by Agent in good faith.

1.106 "SAIM" shall mean SAIM, LLC, a North Carolina limited liability company.

1.107 "Seller Note" means that certain Promissory Note dated as of the date hereof in the original principal amount of \$8,000,000 executed and delivered by MJS in favor of Sellers in effect on the date hereof and as amended in compliance with the terms of the Subsidiary Loan Agreement.

1.108 "Sellers" shall mean, collectively, James F. Soffe, John D. Soffe and Anthony M. Cimaglia, and their respective heirs, executors, successors and assigns.

1.109 "Soffe" shall have the meaning set forth in the recitals of this Agreement.

1.110 "Soffe Lenders" shall mean, collectively, those financial institutions party to the Subsidiary Loan Agreement from time to time.

1.111 "Soffe Stock Purchase Agreement" shall have the meaning set forth in the recitals of this Agreement.

1.112 "Solvent" shall mean, at any time with respect to any Person, that at such time such Person (a) is able to pay its debts as they mature and has (and has a reasonable basis to believe it will continue to have) sufficient capital (and not unreasonably small capital) to carry on its business consistent with its practices as of the date hereof, and (b) the assets and properties of such Person at a fair valuation (and including as assets for this purpose at a fair valuation all rights of subrogation, contribution or indemnification arising pursuant to any guarantees given by such Person) are greater than the Indebtedness of such Person, and including subordinated and contingent liabilities computed at the amount which, such person has a reasonable basis to believe, represents an amount which can reasonably be expected to become an

actual or matured liability (and including as to contingent liabilities arising pursuant to any guarantee the face amount of such liability as reduced to reflect the probability of it becoming a matured liability).

1.113 "Subordination Agreement" shall mean that certain Subordination Agreement, dated as of the date hereof, among Congress, in its capacity as Agent and in its capacity as Subsidiary Agent, Borrower, MJS and Sellers, as the same may be amended, restated, supplemented or otherwise modified from time to time.

1.114 "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 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.

1.115 "Subsidiary Agent" shall mean Congress Financial Corporation (Southern), as agent for Soffe Lenders under the Subsidiary Loan Agreement, and its successors and assigns.

1.116 "Subsidiary Loan Agreement" shall mean that certain Loan and Security Agreement, dated as of the Agreement Date, by and among MJS, Subsidiary Agent and Soffe Lenders, as amended, modified, supplemented, extended or restated from time to time.

1.117 "UCC" shall mean the Uniform Commercial Code as in effect in the State of Georgia, and any successor statute, as in effect from time to time (except that terms used herein which are defined in the Uniform Commercial Code as in effect in the State of Georgia on the date hereof shall continue to have the same meaning notwithstanding any replacement or amendment of such statute except as Agent may otherwise determine).

1.118 "Value" shall mean, as determined by Agent 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.

1.119 "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.

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

SECTION 2. CREDIT FACILITIES

2.1 Loans.

(a) Subject to and upon the terms and conditions contained herein, each Lender severally (and not jointly) agrees to fund its Pro Rata Share of Loans to Borrower from time to time in amounts requested by Borrower up to the amount outstanding at any time equal to the lesser of: (i) the Borrowing Base or (ii) the Maximum Credit at such time. Except as otherwise provided herein or permitted hereunder, (x) the aggregate principal amount of the sum of the Loans and Letter of Credit Accommodations outstanding at any time to Borrower shall not exceed the lesser of the Borrowing Base or the Maximum Credit, and (y) the aggregate principal amount of the Loans outstanding at any time to Borrower based on the Eligible Inventory of Borrower shall not exceed the Inventory Loan Limit.

(b) Agent 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 Agent 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 Agent 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 Agent in good faith. In determining whether to reduce the lending formula(s), Agent may consider events, conditions, contingencies or risks which are also considered in determining Eligible Accounts, Eligible Inventory or in establishing Reserves.

(c) Except in Agent's discretion, (i) the aggregate amount of the Loans outstanding at any time shall not exceed the Maximum Credit, (ii) the aggregate amount of 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 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 Agent or Lenders in that circumstance or on any future occasions and Borrower shall, upon demand by Agent, which may be made at any time or from time to time, immediately repay to Agent the entire amount of any such excess(es) for which payment is demanded.

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2.2 Letter of Credit Accommodations.

(a) Subject to and upon the terms and conditions contained herein, at the request of Borrower, Agent agrees, for the ratable risk of each Lender according to its Pro Rata Share, to provide or arrange for Letter of Credit Accommodations for the account of Borrower containing terms and conditions acceptable to Agent and the issuer thereof. Any payments made by Agent to any issuer thereof and/or related parties in connection with the Letter of Credit Accommodations shall constitute additional Loans to Borrower pursuant to this Section 2. All Letter of Credit Accommodations (as defined in the Existing Loan Agreement) outstanding on the Agreement Date shall be deemed to be Letter of Credit Accommodations hereunder.

(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 Agent, for the benefit of Lenders, 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 Agent may, and upon the written direction of Required Lenders shall, require Borrower to pay to Agent for the ratable benefit of Lenders such letter of credit fee, 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 Agent and Lenders have received full and final payment of all Obligations (notwithstanding entry of a judgment against Borrower) and (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 Agent. 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 Agent two (2) Business Days' prior written notice 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 Agent: (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 Agent 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 Agent 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

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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 Agent 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 (B) 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 Agent with respect 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 Agent's discretion, with the consent of all Lenders, the amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Agent 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 Agent'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 Agent for the Letter of Credit Accommodations.

(f) Borrower shall indemnify and hold Agent and Lenders harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Agent or any 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 Agent and Lenders 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 willful misconduct of Agent or any Lender as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. The provisions of this Section 2.2(f) 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 Agent's request, instruct all suppliers, carriers, forwarders, Customs Brokers, warehouses or others receiving or holding cash, checks, Inventory, documents or instruments in which Agent holds a security interest to deliver them to Agent and/or subject to Agent's order, and if they shall come into Borrower's possession, to deliver them, upon Agent's request, to Agent in their original form. Borrower shall also, at Agent's request, designate Agent 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 Agent all instruments, documents and other writings and property received by issuer pursuant to the Letter of Credit Accommodations and to accept and rely upon Agent'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 Agent or any Lender in any manner. Agent and Lenders shall have no liability of any kind with respect to any Letter of Credit Accommodation provided by an issuer other than Agent or any Lender unless Agent 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 Agent, 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. Agent 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. Agent 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 Agent for the ratable benefit of Lenders. Any duties or obligations undertaken by Agent to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement by Agent in favor of any issuer or correspondent to the extent relating to any Letter of Credit Accommodation, shall be deemed to have been undertaken by Borrower to Agent for the ratable benefit of Lenders and to apply in all respects to Borrower.

(j) Immediately upon the issuance or amendment of any Letter of Credit Accommodation, each Lender shall be deemed to have irrevocably and unconditionally purchased and received, without recourse or warranty, an undivided interest and participation to the extent of such Lender's Pro Rata

Share of the liability with respect to such Letter of Credit Accommodation (including, without limitation, all Obligations with respect thereto).

(k) Borrower is irrevocably and unconditionally obligated, without presentment, demand or protest, to pay to Agent any amounts paid by an issuer of a Letter of Credit Accommodation with respect to such Letter of Credit Accommodation (whether through the borrowing of Loans in accordance with Section 2.2(a) or otherwise). In the event that Borrower fails to pay Agent on the date of any payment under a Letter of Credit Accommodation in an amount equal to the amount of such payment, Agent (to the extent it has actual notice thereof) shall promptly notify each Lender of the unreimbursed amount of such payment and each Lender agrees, upon one (1) Business Day's notice, to fund to Agent the purchase of its participation in such Letter of Credit Accommodation in an amount equal to its Pro Rata Share of the unpaid amount. The obligation of each Lender to

deliver to Agent an amount equal to its respective participation pursuant to the foregoing sentence is absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuance of any Event of Default, the failure to satisfy any other condition set forth in Section 4 or any other event or circumstance. If such amount is not made available by a Lender when due, Agent shall be entitled to recover such amount on demand from such Lender with interest thereon, for each day from the date such amount was due until the date such amount is paid to Agent at the interest rate then payable by Borrower in respect of Loans that are Prime Rate Loans as set forth in Section 3.1(a) hereof.

2.3 [Intentionally Omitted.]

2.4 Commitments. The aggregate amount of each Lender's Pro Rata Share of the Loans and Letter of Credit Accommodations shall not exceed the amount of such Lender's Commitment, as the same may from time to time be amended in accordance with the provisions hereof

SECTION 3. INTEREST AND FEES

3.1 Interest.

(a) Borrower shall pay to Agent, for the benefit of Lenders, 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 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 Agent's knowledge or consent and whether made before or after an Event of Default) shall be payable ON DEMAND.

(b) Borrower may from time to time request Eurodollar Rate Loans or 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 Eurodollar Rate Loan or the amount of the Prime Rate Loans to be converted to Eurodollar Rate Loans or the amount of the Eurodollar Rate Loan to be continued (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 Agent 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,

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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 Agent and specified by Agent 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) Agent and each Lender shall have determined that the Interest Period or Adjusted Eurodollar Rate is available to Agent and such Lender and can be readily determined as of the date of the request for such Eurodollar Rate Loan by Borrower. Any request by Borrower for a Eurodollar Rate Loan or 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, Agent and Lenders 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 Agent and Lenders 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 Agent 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 Agent's option, upon notice by Agent to convert to Prime Rate Loans in the event that this Agreement shall terminate or not be renewed. Borrower shall pay to Agent, for the benefit of Lenders, upon demand by Agent (or Agent may, at its option, charge any loan account of Borrower) any amounts required to compensate any Lender or 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 Agent, for the account of Lenders, 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 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.

3.2 Fees. Borrower agrees to pay to Agent the following non-refundable fees as follows:

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(a) the fees set forth in that certain fee letter agreement dated as of the date hereof between Borrower and Agent; and

(b) on the first day of each month in arrears for the benefit of Lenders, an unused line fee at a rate equal to one quarter of one percent (0.250%) per annum calculated upon the amount by which \$30,000,000 exceeds the average daily principal balance of the outstanding Loans and Letter of Credit Accommodations during the immediately preceding month (or part thereof) (the "Average Daily Balance") 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 and shall be fully earned when due; provided, however, that from and after the date that (i) the difference of (A) the Average Daily Balance minus (B) the amount of availability generated by clause (a)(iii) of the Borrowing Base, exceeds (ii) \$30,000,000, such fee shall be calculated upon the amount by which the Maximum Credit exceeds the Average Daily Balance.

3.3 Changes in Laws and Increased Costs of Loans.

(a) Notwithstanding anything to the contrary contained herein, all Eurodollar Rate Loans shall, upon notice by Agent 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 any Lender, Reference Bank or any participant with any 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 any Lender, Reference Bank or any participant of making or maintaining any Eurodollar Rate Loans by an amount deemed by Agent to be material, or (C) reduce the amounts received or receivable by any Lender in respect thereof by an amount deemed by Agent to be material or (ii) the cost to any Lender, Reference Bank or any participant of making or maintaining any Eurodollar Rate Loans shall otherwise increase by an amount deemed by Agent to be material. Borrower shall pay to such Lender or the Reference Bank, upon demand by such Lender any amounts required to compensate such Lender, the Reference Bank or any participant with such 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 such Lender setting forth the basis for the determination of such amount necessary to compensate such 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 Agent 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 Agent upon demand by Agent (or Agent may, at its option, charge any loan account of Borrower) any amounts required to compensate any Lender, the Reference Bank or any participant with any 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.

3.4 Maximum Interest.

(a) 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 Lenders 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 Lenders 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 Agent or Lenders 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.

(b) 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 Agent and Lenders 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 Agent and Lenders 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 Agent or Lenders 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.

(c) 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 Agent and Lenders, 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 Agent and Lenders, 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.

(d) Borrower, Agent and Lenders 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.

(e) The provisions of this Section 3.4 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 Agent and Lenders making the initial Loans and providing the initial Letter of Credit Accommodations hereunder:

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

(b) no material adverse change shall have occurred in the assets, business or financial condition of Borrower and its Subsidiaries, taken as a whole, since the date of Agent'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 Agent to enforce the Obligations or realize upon the Collateral;

(c) Agent shall have completed a field review of the Records and such other information with respect to the Collateral as Agent may require to determine the amount of 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 Agent, together with such supporting documentation as may be necessary or appropriate, and other documents and information that will enable Agent to accurately identify and verify the Collateral), the results of which in each case shall be satisfactory to Agent, not more than three (3) Business Days prior to the date hereof;

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(d) Agent shall have received, in form and substance satisfactory to Agent, all consents, waivers, acknowledgments and other agreements from third persons which Agent 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;

(e) The Subsidiary Loan Agreement and the Financing Agreements (as defined therein) shall have been duly executed and delivered by MJS and the other parties thereto;

(f) the Excess Availability as determined by Agent, as of the date hereof, shall be not less than \$5,000,000 after giving effect to the Purchase Agreements and the transactions contemplated thereunder;

(g) Agent shall have received, in form and substance satisfactory to Agent, Deposit Account Control Agreements by and among Agent, Borrower and each bank where Borrower has a deposit account, in each case, duly authorized, executed and delivered by such bank and Borrower (or Agent shall be the bank's customer with respect to such deposit account as Agent may specify);

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

(i) Agent shall have received, in form and substance satisfactory to

Agent, the Subordination Agreement and the Intercreditor Agreement duly executed and delivered by the parties thereto;

(j) Agent shall have received, in form and substance satisfactory to Agent, a Uniform Commercial Code filing authorization letter, duly executed and delivered by Borrower and the domestic Subsidiaries of Borrower, together with appropriate financing statements on Form UCC-1 or Form UCC-3, as applicable, duly filed in such office or offices as may be necessary or, in the opinion of Agent, desirable to perfect Agent's liens in and to the collateral of such domestic Subsidiaries of Borrower, and Agent shall have received confirmation of the filing of all such financing statements;

(k) Agent shall have received, in form and substance satisfactory to Agent, Appraisals of the Equipment of Borrower located in Fayette County, Alabama;

(l) Agent shall have received, in form and substance satisfactory to Agent, such opinion letters of counsel to Borrower and Guarantors with respect to this Agreement, the other Financing Agreements and the security interests and liens of Agent and Lenders with respect to the Collateral and such other matters as Agent may request;

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(m) Agent shall have received, in form and substance satisfactory to Agent, evidence that all conditions precedent to the Subsidiary Loan Agreement shall have been satisfied;

(n) Agent shall have received, in form and substance satisfactory to Agent, evidence that Agent has a valid perfected first priority security interest in all of the Collateral (including, without limitation, all assets of MJS and SAIM upon consummation of the Merger (as defined in the Subsidiary Loan Agreement) but subject to the prior lien of the Subsidiary Agent), other than liens permitted under the Subsidiary Loan Agreement or this Agreement;

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

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

4.2 Conditions Precedent to All Loans and Letter of Credit Accommodations. Each of the following is an additional condition precedent to Agent and Lenders 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);

(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 and its Subsidiaries, taken as whole, or would impair the ability of Borrower to perform its obligations hereunder or under any of the other Financing Agreements or of Agent to enforce any Obligations or realize upon any of the Collateral; and

(c) no Default or 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.

4.3 Conditions Subsequent to to Initial Loans and Letter of Credit Accommodations. The obligation of Agent and Lenders to continue to make Loans and/or provide Letter of Credit Accommodations to Borrower is subject to the fulfillment, on or before the date applicable thereto, of each of the conditions subsequent set forth below (the failure by Borrower to so perform or cause to be performed constituting an Event of Default):

(a) within 14 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent, in form and substance satisfactory to Agent, (i) a valid and effective mortgagee's title insurance policy issued by a company and agent acceptable to Agent with respect to the Mortgage covering Real Property located in Fayette, Alabama (the "Alabama Mortgage") (A) insuring the priority, amount and sufficiency of the Alabama Mortgage, (B) insuring against matters that would be disclosed by surveys and (C) containing any endorsements, assurances or affirmative coverage requested by Agent for protection of its interests and (ii) an opinion of local counsel with respect to the enforceability of the Alabama Mortgage and otherwise acceptable to Agent;

(b) within 45 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent a survey with respect to the Real Property subject to the Alabama Mortgage, and such survey shall be satisfactory in form and substance to Agent;

(c) within 30 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent, in form and substance satisfactory to Agent, (i) valid and effective "date-down certificates" for each mortgagee's title insurance policy previously delivered in favor of Agent in connection with the Mortgages delivered under with the Existing Loan Agreement, as amended or restated as of the date hereof, and (ii) such other agreements, opinions of counsel, documents and instruments as Agent may reasonably require in connection therewith; and

(d) within 60 days of the Agreement Date (or such longer period as Agent approves in writing), Borrower shall deliver to Agent certificates (and related powers) evidencing 65% of the Capital Stock of each Honduras Subsidiary and the Mexican Subsidiary owned by Borrower.

SECTION 5. GRANT OF SECURITY INTEREST

5.1 Grant of Security Interest. To secure payment and performance of all Obligations, Borrower hereby grants to Agent, a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Agent, for itself and the ratable benefit of Lenders, as security, all personal and real property and fixtures and interests in property and fixtures 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 Agent or any Lender, collectively, the "Collateral") including:

(a) all Accounts;

(b) all general intangibles, including, without limitation, all Intellectual Property;

(c) all goods, including, without limitation, Inventory and Equipment;

(d) all Real Property and fixtures;

(e) all chattel paper including, without limitation, all tangible and electronic chattel paper;

(f) all instruments including, without limitation, all promissory notes;

(g) all documents;

(h) all deposit accounts;

(i) all letters of credit, banker's acceptances and similar instruments

and including all letter-of-credit rights;

(j) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Receivables and other Collateral, including (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Receivables or other Collateral, including returned, repossessed and reclaimed goods, and (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors;

(k) all (i) investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts) and (ii) monies, credit balances, deposits and other property of Borrower now or hereafter held or received by or in transit to Agent, any 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;

(l) all commercial tort claims, including, without limitation, those identified in the Information Certificate;

(m) to the extent not otherwise described above, all Receivables;

(n) all Records; and

(o) 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 or other involuntary conversion of any kind or nature of any or all of the other Collateral.

Subject to the restrictions on the incurrence of purchase money Indebtedness in Section 9.9(b) hereof but notwithstanding anything to the contrary contained in clause (c) above, the types or items of Collateral described in such clause shall not include any Equipment purchased with the proceeds of such purchase money Indebtedness which is, or at the time of Borrower's acquisition thereof shall be, subject to a purchase money lien or

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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 Agent, for itself and the ratable benefit of Lenders, in such item of Equipment is prohibited by the terms of the agreement between Borrower and the holder of such purchase money lien or security interest and the consent of such holder to Agent's lien has not been or is not waived, or the consent of such holder has not been or is not otherwise obtained, or under applicable law such prohibition cannot be waived and (b) the purchase money lien on such item of Equipment is or shall become and remain valid and perfected.

5.2 Perfection of Security Interests.

(a) Borrower irrevocably and unconditionally authorizes Agent (or its agent) to file at any time and from time to time such financing statements with respect to the Collateral naming Agent or its designee as the secured party and Borrower as debtor, as Agent may require, and including any other information with respect to Borrower or otherwise required by part 5 of Article 9 of the Uniform Commercial Code of such jurisdiction as Agent may determine, together with any amendment and continuations with respect thereto, which authorization shall apply to all financing statements filed on, prior to or after the date hereof. Borrower hereby ratifies and approves all financing statements naming Agent or its designee as secured party and Borrower as debtor with respect to the Collateral (and any amendments with respect to such financing statements) filed by or on behalf of Agent prior to the date hereof and ratifies and confirms the authorization of Agent to file such financing statements (and amendments, if any). Borrower hereby authorizes Agent to adopt on behalf of Borrower any symbol required for authenticating any electronic filing. In the event that the description of the collateral in any financing statement naming Agent or its designee as the secured party and Borrower as debtor includes assets and properties of Borrower that do not at any time constitute Collateral, whether hereunder, under any of the other Financing Agreements or otherwise, the filing of such financing statement shall nonetheless be deemed authorized by

Borrower to the extent of the Collateral included in such description and it shall not render the financing statement ineffective as to any of the Collateral or otherwise affect the financing statement as it applies to any of the Collateral. In no event shall Borrower at any time file, or permit or cause to be filed, any correction statement or termination statement with respect to any financing statement (or amendment or continuation with respect thereto) naming Agent or its designee as secured party and Borrower as debtor.

(b) Borrower does not have any chattel paper (whether tangible or electronic) or instruments as of the date hereof, except as set forth in the Information Certificate. In the event that Borrower shall be entitled to or shall receive any chattel paper or instrument after the date hereof, Borrower shall promptly notify Agent thereof in writing. Promptly upon the receipt thereof by or on behalf of Borrower (including by any agent or representative), Borrower shall deliver, or cause to be delivered to Agent, all tangible chattel paper and instruments that Borrower has or may at any time acquire, accompanied by such instruments of transfer or assignment duly executed in blank as Agent may from time to time specify, in each case except as Agent may otherwise agree. At Agent's option, Borrower shall, or Agent may at any time on behalf of Borrower, cause the original of any such instrument or chattel paper to be conspicuously marked in a form and manner acceptable to Agent with the following legend referring to chattel paper or instruments as applicable: "This [chattel paper][instrument] is subject to the security interest of Congress Financial

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Corporation (Southern), as Agent and any sale, transfer, assignment or encumbrance of this [chattel paper][instrument] violates the rights of such secured party."

(c) In the event that Borrower shall at any time hold or acquire an interest in any electronic chattel paper or any "transferable record" (as such term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction) Borrower shall promptly notify Agent thereof in writing. Promptly upon Agent's request, Borrower shall take, or cause to be taken, such actions as Agent may request to give Agent control of such electronic chattel paper under Section 9-105 of the UCC and control of such transferable record under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as in effect in such jurisdiction.

(d) Borrower does not have any deposit accounts as of the date hereof, except as set forth in the Information Certificate. Borrower shall not, directly or indirectly, after the date hereof open, establish or maintain any deposit account unless each of the following conditions is satisfied: (i) Agent shall have received not less than five (5) Business Days prior written notice of the intention of Borrower to open or establish such account which notice shall specify in reasonable detail and specificity acceptable to Agent the name of the account, the owner of the account, the name and address of the bank at which such account is to be opened or established, the individual at such bank with whom Borrower is dealing and the purpose of the account, (ii) the bank where such account is opened or maintained shall be acceptable to Agent, and (iii) on or before the opening of such deposit account, Borrower shall as Agent may specify either (A) deliver to Agent a Deposit Account Control Agreement with respect to such deposit account duly authorized, executed and delivered by Borrower and the bank at which such deposit account is opened and maintained or (B) arrange for Agent to become the customer of the bank with respect to the deposit account on terms and conditions acceptable to Agent. The terms of this subsection (d) shall not apply to deposit accounts specifically and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's salaried employees.

(e) Borrower does not own or hold, directly or indirectly, beneficially or as record owner or both, any investment property, as of the date hereof, or have any investment account, securities account, commodity account or other similar account with any bank or other financial institution or other securities intermediary or commodity intermediary as of the date hereof, in each case except as set forth in the Information Certificate.

(f) In the event that Borrower shall be entitled to or shall at any time after the date hereof hold or acquire any certificated securities, Borrower shall promptly endorse, assign and deliver the same to Agent, accompanied by such instruments of transfer or assignment duly executed in blank as Agent may

from time to time specify. If any securities, now or hereafter acquired by Borrower are uncertificated and are issued to Borrower its nominee directly by the issuer thereof, Borrower shall immediately notify Agent thereof and shall as Agent may specify, either (A) cause the issuer to agree to comply with instructions from Agent as to such securities, without further consent of

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Borrower or such nominee, or (B) arrange for Agent to become the registered owner of the securities.

(g) Borrower shall not, directly or indirectly, after the date hereof open, establish or maintain any investment account, securities account, commodity account or any other similar account (other than a deposit account) with any securities intermediary or commodity intermediary unless each of the following conditions is satisfied: (A) Agent shall have received not less than five (5) Business Days prior written notice of the intention of Borrower to open or establish such account which notice shall specify in reasonable detail and specificity reasonably acceptable to Agent the name of the account, the owner of the account, the name and address of the securities intermediary or commodity intermediary at which such account is to be opened or established, the individual at such intermediary with whom Borrower is dealing and the purpose of the account, (B) the securities intermediary or commodity intermediary (as the case may be) where such account is opened or maintained shall be acceptable to Agent, and (C) on or before the opening of such investment account, securities account or other similar account with a securities intermediary or commodity intermediary, Borrower shall as Agent may specify either (1) execute and deliver, and cause to be executed and delivered to Agent, an Investment Property Control Agreement with respect thereto duly authorized, executed and delivered by Borrower and such securities intermediary or commodity intermediary or (2) arrange for Agent to become the entitlement holder with respect to such investment property on terms and conditions acceptable to Agent.

(h) Borrower is not the beneficiary or otherwise entitled to any right to payment under any letter of credit, banker's acceptance or similar instrument as of the date hereof, except as set forth in the Information Certificate. In the event that Borrower shall be entitled to or shall receive any right to payment under any letter of credit, banker's acceptance or any similar instrument, whether as beneficiary thereof or otherwise after the date hereof, Borrower shall promptly notify Agent thereof in writing. Borrower shall immediately, as Agent may specify, either (i) deliver, or cause to be delivered to Agent, with respect to any such letter of credit, banker's acceptance or similar instrument, the written agreement of the issuer and any other nominated person obligated to make any payment in respect thereof (including any confirming or negotiating bank), in form and substance satisfactory to Agent, consenting to the assignment of the proceeds of the letter of credit to Agent by Borrower and agreeing to make all payments thereon directly to Agent or as Agent may otherwise direct or (ii) cause Agent to become, at Borrower's expense, the transferee beneficiary of the letter of credit, banker's acceptance or similar instrument (as the case may be).

(i) Borrower has no commercial tort claims as of the date hereof, except as set forth in the Information Certificate. In the event that Borrower shall at any time after the date hereof have any commercial tort claims, Borrower shall promptly notify Agent thereof in writing, which notice shall (i) set forth in reasonable detail the basis for and nature of such commercial tort claim and (ii) include the express grant by Borrower to Agent of a security interest in such commercial tort claim (and the proceeds thereof). In the event that such notice does not include such grant of a security interest, the sending thereof by Borrower to Agent shall be deemed to constitute such grant to Agent. Upon the sending of such notice, any commercial tort claim described therein shall constitute part of the Collateral and shall be deemed included therein. Without limiting the authorization of Agent provided in Section 5.2(a) hereof or otherwise arising by the execution by Borrower of this Agreement or any of the

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other Financing Agreements, Agent is hereby irrevocably authorized from time to time and at any time to file such financing statements naming Agent or its designee as secured party and Borrower as debtor, or any amendments to any financing statements, covering any such commercial tort claim as Collateral. In addition, Borrower shall promptly upon Agent's request, execute and deliver, or cause to be executed and delivered, to Agent such other agreements, documents and instruments as Agent may require in connection with such commercial tort claim.

(j) Borrower does not have any goods, documents of title or other Collateral in the custody, control or possession of a third party as of the date hereof, except as set forth in the Information Certificate and except for goods located in the United States in transit to a location of Borrower permitted herein in the ordinary course of business of Borrower in the possession of the carrier transporting such goods. In the event that any goods, documents of title or other Collateral are at any time after the date hereof in the custody, control or possession of any other person not referred to in the Information Certificate or such carriers, Borrower shall promptly notify Agent thereof in writing. Promptly upon Agent's request, Borrower shall deliver to Agent a Collateral Access Agreement duly authorized, executed and delivered by such person and Borrower.

(k) Borrower shall take any other actions reasonably requested by Agent from time to time to cause the attachment, perfection and first priority of, and the ability of Agent to enforce, the security interest of Agent in any and all of the Collateral, including, without limitation, (i) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the UCC or other applicable law, to the extent, if any, that Borrower's signature thereon is required therefor, (ii) causing Agent's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of Agent to enforce, the security interest of Agent in such Collateral, (iii) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of Agent to enforce, the security interest of Agent in such Collateral, (iv) obtaining the consents and approvals of any Governmental Authority or third party, including, without limitation, any consent of any licensor, lessor or other person obligated on Collateral, and taking all actions required by any earlier versions of the UCC or by other law, as applicable in any relevant jurisdiction.

SECTION 6. COLLECTION AND ADMINISTRATION

6.1 Borrower's Loan Account. Agent 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 Agent's customary practices as in effect from time to time.

6.2 Statements. Agent shall render to Borrower each month a statement setting forth the balance in Borrower's loan account(s) maintained by Agent for Borrower pursuant to the provisions of this Agreement, including principal, interest, fees, costs and expenses. Each such statement shall be subject to

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subsequent adjustment by Agent 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 Agent 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 Agent. Until such time as Agent shall have rendered to 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 Agent and Lenders 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 Agent may specify, with such banks as are acceptable to Agent 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 Agent, providing that all items received or deposited in the Blocked Accounts are the property of Agent, 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 Agent as Agent may from time to time designate for such purpose ("Agent Payment Account"). Agent shall instruct the depository banks at which the Blocked Accounts are maintained to transfer the funds on deposit in the Blocked Accounts to such operating bank account of Borrower as Borrower may specify in writing to Agent until such time as Agent shall notify the depository bank otherwise. Agent may notify the depository banks at which the Blocked Accounts are maintained that the Blocked Account Agreements are effective and may instruct such banks to transfer all funds received or deposited into the Blocked Accounts to the Agent Payment Account at any time that either: (i) an 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, or (ii) Monthly Average Excess Availability shall at any time be less than \$7,500,000. Borrower agrees that all payments made to such Blocked Accounts or other funds received and collected by Agent or any Lender, whether in respect of the Receivables, as proceeds of Inventory or other Collateral or otherwise shall be treated as payments to Agent and Lenders in respect of the Obligations and therefore shall constitute the property of Agent and Lenders to the extent of the then outstanding Obligations.

(b) Borrower and all of shareholders, directors, employees, agents, Subsidiaries or other Affiliates shall, acting as trustee for Agent, receive, as the property of Agent, 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 Agent. In no event shall the same be commingled with Borrower's own funds. Borrower agrees to reimburse Agent 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 Agent's payments to or indemnification of such bank or person. The obligation of

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Borrower to reimburse Agent 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 Agent Payment Account as provided in Section 6.3 or such other place as Agent may designate from time to time. Agent 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 Agent from Borrower; second, to pay any fees, indemnities or expense reimbursements then due to Lenders from Borrower; third, to pay interest due in respect of any Loans (and including any Special Agent Advances); fourth, to pay or prepay principal in respect of Special Agent Advances; fifth, to pay principal due in respect of the Loans; sixth, to pay or prepay any other Obligations whether or not then due, in such order and manner as Agent 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, Agent 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 Agent'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 Agent and Lenders 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, Agent or any 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 Agent or such Lender. Borrower shall be liable to pay to Agent, and does hereby indemnify and hold Agent and Lenders 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 Agent or any 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. Agent 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 Agent, 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

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disbursed or established in accordance with the instructions of Borrower or in accordance with the terms and conditions of this Agreement.

6.6 Use of Proceeds. All Loans made or Letter of Credit Accommodations provided by Agent or Lenders to Borrower pursuant to the provisions hereof shall be used by Borrower only for (a) payments to each of the persons listed in the disbursement direction letter furnished by Borrower to Agent on or about the date hereof; (b) costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Financing Agreements; and (c) general operating, working capital and other proper corporate purposes of Borrower not otherwise prohibited by the terms hereof; provided, however, that (a) up to \$21,000,000 of the Loans may be used by Borrower to make a capital contribution to MJS to be used by MJS to consummate the Purchase Agreements and pay transaction expenses arising in connection therewith and (b) the proceeds of the initial Loans hereunder shall be used, in part, to repay in full all outstanding principal of and interest on the Term Loan (as defined in the Existing Loan Agreement). 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.

6.7 Pro Rata Treatment. Except to the extent otherwise provided in this Agreement: (a) the making and conversion of Loans shall be made among the Lenders based on their respective Pro Rata Shares as to the Loans and (b) each payment on account of any Obligations to or for the account of one or more of Lenders in respect of any Obligations due on a particular day shall be allocated among the Lenders entitled to such payments based on their respective Pro Rata Shares and shall be distributed accordingly.

6.8 Sharing of Payments, Etc.

(a) Borrower agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim Agent or any Lender may otherwise have, each Lender shall be entitled, at its option (but subject, as among Agent and Lenders, to the provisions of Section 12.3(b) hereof), to offset balances held by it for the account of Borrower at any of its offices, in dollars or in any other currency, against any principal of or interest on any Loans owed to such Lender or any other amount payable to such Lender hereunder, that is not paid when due (regardless of whether such balances are then due to Borrower), in which case it shall promptly notify Borrower and Agent thereof; provided, that, such Lender's failure to give such notice shall not affect the validity thereof.

(b) If any Lender (including Agent) shall obtain from Borrower payment of any principal of or interest on any Loan owing to it or payment of any other amount under this Agreement or any of the other Financing Agreements through the exercise of any right of setoff, banker's lien or counterclaim or similar right or otherwise (other than from Agent as provided herein), and, as a result of such payment, such Lender shall have received more than its Pro Rata Share of the principal of the Loans or more than its share of such other amounts then due hereunder or thereunder by Borrower to such Lender than the percentage thereof received by any other Lender, it shall promptly pay to Agent, for the benefit of Lenders, the amount of such excess and simultaneously purchase from such other Lenders a participation in the Loans or such other amounts, respectively, owing

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to such other Lenders (or such interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all Lenders shall share the benefit of such excess payment (net of any expenses that may be incurred by such Lender in obtaining or preserving such excess payment) in accordance with their respective Pro Rata Shares or as otherwise agreed by Lenders. To such end all Lenders shall make appropriate adjustments among themselves (by the resale of participation sold or otherwise) if such payment is rescinded or must otherwise be restored.

(c) Borrower agrees that any Lender purchasing a participation (or direct interest) as provided in this Section may exercise, in a manner consistent with this Section, all rights of setoff, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans or other amounts (as the case may be) owing to such Lender in the amount of such participation.

(d) Nothing contained herein shall require any Lender to exercise any right of setoff, banker's lien, counterclaims or similar rights or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other Indebtedness or obligation of Borrower. If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section applies, such Lender shall, to the extent practicable, assign such rights to Agent for the benefit of Lenders and, in any event, exercise its rights in respect of such secured claim in a manner consistent with the rights of Lenders entitled under this Section to share in the benefits of any recovery on such secured claim.

6.9 Settlement Procedures.

(a) In order to administer the Credit Facility in an efficient manner and to minimize the transfer of funds between Agent and Lenders, Agent may, at its option, subject to the terms of this Section, make available, on behalf of Lenders, the full amount of the Loans requested or charged to Borrower's loan account(s) or otherwise to be advanced by Lenders pursuant to the terms hereof, without requirement of prior notice to Lenders of the proposed Loans.

(b) With respect to all Loans made by Agent on behalf of Lenders as provided in this Section, the amount of each Lender's Pro Rata Share of the outstanding Loans shall be computed weekly, and shall be adjusted upward or downward on the basis of the amount of the outstanding Loans as of 5:00 p.m. (Atlanta, Georgia time) on the Business Day immediately preceding the date of each settlement computation; provided, that, Agent retains the absolute right at any time or from time to time to make the above described adjustments at intervals more frequent than weekly, but in no event more than twice in any week. Agent shall deliver to each of the Lenders after the end of each week, or at such lesser period or periods as Agent shall determine, a summary statement of the amount of outstanding Loans for such period (such week or lesser period or periods being hereinafter referred to as a "Settlement Period"). If the summary statement is sent by Agent and received by a Lender prior to 12:00 p.m.

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(Atlanta, Georgia time), then such Lender shall make the settlement transfer described in this Section by no later than 3:00 p.m. (Atlanta, Georgia time) on the same Business Day and if received by a Lender after such time, then such Lender shall make the settlement transfer by not later than 3:00 p.m. (Atlanta, Georgia time) on the next Business Day following the date of receipt. If, as of the end of any Settlement Period, the amount of a Lender's Pro Rata Share of the outstanding Loans is more than such Lender's Pro Rata Share of the outstanding Loans as of the end of the previous Settlement Period, then such Lender shall forthwith (but in no event later than the time set forth in the preceding sentence) transfer to Agent by wire transfer in immediately available funds the amount of the increase. Alternatively, if the amount of a Lender's Pro Rata Share of the outstanding Loans in any Settlement Period is less than the amount of such Lender's Pro Rata Share of the outstanding Loans for the previous Settlement Period, Agent shall forthwith transfer to such Lender by wire transfer in immediately available funds the amount of the decrease. The obligation of each of the Lenders to transfer such funds and effect such settlement shall be irrevocable and unconditional and without recourse to or warranty by Agent. Agent and each Lender agrees to mark its books and records at the end of each Settlement Period to show at all times the dollar amount of its Pro Rata Share of the outstanding Loans and Letter of Credit Accommodations. Each Lender shall only be entitled to receive interest on its Pro Rata Share of the Loans to the extent such Loans have been funded by such Lender. Because Agent on behalf of Lenders may be advancing and/or may be repaid Loans prior to

the time when Lenders will actually advance and/or be repaid such Loans, interest with respect to Loans shall be allocated by Agent in accordance with the amount of Loans actually advanced by and repaid to each Lender and Agent and shall accrue from and including the date such Loans are so advanced to but excluding the date such Loans are either repaid by Borrower or actually settled with the applicable Lender as described in this Section.

(c) To the extent that Agent has made any such amounts available and the settlement described above shall not yet have occurred, upon repayment of any Loans by Borrower, Agent may apply such amounts repaid directly to any amounts made available by Agent pursuant to this Section. In lieu of weekly or more frequent settlements, Agent may, at its option, at any time require each Lender to provide Agent with immediately available funds representing its Pro Rata Share of each Loan, prior to Agent's disbursement of such Loan to Borrower. In such event, all Loans under this Agreement shall be made by the Lenders simultaneously and proportionately to their Pro Rata Shares. No Lender shall be responsible for any default by any other Lender in the other Lender's obligation to make a Loan requested hereunder nor shall the Commitment of any Lender be increased or decreased as a result of the default by any other Lender in the other Lender's obligation to make a Loan hereunder.

(d) If Agent is funding a particular Loan to Borrower pursuant to this Section above on any day, Agent may assume that each Lender will make available to Agent such Lender's Pro Rata Share of the Loan requested or otherwise made on such day and Agent may, in its discretion, but shall not be obligated to, cause a corresponding amount to be made available to or for the benefit of Borrower on such day. If Agent makes such corresponding amount available to Borrower and such corresponding amount is not in fact made available to Agent by such Lender, Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon for each day from the date such payment was due until the date such amount is paid to Agent at the Federal Funds Rate for each day during such period (as published by the Federal Reserve Bank of Atlanta or at Agent's option based on the arithmetic mean determined by Agent of

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the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (Atlanta, Georgia time) on that day by each of the three leading brokers of Federal funds transactions in New York City selected by Agent) and if such amounts are not paid within three (3) days of Agent's demand, at the highest Interest Rate provided for in Section 3.1 hereof applicable to Prime Rate Loans. During the period in which such Lender has not paid such corresponding amount to Agent, notwithstanding anything to the contrary contained in this Agreement or any of the other Financing Agreements, the amount so advanced by Agent to or for the benefit of Borrower shall, for all purposes hereof, be a Loan made by Agent for its own account. Upon any such failure by a Lender to pay Agent, Agent shall promptly thereafter notify Borrower of such failure and Borrower shall pay such corresponding amount to Agent for its own account within five (5) Business Days of Borrower's receipt of such notice. A Lender who fails to pay Agent its Pro Rata Share of any Loans made available by Agent on such Lender's behalf, or any Lender who fails to pay any other amount owing by it to Agent, is a "Defaulting Lender". Agent shall not be obligated to transfer to a Defaulting Lender any payments received by Agent for the Defaulting Lender's benefit, nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder (including any principal, interest or fees). Amounts payable to a Defaulting Lender shall instead be paid to or retained by Agent. Agent may hold and, in its discretion, re-lend to Borrower the amount of all such payments received or retained by it for the account of such Defaulting Lender. For purposes of voting or consenting to matters with respect to this Agreement and the other Financing Agreements and determining Pro Rata Shares, such Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitment shall be deemed to be zero (0). This Section shall remain effective with respect to a Defaulting Lender until such default is cured. The operation of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, or relieve or excuse the performance by Borrower or any Obligor of their duties and obligations hereunder.

(e) Nothing in this Section or elsewhere in this Agreement or the other Financing Agreements shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve Lender from its obligation to fulfill its Commitment hereunder or to prejudice any rights that Borrower may have against any Lender as a result of any default by any Lender hereunder in fulfilling its Commitment.

6.10 Obligations Several; Independent Nature of Lenders' Rights. The obligation of each Lender hereunder is several, and no Lender shall be

responsible for the obligation or commitment of any other Lender hereunder. Nothing contained in this Agreement or any of the other Financing Agreements and no action taken by the Lenders pursuant hereto or thereto shall be deemed to constitute the Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and subject to Section 12.3 hereof, each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

SECTION 7. COLLATERAL REPORTING AND COVENANTS

Borrower hereby covenants and agrees, on behalf of itself and its Subsidiaries, as applicable below, as follows (provided, however, that so long as the Subsidiary Loan Agreement has not been terminated and Congress is the agent thereunder, the provisions of this Section shall not apply to MJS or its Subsidiaries):

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7.1 Collateral Reporting.

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

(i) on a weekly basis or more frequently as required by Lender, (A) a schedule of sales made, credits issued and cash received, (B) agings of accounts payable (and including information indicating the status of payments to owners and lessors of the leased premises of Borrower) and (C) agings of accounts receivable (together with a reconciliation to the previous month's aging and general ledger);

(ii) on a monthly basis or more frequently as Lender may request, (A) perpetual inventory reports, (B) inventory reports by location and category and (C) an inventory mix report;

(iii) upon Agent'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) reports detailing any sales or transfers of Equipment or Real Property during the prior month; and

(v) such other reports as to the Collateral as Agent shall request from time to time.

(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 Agent and to follow Agent'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 Agent 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 Agent 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 Agent's consent, except in the ordinary course of Borrower's business in accordance with practices and policies previously disclosed in writing to Agent. 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

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is continuing, Agent 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 Agent, Borrower shall promptly report to Agent 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 Agent's request, (i) hold the returned Inventory in trust for Agent, (ii) segregate all returned Inventory from all of its other property, (iii) dispose of the returned Inventory solely according to Agent's instructions, and (iv) not issue any credits, discounts or allowances with respect thereto without Agent's prior written consent.

(c) With respect to each Account: (i) the amounts shown on any invoice delivered to Agent or schedule thereof delivered to Agent shall be true and complete, (ii) no payments shall be made thereon except payments immediately delivered to Agent 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 Agent 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 Agent, (iv) there shall be no setoffs, deductions, contras, defenses, counterclaims or disputes existing or asserted with respect thereto except as reported to Agent 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.

(d) Agent shall have the right at any time or times, in Agent's name or in the name of a nominee of Agent, 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 Agent, 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 Agent may otherwise agree.

(f) Agent 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 Agent and that Agent has a security interest therein and Agent may direct any or all accounts debtors to make payment of Accounts directly to Agent, (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 Agent shall not be liable for its failure to collect or enforce the payment thereof nor for the

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negligence of its agents or attorneys with respect thereto and (iv) take whatever other action Agent 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 Agent's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Agent and are payable directly and only to Agent and Borrower shall deliver to Agent such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Agent may require.

7.3 Inventory Covenants. With respect to the Inventory: (a) Borrower shall at all times maintain inventory records reasonably satisfactory to Agent, 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 Agent may request on or after an Event of Default, and promptly following such physical inventory shall supply Agent with a report in the form and with such specificity as may be reasonably satisfactory to Agent 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 Agent, 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 Agent's request, Borrower shall, at its expense, once in any twelve (12) month period, but at any time or times as Agent may request on or after an Event of Default, deliver or cause to be delivered to Agent written reports or appraisals as to the Inventory in form, scope and methodology acceptable to Agent and by an appraiser acceptable to Agent, addressed to Agent and Lenders and upon which Agent and Lenders are expressly permitted to rely; (e) Borrower shall produce, use, store and maintain the Inventory with all 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 Agent, 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) upon Agent's request, Borrower shall, at its expense, no more than one (1) time in any twelve (12) month period, but at any time or times as Agent may request on or after an Event of Default, deliver or cause to be delivered to Agent 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

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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 Agent (and all persons designated by Agent) as Borrower's true and lawful attorney-in-fact, and authorizes Agent, in Borrower's or Agent's name, to: (a) at any time a Default or 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 Agent 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 or 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 Agent, 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 Agent'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 Agent or any 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 Agent and any Lender and deposit the same in Agent'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, Agent's name or the name of Agent'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 Agent'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

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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 Agent and Lenders and their respective 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 Agent's or any Lender's own gross negligence or willful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

7.6 Right to Cure. Agent 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 Agent to collect, sell or otherwise dispose of the Collateral or the rights and remedies of Agent therein or the ability of Borrower to perform its obligations hereunder or 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 Agent's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Agent and Lenders with respect thereto. Agent may add any amounts so expended to the Obligations and charge Borrower's account therefor, such amounts to be repayable by Borrower on demand. Agent and Lenders 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 Agent or any Lender under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

7.7 Access to Premises. From time to time as requested by Agent, at the cost and expense of Borrower, (a) Agent 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 Agent such copies of such books and records or extracts therefrom as Agent may request, and (c) Agent or any Lender or Agent's 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 Agent or its designee in such manner so as to minimize any interference with the operations of Borrower and so as to enable Agent 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 Agent may direct otherwise; (b) at such time and from time to time as Agent may direct, Borrower shall cause Agent or such financial institution or other person as Agent may specify to be named as consignee; (c) without limiting any other rights of Agent hereunder, Agent 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

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goods naming Borrower as consignee to Agent; (d) there shall be three (3) originals of each of such bill of lading or other document of title which unless and until Agent shall direct otherwise shall be delivered as follows: (i) one (1) original to such Customs Broker as Borrower may specify (so long as Agent has received a Collateral Access Agreement duly authorized, executed and delivered by such Customs Broker), and (ii) two (2) originals to Agent or to such other person as Agent 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 UCC.

SECTION 8. REPRESENTATIONS AND WARRANTIES

Borrower hereby represents and warrants to Agent and Lenders the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the making of Loans and providing Letter of Credit Accommodations to Borrower (provided, however, that so long as the Subsidiary Loan Agreement has not been terminated and Congress is the agent thereunder, the provisions of this Section (except Section 8.2) shall not apply to MJS or its Subsidiaries):

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 the financial condition, results of operation or business of Borrower and its Subsidiaries, taken as whole, or the rights of Agent 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 Agent and Lenders 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 Agent prior to the date of this Agreement, there has been no material adverse change in the assets,

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liabilities, properties and condition, financial or otherwise, of Borrower and its Subsidiaries taken as a whole, since the date of the most recent audited financial statements furnished by Borrower to Agent prior to the date of this Agreement.

(b) The pro forma balance sheets and future cash flow projections 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 Agent 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 Agent under this Agreement and the other Financing Agreements constitute valid and perfected 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. 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 Agent 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

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of Borrower and its Subsidiaries, taken as a whole, 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 Agent 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 material 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 and its Subsidiaries, taken as a whole, to perform its obligations under the Agreement or any of the other Financing Agreements or the rights and remedies of Agent 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.

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(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 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 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 Affiliates 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

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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 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 Agent, 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 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 Agent, 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 Agent and the other transaction contemplated hereunder.

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 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 Agent or any 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 Agent 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 Agent or any 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 and its Subsidiaries, taken as a whole, which has not been fully and accurately disclosed to Agent 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 Agent and Lenders on the date of each additional loan, advance or letter of credit accommodation hereunder and shall be conclusively presumed to have been relied on by Agent and Lenders regardless of any investigation made or information possessed by Agent or any 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 Agent or any Lender.

SECTION 9. AFFIRMATIVE AND NEGATIVE COVENANTS

Borrower hereby covenants and agrees, on behalf of itself and its Subsidiaries, as applicable below, as follows (provided, however, that so long as the Subsidiary Loan Agreement has not been terminated and Congress is the agent thereunder, the provisions of this Section (except Section 9.6) shall not apply to MJS or its Subsidiaries):

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 Agent 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 Agent 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 Agent 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 Agent such agreements, documents, and instruments as Agent may deem reasonably necessary or

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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 Agent 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 Agent. Borrower shall take prompt and appropriate action to respond to any non-compliance with any of the Environmental Laws and shall regularly report to Agent on such response.

(c) Borrower shall give both oral and written notice to Agent 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 Agent 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 Agent's request and Borrower's expense: (i) cause an independent environmental engineer acceptable to Agent 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 Agent 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 Agent 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.

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(e) Borrower shall indemnify and hold harmless Agent, its directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including reasonable attorneys' fees actually incurred 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 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 Agent or any Lender as a result of the financing arrangements provided for herein and Borrower agrees to indemnify and hold Agent and Lenders harmless with respect to the foregoing, and to repay to Agent or such 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 Agent or Lenders from any amounts charged or paid hereunder to such Agent or Lenders. 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 Agent as to form, amount and insurer. Borrower shall furnish certificates, policies or endorsements to Agent as Agent shall require as proof of such insurance, and, if Borrower fails to do so, Agent 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 Agent of any cancellation or reduction of coverage and that Agent 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 Agent 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 Agent. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Agent as its interests may appear and further specify that Agent and Lenders shall be paid regardless of any act or omission by Borrower or any of its Affiliates. At its option, Agent may apply any insurance proceeds received by

Agent 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 Agent 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 relation to the Collateral and the business of Borrower and its Subsidiaries in accordance with GAAP. Borrower shall promptly furnish to Agent and Lenders all such financial and other information as Agent 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 Agent is authorized to obtain such information directly from them. Without limiting the foregoing, Borrower shall furnish or cause to be furnished to Agent, 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 Agent, 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 Agent 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 the business, properties, assets, goodwill or condition, financial or otherwise, of Borrower and its Subsidiaries taken as a whole, (ii) any Material Contract of Borrower being terminated or amended or any new Material Contract entered into (in which event Borrower shall provide Agent 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 Default or Event of Default.

(c) Borrower shall promptly after the sending or filing thereof furnish or cause to be furnished to Agent 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 Agent, within ninety (90) days from the date hereof, an opening unaudited consolidated balance sheet of Borrower and its Subsidiaries after giving effect to the transactions contemplated by this Agreement and the Purchase Agreements, which present fairly the financial condition of Borrower as of such date.

(e) Borrower shall furnish or cause to be furnished to Agent such budgets, forecasts, projections and other information respecting the Collateral and the business of Borrower, as Agent may, from time to time, reasonably request. Agent 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 Affiliate of any Agent or Lender or to any participant or assignee or prospective participant or assignee. Borrower hereby irrevocably authorizes and directs all accountants or auditors to deliver to Agent, 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 Agent and Lenders such information as they may have regarding the business of Borrower. Any documents, schedules, invoices or other papers delivered to Agent or any Lender may be destroyed or otherwise disposed of by Agent or such Lender one (1) year after the same are delivered to Agent or such Lender, except as otherwise designated by Borrower to Agent or such 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, except that Soffe may merge into MJS; 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 Agent and (B) such sales do not involve Equipment having an aggregate fair market value in excess of \$100,000 for 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) Agent 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,

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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 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 Agent or Lenders or 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 Default or 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) Agent 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 Agent, 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 Agent 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 Agent or (ii) to Borrower, provided, that, the entire amount of the Net Proceeds are used to repay the outstanding amount of 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 Default or Event of Default shall exist or have occurred and be continuing; and

(vi) dispositions of investments permitted under Section 9.10(b) to the extent the proceeds thereof are used to acquire additional investments permitted under Section 9.10(b).

(c) form or acquire any Subsidiaries other than those listed on the Information Certificate and as permitted in accordance with Section 9.10 hereof, except that Borrower may form MJS and MJS may acquire Softe and its Subsidiaries;

(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:

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(a) (i) the security interests and liens of Agent for itself and the benefit of Lenders, (ii) the security interests and liens of Sellers on the Capital Stock of MJS pledged by Borrower securing Borrower's obligations under that certain Guaranty, dated as of the Agreement Date in favor of Sellers, so long as such security interest and liens are subject to the Subordination Agreement, and (iii) the security interests and liens of the Subsidiary Agent to the extent such security interests and liens secure Borrower's guaranty of Indebtedness under the Subsidiary Loan Agreement and are subject to the Intercreditor Agreement;

(b) liens securing the payment of taxes, assessments or other government charges or levies, either not yet overdue or 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;

(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;

(f) liens specified in any title insurance policy delivered to and accepted by Agent in connection with any Mortgage; and

(g) 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) (i) the Obligations, (ii) Borrower's guaranty of the Obligations (as defined in the Subsidiary Loan Agreement), and (iii) guarantees permitted by Section 9.10(d) hereof;

(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;

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(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) Hedging Obligations of Borrower entered into by Borrower in the ordinary course of the businesses of Borrower consistent with the current practices of Borrower as of the date hereof; provided, that, such arrangements are with banks or other financial institutions that have combined capital and surplus and undivided profits of not less than \$250,000,000, and, in each case, such Indebtedness shall be unsecured (except that Hedging Obligations owing to Agent or any Affiliate of Agent may be secured by the Collateral);

(e) Indebtedness in favor of MJS to the extent such loan by MJS to Borrower is permitted under the Subsidiary Loan Agreement; and

(f) 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 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 Agent, 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 Agent 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 Loans are then outstanding and (ii) as to any of the foregoing, unless waived in

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writing by Agent, Borrower shall take such actions as are deemed necessary by Agent to perfect the security interest of Agent 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) (i) guarantees by any Subsidiaries of Borrower of the Obligations in favor of Agent, (ii) guarantees by Borrower and SAIM of the Obligations (as defined in the Subsidiary Loan Agreement) in favor of Subsidiary Agent and (iii) Borrower's guaranty in favor of Sellers with respect to the Seller Note, Additional Consideration and Buyers' Closing Certificate (as defined in the Stock Purchase Agreement);

(e) 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 Agent, upon Agent's request, together with such stock power, assignment or endorsement by Borrower as Agent may request;

(f) obligations of 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 Agent by Borrower and promptly delivered to Agent as so endorsed;

(g) the loans, advances and guarantees set forth on Schedule 9.10 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 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 Agent, 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 Agent 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;

(h) loans by Borrower to a Guarantor after the date hereof, provided, that, (i) as to all of such loans, (A) within thirty (30) days after the end of each fiscal month, Borrower shall provide to Agent a report in form and substance satisfactory to Agent of the outstanding amount of such loans as of

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the last day of the immediately preceding month and indicating any loans made and payments received during the immediately preceding month, (B) the Indebtedness arising pursuant to any such loan shall not be evidenced by a promissory note or other instrument, unless the single original of such note or other instrument is promptly delivered to Agent upon its request to hold as part of the Collateral, with such endorsement and/or assignment by the payee of such note or other instrument as Agent may require, (C) as of the date of any such loan and after giving effect thereto, Borrower shall be Solvent, (D) as of the date of any such loan and after giving effect thereto, (1) no Default or Event of Default shall exist or have occurred and be continuing, and (2) Borrower shall have Excess Availability of not less than \$5,000,000; (E) the Indebtedness arising pursuant to such loan shall be subject to, and subordinate in right of payment to, the right of Lenders to receive the prior final payment and satisfaction in full of all of the Obligations on terms and conditions acceptable to Agent, (F) promptly upon Agent's request, Agent shall have received a subordination agreement, in form and substance satisfactory to Lender, providing for the terms of the subordination in right of payment of such Indebtedness of Borrower to the prior final payment and satisfaction in full of all of the Obligations, duly authorized, executed and delivered by any Guarantor and Borrower, and (G) Borrower shall not, directly or indirectly make, or be required to make, any payments in respect of such Indebtedness prior to the end of the then current term of this Agreement; and (H) as of the date of any such loan and after giving effect thereto, the aggregate amount of all such loans shall not exceed \$5,000,000 in the aggregate with respect to all intercompany loans among Borrower and its Affiliates;

(i) the formation by Borrower of MJS and the capital contribution by Borrower to MJS in an amount up to \$21,000,000 to be used by MJS to consummate the transactions under the Purchase Documents; and

(j) the purchase by MJS of Soffe and its Subsidiaries in accordance with the Purchase Documents.

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 since the effective date of the Existing Loan Agreement does not exceed twenty-five (25%) percent of its cumulative Net Income (calculated from the effective date of the Existing Loan Agreement to date of determination), provided, that, (i) Agent 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 dividend or distribution is to be made and providing full information and computations with respect thereto and (B) such

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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 Default or 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 Default or 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 since the effective date of the Existing Loan Agreement shall not exceed \$23,000,000.

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 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 the Honduras Subsidiaries for (A) actual and necessary reasonable out-of-pocket administrative,

operating and capital expenditures of the Honduras Subsidiaries 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 this Section 9.12(b)(iii)(A) in respect of capital expenditures shall not exceed \$500,000 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 such Honduras 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 a Honduras Subsidiary, such expenses shall be payable

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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(b)(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 Agent and subject to such conditions thereto as Agent 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 Agent.

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

of Default exists, then regardless of the fair market value of such assets), without limiting any other rights of Agent or any Lender, or duties or obligations of Borrower, upon Agent's request, Borrower shall execute and deliver to Agent a mortgage, deed of trust or deed to secure debt, as Agent may determine, in form and substance substantially similar to the Mortgages and as to any provisions relating to specific state laws satisfactory to Agent 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 Agent 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 Agent) and such other agreements, documents and instruments as Agent may require in connection therewith.

9.19 Costs and Expenses. Borrower shall pay to Agent and Lenders 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, Agent'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 Agent'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 Agent, 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 Agent or any 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 Agent 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 Agent's examiners in the field and office; and (g) the reasonable fees actually incurred and disbursements of counsel (including legal assistants) to Agent in connection with any of the foregoing.

9.20 Further Assurances. At the request of Agent 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. Agent 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

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event of such request by Agent, Agent and Lenders may, at Agent's option, cease to make any further Loans or provide any further Letter of Credit Accommodations until Agent has received such certificate and, in addition, Agent has determined that such conditions are satisfied. Where permitted by law, Borrower hereby authorizes Agent to execute and file one or more UCC financing statements signed only by Agent.

9.21 Fixed Charge Coverage Ratio. If at any time during any month, Excess Availability as determined by Agent is less than \$5,000,000, Borrower shall not, as of the end of such month, permit the Fixed Charge Coverage Ratio for the twelve (12) month period most recently ending to be less than 1.50 to 1.0; provided, however, that Borrower shall not, as of December 31, 2003 and January 31, 2004, permit the Fixed Charge Coverage Ratio for the twelve (12) month period most recently ending to be less than 1.25 to 1.0

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;

(b) any representation, warranty or statement of fact made by Borrower to Agent 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 Agent;

(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

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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 a 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 Agent, in any case in an amount in excess of \$500,000, which default continues for more 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 Agent, 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 shall occur;

(l) the indictment by any Governmental Authority, or as Agent may reasonably and in good faith determine, the threatened indictment by any Governmental Authority of Borrower of which Borrower or Agent receives notice, in either case, as to which there is a reasonable possibility of an adverse determination, in the good faith determination of Agent, 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;

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(m) there shall be a material adverse change in the business, assets or prospects of Borrower and its Subsidiaries, taken as a whole, after the date hereof;

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

(o) there shall be (i) a default or event of default under any of the Seller Note, the Stock Purchase Agreement or any other guaranty, security agreement, mortgage or similar agreement executed by Borrower or any Guarantor in connection therewith, or (ii) an event of default under the Subsidiary Loan Agreement which has not been waived by the requisite lenders thereunder prior to the exercise of remedies hereunder, or (iii) any default by Sellers under the Subordination Agreement.

10.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Agent and Lenders shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the UCC 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 Agent and Lenders hereunder, under any of the other Financing Agreements, the UCC or other applicable law, are cumulative, not exclusive and enforceable, in Agent'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. Subject to Section 12 hereof, Agent 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, Agent may, in its discretion and without limitation, (i) accelerate the payment of the principal balance of the Obligations and all interest accrued thereon and demand immediate payment thereof to Agent for itself and the ratable benefit of Lenders (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) and (ii) terminate the Commitments and this Agreement (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h), the Commitments and any other obligation of Agent or a Lender hereunder shall automatically terminate).

(c) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Agent may, in its discretion, and upon the direction of the Required Lenders, shall (i) 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, (ii) require Borrower, at Borrower's expense, to assemble and make available to Agent any part or all of the Collateral at any place and time designated by Agent, (iii) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (iv) remove any or all of the Collateral

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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, (v) 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 Agent or elsewhere) at such prices or terms as Agent may deem

reasonable, for cash, upon credit or for future delivery, with Agent 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 (vi) terminate this Agreement. If any of the Collateral is sold or leased by Agent upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Agent. If notice of disposition of Collateral is required by law, five (5) days prior notice by Agent 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 Agent 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.

(d) For the purpose of enabling Agent to exercise the rights and remedies hereunder, Borrower hereby grants to Agent, 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.

(e) Agent may apply the cash proceeds of Collateral actually received by Agent 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 Agent may elect, whether or not then due. Borrower shall remain liable to Agent and Lenders 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 reasonable attorneys' fees actually incurred and legal expenses.

(f) 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, Agent and Lenders may, at Agent's option, and upon the occurrence of an Event of Default at the direction of the Required Lenders, Agent and Lenders shall, without notice, (i) cease making Loans or arranging for Letter of Credit Accommodations or reduce the lending formulas or amounts of 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 Agent and Lenders to Borrower.

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SECTION 11. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

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, Agent and Lenders 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 Agent and Lenders shall have the right to bring any action or proceeding against Borrower or its property in the courts of any other jurisdiction which Agent 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 Agent'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 Agent against Borrower for the amount of the claim and other relief requested.

(d) TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER, AGENT AND LENDERS 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, AGENT AND LENDERS 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, AGENT OR ANY LENDER MAY FILE AN ORIGINAL

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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) Agent and Lenders 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 Agent and such Lender, that the losses were the result of its acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Agent and each 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 chattel 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 Agent or any 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 Agent'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 Agent to exercise any of Agent'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.

(a) Neither this Agreement nor any other Financing Agreement nor any terms hereof or thereof may be amended, waived, discharged or terminated unless such amendment, waiver, discharge or termination is in writing signed by Agent and the Required Lenders or, at Agent's option, by Agent with the authorization of the Required Lenders, and in addition, with respect to any amendments (other than with respect to any provision of Section 12 hereof), by Borrower; except, that, no such amendment, waiver, discharge or termination shall:

(i) reduce the interest rate or any fees or extend the time of payment of principal, interest or any fees or reduce the principal amount of any Loan or Letter of Credit Accommodations, in each case without the consent of each Lender directly affected thereby,

(ii) increase the Commitment of any Lender over the amount thereof then in effect or provided hereunder, in each case without the consent of the Lender directly affected thereby,

(iii) release any Collateral (except as expressly provided

hereunder or under any of the other Financing Agreements or applicable law and except as permitted under Section 12.11(b) hereof), without the consent of Agent and all of Lenders,

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(iv) reduce any percentage specified in the definition of Required Lenders, without the consent of Agent and all of Lenders,

(v) consent to the assignment or transfer by Borrower or any Guarantor of any of their rights and obligations under this Agreement, without the consent of Agent and all of Lenders,

(vi) amend, modify or waive any terms of this Section 11.3 or Section 12.8 hereof, without the consent of Agent and all of Lenders, or

(vii) increase the advance rates constituting part of the Borrowing Base, without the consent of Agent and all of Lenders.

(b) Agent and Lenders shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its or their rights, powers and/or remedies unless such waiver shall be in writing and signed as provided herein. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Agent or any 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 Agent or any Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

(c) Notwithstanding anything to the contrary contained in Section 11.3(a) above, in the event that Borrower or any Guarantor requests that this Agreement or any other Financing Agreements be amended or otherwise modified in a manner which would require the unanimous consent of all of the Lenders and such amendment or other modification is agreed to by the Required Lenders, then, with the consent of Borrower, Agent and the Required Lenders, Borrower, Agent and the Required Lenders may amend this Agreement without the consent of the Lenders that did not agree to such amendment or other modification (collectively, the "Minority Lenders") to provide for (i) the termination of the Commitment of each of the Minority Lenders, (ii) the addition to this Agreement of one or more other Lenders, or an increase in the Commitment of one or more of the Required Lenders, so that the Commitments, after giving effect to such amendment, shall be in the same aggregate amount as the Commitments immediately before giving effect to such amendment, (iii) if any Loans are outstanding at the time of such amendment, the making of such additional Loans by such new Lenders or Required Lenders, as the case may be, as may be necessary to repay in full the outstanding Loans of the Minority Lenders immediately before giving effect to such amendment and (iv) the payment of all interest, fees and other Obligations payable or accrued in favor of the Minority Lenders and such other modifications to this Agreement as Borrower and the Required Lenders may determine to be appropriate.

(d) Notwithstanding anything to the contrary contained in Section 11.3(a) above, in connection with any amendment, waiver, discharge or termination, in the event that any Lender whose consent thereto is required shall fail to consent or fail to consent in a timely manner (such Lender being referred to herein as a "Non-Consenting Lender"), but the consent of any other Lenders to such amendment, waiver, discharge or termination that is required are obtained, if any, then Congress shall have the right, but not the obligation, at any time thereafter, and upon the exercise by Congress of such right, such

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Non-Consenting Lender shall have the obligation, to sell, assign and transfer to Congress or such Eligible Transferee as Congress may specify, the Commitment of such Non-Consenting Lender and all rights and interests of such Non-Consenting Lender pursuant thereto. Congress shall provide the Non-Consenting Lender with prior written notice of its intent to exercise its right under this Section, which notice shall specify on date on which such purchase and sale shall occur. Such purchase and sale shall be pursuant to the terms of an Assignment and Acceptance (whether or not executed by the Non-Consenting Lender), except that on the date of such purchase and sale, Congress, or such Eligible Transferee specified by Congress, shall pay to the Non-Consenting Lender (except as Congress and such Non-Consenting Lender may otherwise agree) the amount equal to: (i) the principal balance of the Loans held by the Non-Consenting Lender outstanding as of the close of business on the business day immediately

preceding the effective date of such purchase and sale, plus (ii) amounts accrued and unpaid in respect of interest and fees payable to the Non-Consenting Lender to the effective date of the purchase (but in no event shall the Non-Consenting Lender be deemed entitled to any early termination fee), minus (iii) the amount of the closing fee received by the Non-Consenting Lender pursuant to the terms hereof or of any of the other Financing Agreements multiplied by the fraction, the numerator of which is the number of months remaining in the then current term of the Credit Facility and the denominator of which is the number of months in the then current term thereof. Such purchase and sale shall be effective on the date of the payment of such amount to the Non-Consenting Lender and the Commitment of the Non-Consenting Lender shall terminate on such date.

(e) The consent of Agent shall be required for any amendment, waiver or consent affecting the rights or duties of Agent hereunder or under any of the other Financing Agreements, in addition to the consent of the Lenders otherwise required by this Section.

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 Agent and each Lender, and its officers, directors, agents, employees, advisors and counsel and their respective Affiliates (each such person being an "Indemnitee"), harmless from and against any and all losses, claims, damages, liabilities, costs or expenses (including reasonable attorneys' fees and 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 reasonable fees and expenses of counsel, except, as to any indemnified party, for such losses, claims, damages, liabilities, costs or expenses resulting from gross negligence or willful misconduct of such party, 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 Agent and Lenders in satisfaction of indemnified matters under this Section.

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SECTION 12. THE AGENT

12.1 Appointment, Powers and Immunities. Each Lender irrevocably designates, appoints and authorizes Congress to act as Agent hereunder and under the other Financing Agreements with such powers as are specifically delegated to Agent by the terms of this Agreement and of the other Financing Agreements, together with such other powers as are incidental thereto. Agent (a) shall have no duties or responsibilities except those expressly set forth in this Agreement and in the other Financing Agreements, and shall not by reason of this Agreement or any other Financing Agreement be a trustee or fiduciary for any Lender; (b) shall not be responsible to Lenders for any recitals, statements, representations or warranties contained in this Agreement or in any of the other Financing Agreements, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or any other Financing Agreement, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Financing Agreement or any other document referred to or provided for herein or therein or for any failure by Borrower or any Obligor or any other Person to perform any of its obligations hereunder or thereunder; and (c) shall not be responsible to Lenders for any action taken or omitted to be taken by it hereunder or under any other Financing Agreement or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. Agent may deem and treat the payee of any note as the holder thereof for all

purposes hereof unless and until the assignment thereof pursuant to an agreement (if and to the extent permitted herein) in form and substance satisfactory to Agent shall have been delivered to and acknowledged by Agent.

12.2 Reliance by Agent. Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopy, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Agent. As to any matters not expressly provided for by this Agreement or any other Financing Agreement, Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder in accordance with instructions given by the Required Lenders or all of Lenders as is required in such circumstance, and such instructions of such Agents and any action taken or failure to act pursuant thereto shall be binding on all Lenders.

12.3 Events of Default.

(a) Agent shall not be deemed to have knowledge or notice of the occurrence of an Event of Default or other failure of a condition precedent to the Loans and Letter of Credit Accommodations hereunder, unless and until Agent has received written notice from a Lender, or Borrower specifying such Event of Default or any unfulfilled condition precedent, and stating that such notice is a "Notice of Default or Failure of Condition". In the event that Agent receives such a Notice of Default or Failure of Condition, Agent shall give prompt notice thereof to the Lenders. Agent shall (subject to Section 12.7) take such action with respect to any such Event of Default or failure of condition precedent as shall be directed by the Required Lenders; provided, that, unless and until Agent shall have received such directions, Agent may (but shall not be obligated

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to) take such action, or refrain from taking such action, with respect to or by reason of such Event of Default or failure of condition precedent, as it shall deem advisable in the best interest of Lenders. Without limiting the foregoing, and notwithstanding the existence or occurrence and continuance of an Event of Default or any other failure to satisfy any of the conditions precedent set forth in Section 4 of this Agreement to the contrary, Agent may, but shall have no obligation to, continue to make Loans and issue or cause to be issued Letter of Credit Accommodations for the ratable account and risk of Lenders from time to time if Agent believes making such Loans or issuing or causing to be issued such Letter of Credit Accommodations is in the best interests of Lenders.

(b) Except with the prior written consent of Agent, no Lender may assert or exercise any enforcement right or remedy in respect of the Loans, Letter of Credit Accommodations or other Obligations, as against Borrower or Obligor or any of the Collateral or other property of Borrower or Obligor.

12.4 Congress in its Individual Capacity. With respect to its Commitment and the Loans made and Letter of Credit Accommodations issued or caused to be issued by it (and any successor acting as Agent), so long as Congress shall be a Lender hereunder, it shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include Congress in its individual capacity as Lender hereunder. Congress (and any successor acting as Agent) and its Affiliates may (without having to account therefor to any Lender) lend money to, make investments in and generally engage in any kind of business with Borrower (and any of its Subsidiaries or Affiliates) as if it were not acting as Agent, and Congress and its Affiliates may accept fees and other consideration from Borrower or any Obligor and any of its Subsidiaries and Affiliates for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

12.5 Indemnification. Lenders agree to indemnify Agent (to the extent not reimbursed by Borrower hereunder and without limiting any obligations of Borrower hereunder) ratably, in accordance with their Pro Rata Shares, for any and all claims of any kind and nature whatsoever that may be imposed on, incurred by or asserted against Agent (including by any Lender) arising out of or by reason of any investigation in or in any way relating to or arising out of this Agreement or any other Financing Agreement or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (including the costs and expenses that Agent is obligated to pay hereunder) or the enforcement of any of the terms hereof or

thereof or of any such other documents, provided, that, no Lender shall be liable for any of the foregoing to the extent it arises from the gross negligence or willful misconduct of the party to be indemnified as determined by a final non-appealable judgment of a court of competent jurisdiction. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

12.6 Non-Reliance on Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on Agent or other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of Borrower and Obligor and has made its own decision to enter

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into this Agreement and that it will, independently and without reliance upon Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Financing Agreements. Agent shall not be required to keep itself informed as to the performance or observance by Borrower or any Obligor of any term or provision of this Agreement or any of the other Financing Agreements or any other document referred to or provided for herein or therein or to inspect the properties or books of Borrower or any Obligor. Agent will use reasonable efforts to provide Lenders with any information received by Agent from Borrower or any Obligor which is required to be provided to Lenders or deemed to be requested by Lenders hereunder and with a copy of any Notice of Default or Failure of Condition received by Agent from Borrower or any Lender; provided, that, Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Except for notices, reports and other documents expressly required to be furnished to Lenders by Agent hereunder, Agent shall not have any duty or responsibility to provide any Lender with any other credit or other information concerning the affairs, financial condition or business of Borrower or Obligor that may come into the possession of Agent.

12.7 Failure to Act. Except for action expressly required of Agent hereunder and under the other Financing Agreements, Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from Lenders of their indemnification obligations under Section 12.5 hereof against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

12.8 Additional Loans. Agent shall not make any Loans or provide any Letter of Credit Accommodations to Borrower on behalf of Lenders intentionally and with actual knowledge that such Loans or Letter of Credit Accommodations would cause the aggregate amount of the total outstanding Loans and Letter of Credit Accommodations to Borrower to exceed the Borrowing Base, without the prior consent of all Lenders, except, that, Agent may make such additional Loans or provide such additional Letter of Credit Accommodations on behalf of Lenders, intentionally and with actual knowledge that such Loans or Letter of Credit Accommodations will cause the total outstanding Loans and Letter of Credit Accommodations to Borrower to exceed the Borrowing Base, as Agent may deem necessary or advisable in its discretion, provided, that: (a) the total principal amount of the additional Loans or additional Letter of Credit Accommodations to Borrower which Agent may make or provide after obtaining such actual knowledge that the aggregate principal amount of the Loans equal or exceed the Borrowing Base shall not exceed the aggregate amount equal to \$5,000,000 outstanding at any time and shall not cause the total principal amount of the Loans and Letter of Credit Accommodations to exceed the Maximum Credit and (b) no such additional Loan or Letter of Credit Accommodation shall be outstanding more than ninety (90) days after the date such additional Loan or Letter of Credit Accommodation is made or issued (as the case may be), except as the Required Lenders may otherwise agree. Each Lender shall be obligated to pay Agent the amount of its Pro Rata Share of any such additional Loans or Letter of Credit Accommodations provided that Agent is acting in accordance with the terms of this Section 12.8.

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12.9 Concerning the Collateral and the Related Financing Agreements. Each Lender authorizes and directs Agent to enter into this Agreement and the other Financing Agreements. Each Lender agrees that any action taken by Agent or Required Lenders in accordance with the terms of this Agreement or the other

Financing Agreements and the exercise by Agent or Required Lenders of their respective powers set forth therein or herein, together with such other powers that are incidental thereto, shall be binding upon all of the Lenders.

12.10 Field Audit, Examination Reports and other Information; Disclaimer by Lenders. By signing this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report and a monthly report with respect to the Borrowing Base prepared by Agent (each field audit or examination report and monthly report with respect to the Borrowing Base being referred to herein as a "Report" and collectively, "Reports"), appraisal and financial statements;

(b) expressly agrees and acknowledges that Agent (A) does not make any representation or warranty as to the accuracy of any Report, appraisal or financial statement or (B) shall not be liable for any information contained in any Report, appraisal or financial statement;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or any other party performing any audit or examination will inspect only specific information regarding Borrower and any Obligor and will rely significantly upon Borrower's and any Obligor's books and records, as well as on representations of Borrower's and any Obligor's personnel; and

(d) agrees to keep all Reports confidential and strictly for its internal use in accordance with the terms of Section 13.5 hereof, and not to distribute or use any Report in any other manner.

12.11 Collateral Matters.

(a) Agent may, at its option, from time to time, at any time on or after an Event of Default and for so long as the same is continuing or upon any other failure of a condition precedent to the Loans and Letter of Credit Accommodations hereunder, make such disbursements and advances ("Special Agent Advances") which Agent, in its sole discretion, deems necessary or desirable either (i) to preserve or protect the Collateral or any portion thereof or (ii) to enhance the likelihood or maximize the amount of repayment by Borrower of the Loans and other Obligations, provided, that, the aggregate principal amount of the Special Agent Advances pursuant to this clause (ii), plus the ten outstanding principal amount of the additional Loans and Letter of Credit Accommodations which Agent may make or provide as set forth in Section 12.8 hereof, shall not exceed the aggregate amount of ten (10%) percent of the Maximum Credit or (iii) to pay any other amount chargeable to Borrower pursuant to the terms of this Agreement or any of the other Financing Agreements consisting of costs, fees and expenses and payments to any issuer of Letter of Credit Accommodations. Special Agent Advances shall be repayable on demand and

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be secured by the Collateral. Special Agent Advances shall not constitute Loans but shall otherwise constitute Obligations hereunder. Interest on Special Advances shall be payable at the Interest Rate then applicable to Prime Rate Loans. Agent shall notify each Lender and Borrower in writing of each such Special Agent Advance, which notice shall include a description of the purpose of such Special Agent Advance. Without limitation of its obligations pursuant to Section 6.9, each Lender agrees that it shall make available to Agent, upon Agent's demand, in immediately available funds, the amount equal to such Lender's Pro Rata Share of each such Special Agent Advance. If such funds are not made available to Agent by such Lender, Agent shall be entitled to recover such funds, on demand from such Lender together with interest thereon for each day from the date such payment was due until the date such amount is paid to Agent at the Federal Funds Rate for each day during such period (as published by the Federal Reserve Bank of Atlanta or at Agent's option based on the arithmetic mean determined by Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (Atlanta, Georgia time) on that day by each of the three leading brokers of Federal funds transactions in New York City selected by Agent) and if such amounts are not paid within three (3) days of Agent's demand, at the highest Interest Rate provided for in Section 3.1 hereof applicable to Prime Rate Loans.

(b) Lenders hereby irrevocably authorize Agent, at its option and in its discretion to release any security interest in, mortgage or lien upon, any of the Collateral (i) upon termination of the Commitments and payment and

satisfaction of all of the Obligations and delivery of cash collateral to the extent required under Section 13.1 below, or (ii) constituting property being sold or disposed of if Borrower certifies to Agent that the sale or disposition is made in compliance with Section 9.7 hereof (and Agent may rely conclusively on any such certificate, without further inquiry), or (iii) constituting property in which Borrower or any Obligor did not own an interest at the time the security interest, mortgage or lien was granted or at any time thereafter, or (iv) having a value in the aggregate in any fiscal quarter period of less than \$500,000, and to the extent Agent may release its security interest in and lien upon any such Collateral pursuant to the sale or other disposition thereof, such sale or other disposition shall be deemed consented to by Lenders, or (v) if required or permitted under the terms of any of the other Financing Agreements, including any intercreditor agreement, or (vi) approved, authorized or ratified in writing by all of Lenders. Except as provided above, Agent will not release any security interest in, mortgage or lien upon, any of the Collateral without the prior written authorization of all of Lenders. Upon request by Agent at any time, Lenders will promptly confirm in writing Agent's authority to release particular types or items of Collateral pursuant to this Section.

(c) Without any manner limiting Agent's authority to act without any specific or further authorization or consent by the Required Lenders, each Lender agrees to confirm in writing, upon request by Agent, the authority to release Collateral conferred upon Agent under this Section. Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the security interest, mortgage or liens granted to Agent upon any Collateral to the extent set forth above; provided, that, (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create any obligations or entail any consequence other than the release of such security

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interest, mortgage or liens without recourse or warranty and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any security interest, mortgage or lien upon (or obligations of Borrower or any Obligor in respect of) the Collateral retained by Borrower or any Obligor.

(d) Agent shall have no obligation whatsoever to any Lender or any other Person to investigate, confirm or assure that the Collateral exists or is owned by Borrower or any Obligor or is cared for, protected or insured or has been encumbered, or that any particular items of Collateral meet the eligibility criteria applicable in respect of the Loans or Letter of Credit Accommodations hereunder, or whether any particular reserves are appropriate, or that the liens and security interests granted to Agent pursuant hereto or any of the Financing Agreements or otherwise have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this Agreement or in any of the other Financing Agreements, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in the Collateral as a Lender and that Agent shall have no duty or liability whatsoever to any other Lender.

12.12 Agency for Perfection. Each Lender hereby appoints Agent and each other Lender as agent and bailee for the purpose of perfecting the security interests in and liens upon the Collateral of Agent in assets which, in accordance with Article 9 of the UCC can be perfected only by possession (or where the security interest of a secured party with possession has priority over the security interest of another secured party) and Agent and each Lender hereby acknowledges that it holds possession of any such Collateral for the benefit of Agent as secured party. Should any Lender obtain possession of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver such Collateral to Agent or in accordance with Agent's instructions.

12.13 Successor Agent. Agent may resign as Agent upon thirty (30) days' notice to Lenders and Borrower. If Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor agent for Lenders. If no successor agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with Lenders and Borrower, a successor agent from among Lenders. Upon the acceptance by the Lender so selected of its appointment as successor agent hereunder, such

successor agent shall succeed to all of the rights, powers and duties of the retiring Agent and the term "Agent" as used herein and in the other Financing Agreements shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 12 shall inure to its benefit as to any actions taken or omitted by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is thirty (30) days after the date of a retiring Agent's notice of resignation, the retiring Agent's resignation shall nonetheless thereupon become effective and Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

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SECTION 13. TERM OF AGREEMENT; MISCELLANEOUS

13.1 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 October 3, 2006 (the "Renewal Date"), and from year to year thereafter, unless sooner terminated pursuant to the terms hereof. Agent may, at its option (or shall at the direction of any Lender in writing received in writing by Agent at least sixty (60) days prior to the Renewal Date or the anniversary of any Renewal Date, as the case may be), terminate this Agreement and the other Financing Agreements, or Borrower may terminate this Agreement and the other Financing Agreements, in each case, 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 Agent, in full, all outstanding and unpaid Obligations and shall furnish cash collateral to Agent in such amounts as Agent determines are reasonably necessary to secure Agent and Lenders from loss, cost, damage or expense, including reasonable attorneys' fees actually incurred 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 Agent or any 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 Agent, as Agent may, in its discretion, designate in writing to Borrower for such purpose. Interest shall be due until and including the next Business Day, if the amounts so paid by Borrower to the bank account designated by Agent 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 Agent's continuing security interest in the Collateral and the rights and remedies of Agent and Lenders 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 Agent's lost profits as a result thereof, Borrower agrees to pay to Agent, upon the effective date of such termination, an early termination fee in the amount equal to one (1%) percent of the Maximum Credit plus \$75,000. Such early termination fee shall be presumed to be the amount of damages sustained by Agent and Lenders as a result of such early termination and Borrower agrees that it is reasonable under the circumstances currently existing. In addition, Agent and Lenders 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 Agent and Lenders do not exercise the right to terminate this Agreement, but elect, at

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their 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 13.1 shall be deemed included in the Obligations.

(d) Notwithstanding anything to the contrary contained in Section 13.1(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 Agent of cash collateral all as provided in Section 13.1(a) above, Borrower shall only be required to pay to Agent and Lenders an early termination fee of \$75,000 if such payments are made to Agent with the initial proceeds of a financing transaction provided or underwritten by Wachovia Bank, National Association to Borrower.

13.2 Interpretative Provisions.

(a) All terms used herein which are defined in Article 1, Article 8 or Article 9 of the UCC 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, any Obligor, Agent and Lenders pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns.

(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 Agent, if such Event of Default is capable of being cured as determined by Agent.

(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 Agent 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".

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(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 Agent and the other parties, and are the products of all parties. Accordingly, this Agreement and the other Financing Agreements shall not be construed against Agent merely because of Agent's involvement in their preparation.

13.3 Notices. All notices, requests and demands hereunder shall be in writing and (a) made to Agent 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.

13.4 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.

13.5 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 Agent, Lenders, 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 Agent. No Lender may assign its rights and obligations under this Agreement without the prior written consent of Agent, except as provided in Section 13.6 below. The terms and provisions of this Agreement and the other Financing Agreements are for the purpose of defining the relative rights and obligations of Borrower, Agent and Lenders with respect to the transactions contemplated hereby and there shall be no third party beneficiaries of any of the terms and provisions of this Agreement or any of the other Financing Agreements.

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13.6 Assignments; Participations.

(a) Each Lender may assign all or, if less than all, a portion equal to at least \$5,000,000 in the aggregate for the assigning Lender, of such rights and obligations under this Agreement to one or more Eligible Transferees (but not including for this purpose any assignments in the form of a participation), each of which assignees shall become a party to this Agreement as a Lender by execution of an Assignment and Acceptance; provided, that, (i) if such Eligible Transferee is not a bank, Agent shall receive a representation in writing by such Eligible Transferee that no part of its acquisition of its Loans is made out of assets of any employee benefit plan, (ii) such transfer or assignment will not be effective until recorded by Agent on the Register and (iii) Agent shall have received for its sole account payment of a processing fee from the assigning Lender or the assignee in the amount of \$5,000. As used in this Section, the term "employee benefit plan" shall have the meaning assigned to it in Title I of ERISA and shall also include a "plan" as defined in Section 4975(e)(1) of the Code.

(b) Agent shall maintain a register of the names and addresses of Lenders, their Commitments and the principal amount of their Loans (the "Register"). Agent shall also maintain a copy of each Assignment and Acceptance delivered to and accepted by it and shall modify the Register to give effect to each Assignment and Acceptance. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and Borrower, Obligors, Agent and Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrower and any Lender at any reasonable time and from time to time upon reasonable prior notice.

(c) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (i) the assignee thereunder shall be a party hereto and to the other Financing Agreements and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations (including, without limitation, the obligation to participate in Letter of Credit Accommodations) of a Lender hereunder and thereunder and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement.

(d) By execution and delivery of an Assignment and Acceptance, the assignor and assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any of the other Financing Agreements or the execution, legality, enforceability, genuineness, sufficiency or value of this Agreement or any of the other Financing Agreements furnished pursuant hereto, (ii) the assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower, any Obligor or any of their Subsidiaries or the performance or observance by Borrower or any Obligor of any of the Obligations; (iii) such assignee confirms that it has received a copy of this Agreement and the other Financing Agreements, together with such other documents and information it has

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deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such assignee will, independently and without reliance upon the assigning Lender, Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Financing Agreements, (v) such assignee appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Financing Agreements as are delegated to Agent by the terms hereof and thereof, together with such powers as are incidental thereto, and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement and the other Financing Agreements are required to be performed by it as a Lender. Agent and Lenders may furnish any information concerning Borrower or any Obligor in the possession of Agent or any Lender from time to time to assignees and Participants.

(e) Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement and the other Financing Agreements (including, without limitation, all or a portion of its Commitments and the Loans owing to it and its participation in the Letter of Credit Accommodations, without the consent of Agent or the other Lenders); provided, that, (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment hereunder) and the other Financing Agreements shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and Borrower, Obligors and Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Financing Agreements, (iii) the Participant shall not have any rights under this Agreement or any of the other Financing Agreements (the Participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the Participant relating thereto) and all amounts payable by Borrower or any Obligor hereunder shall be determined as if such Lender had not sold such participation, and (iv) if such Participant is not a bank, represent that no part of its acquisition of its participation is made out of assets of any employee benefit plan. As used in this Section, the term "employee benefit plan" shall have the meaning assigned to it in Title I of ERISA and shall also include a "plan" as defined in Section 4975(e)(1) of the Code.

(f) Nothing in this Agreement shall prevent or prohibit any Lender from pledging its Loans hereunder to a Federal Reserve Bank in support of borrowings made by such Lenders from such Federal Reserve Bank; provided, that, no such pledge shall release such Lender from any of its obligations hereunder or substitute any such pledgee for such Lender as a party hereto.

(g) Borrower shall assist Agent or any Lender permitted to sell assignments or participations under this Section 13.6 in whatever manner necessary in order to enable or effect any such assignment or participation, including (but not limited to) the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested and the delivery of informational materials, appraisals or other documents for, and the participation of relevant management in meetings and conference calls with, potential Lenders or Participants. Borrower shall certify the correctness and accuracy of all descriptions of Borrower and its affairs provided, prepared or

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reviewed by Borrower that are contained in any selling materials prepared for

potential Lenders in connection with the initial syndication of the Loans and all other information provided by it and included in such materials.

(h) Each Lender organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of this Agreement in the case of each Lender which is a party hereto at the date hereof, or on or prior to the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as reasonably requested in writing by Borrower (but only so long thereafter as such Lender remains lawfully able to do so), provide Agent and Borrower with two original U.S. Internal Revenue Service Forms W-8BEN or W-8ECI, or any successor or other form prescribed by the U.S. Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement.

13.7 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.

13.8 No Novation; Reaffirmation of Grant of Security Interest.

(a) Borrower agrees that the security interests granted to Congress pursuant to the Existing Credit Agreement and the Existing Financing Agreements (as defined in the Existing Loan Agreement), shall remain outstanding and in full force and effect in accordance with the Existing Financing Agreements, in each case, as amended as of the date hereof and shall continue to secure the Obligations.

(b) Borrower, Agent and Lenders acknowledge and agree that (i) the Obligations represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Obligations (as defined in the Existing Loan Agreement) arising in connection with the Existing Loan Agreement and the other Existing Financing Agreements executed in connection therewith; (ii) Borrower, Agent and Lender intend that the collateral pledged under the Existing Loan Agreement and the Existing Financing Agreements executed in connection therewith shall secure, without interruption or impairment of any kind, all existing Obligations (as defined in the Existing Loan Agreement) under the Existing Loan Agreement and the Existing Financing Agreements executed in connection therewith as amended, restated, renewed, extended, consolidated and modified hereunder, together with all other Obligations hereunder; and (iii) all liens evidenced by the Existing Loan Agreement and the Existing Financing Agreements executed in connection therewith are hereby ratified, confirmed and continued.

(c) Borrower, Agent and Lenders intend that by entering into and performing their respective obligations hereunder, this transaction shall not constitute a novation.

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13.9 Counterparts, Etc. This Agreement or any of the other Financing Agreements may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement or any of the other Financing Agreements by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Agreement or any of such other Financing Agreements. Any party delivering an executed counterpart of any such agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

[Remainder of page intentionally left blank.]

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

AGENT AND
LENDER:

CONGRESS FINANCIAL CORPORATION (SOUTHERN)

By: /s/ Susan L. Miller
Title: First Vice President

Address:

200 Galleria Parkway
Suite 1500
Atlanta, Georgia 30339
GUARANTORS:

MJS ACQUISITION COMPANY, a North Carolina corporation

By: /s/ Robert W. Humphreys

Title: President and CEO

SAIM, LLC, a North Carolina limited liability company

By: MJS Acquisition Company, its sole member

By: /s/ Robert W. Humphreys

Title: President and CEO

BORROWER:

DELTA APPAREL, INC.,
a Georgia corporation

By: /s/ Robert W. Humphreys
Title: President and CEO

Chief Executive Office:

2750 Premier Parkway
Suite 100
Duluth, Georgia 30097

GENERAL SECURITY AGREEMENT

This General Security Agreement (this "Agreement") dated October 3, 2003, is by MJS ACQUISITION COMPANY, a North Carolina corporation ("MJS"), and SAIM, LLC, a North Carolina limited liability company ("SAIM"; together with MJS, each a "Guarantor" and collectively, "Guarantors"), in favor of Congress Financial Corporation (Southern), a Georgia corporation, as agent for Lenders (as defined herein) ("Secured Party").

W I T N E S S E T H

WHEREAS, Secured Party, the financial institutions party thereto as lenders (collectively, "Lenders") and Delta Apparel, Inc., a Georgia corporation ("Borrower"), are parties to that certain Amended and Restated Loan and Security Agreement, dated the date hereof (as the same now exists and as the same may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and other notes, guarantees, 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, the Financing Agreements and 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") pursuant to which Lenders may make loans and advances and provide other financial accommodations to Borrower as set forth therein; and

WHEREAS, due to the close business and financial relationships between Borrower and each Guarantor, in consideration of the benefits which will accrue to each Guarantor and as an inducement for and in consideration of Secured Party and Lenders making loans and advances and providing other financial accommodations to Borrower pursuant to the Loan Agreement and the other Financing Agreements, each Guarantor has agreed to execute and deliver to Secured Party a guarantee in favor of Secured Party and Lenders (as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Guarantee") pursuant to which Guarantors absolutely and unconditionally guarantee to Secured Party the payment and performance of all now existing and hereafter arising obligations, liabilities and indebtedness of Borrower to Secured Party and Lenders; and

WHEREAS, Guarantors are direct or indirect Subsidiaries of Borrower, and each Guarantor has determined that it will realize substantial direct and indirect benefits as a result of the loans and other financial accommodations extended to Borrower pursuant to the Loan Agreement, and such Guarantor's execution, delivery and performance of this Agreement are within such Guarantor's corporate or other purposes and are in the best interests of such Guarantor; and

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

Capitalized terms used herein shall have the meanings ascribed to such terms in the Loan Agreement to the extent not otherwise defined or limited herein. 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. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to the term "Guarantors" wherever used herein shall mean each and all of Guarantors and their respective successors and assigns, individually and collectively, jointly and severally (including, without limitation, any receiver, trustee or custodian for any of Guarantors or any of their respective assets or any of Guarantors in their respective capacity as debtor or debtor-in-possession under the United States Bankruptcy Code). All references to the term "Lender" wherever used herein shall mean Lender and its successors and assigns and all references to the term "Borrower" wherever used herein shall mean Borrower and its successors and assigns (including, without limitation, any receiver, trustee or custodian for Borrower or any of its assets or Borrower in its capacity as debtor or debtor-in-possession under the United States Bankruptcy Code). 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 cured or waived in accordance with the terms of the Loan Agreement. Any accounting term used herein unless otherwise defined in the Loan Agreement shall have the meanings customarily given to such term in accordance with GAAP. 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 a Guarantor to payment of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a secondary obligation incurred or to be incurred, or (d) arising out of the use of a credit or charge card or information contained on or for use with the card.

1.2 "Blocked Accounts" shall mean blocked accounts or lockboxes and related blocked accounts.

1.3 "Deposit Account Control Agreement" shall mean an agreement in writing, in form and substance satisfactory to Secured Party, by and among Secured Party, a Guarantor with a deposit account at any bank and the bank at which such deposit account is at any time maintained which provides that such bank will comply with instructions originated by Secured Party directing disposition of the funds in the deposit account without further consent by such Guarantor and such other terms and conditions as Secured Party may reasonably require, including as to any such agreement with respect to any Blocked Account, providing that all items received or deposited in the Blocked Accounts are the property of Secured Party, that the bank has no lien upon, or right to setoff

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against, the Blocked Accounts, the items received for deposit therein, or the funds from time to time on deposit therein and that the bank will wire, or otherwise transfer, in immediately available funds, on a daily basis to a payment account specified therein all funds received or deposited into the Blocked Accounts.

1.4 "Equipment" shall mean all of a Guarantor's now owned and hereafter acquired equipment, wherever located, including machinery, data processing and computer equipment and computer hardware and software (whether owned or licensed, and including embedded software), 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.

1.5 "Event of Default" shall have the meaning set forth in Section 7.1 hereof.

1.6 "Information Certificate" shall mean the Information Certificate delivered pursuant to the Subsidiary Loan Agreement containing material information with respect to such Guarantor, its business and assets provided by or on behalf of each Guarantor to Secured Party in connection with the preparation of this Agreement and the other Financing Agreements and the financing arrangements provided for therein.

1.7 "Intellectual Property" shall mean a Guarantor'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 (including any goodwill associated with any trademark or the license of any trademark); customer and other lists in whatever form maintained; trade secret rights, copyright rights, rights in works of authorship, domain names and domain name registrations; and software and contract rights relating to computer software programs, in whatever form created or maintained.

1.8 "Inventory" shall mean all of a Guarantor's now owned and hereafter

existing or acquired goods, wherever located, which (a) are leased by such Guarantor as lessor, (b) are held by such Guarantor for sale or lease or to be furnished under a contract of service, (c) are furnished by such Guarantor under a contract of service, or (d) consist of raw materials, work in process, finished goods or materials used or consumed in its business.

1.9 "Obligations" shall mean any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Guarantors to Secured Party, Lenders and/or their respective Affiliates under or arising out of, or in connection with, the Guarantee and the other Financing Agreements and all extensions or renewals thereof, including, without limitation, the Guaranteed Obligations, principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under this Agreement, the Guarantee or the other Financing Agreements, 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 a Guarantor under the United

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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 and/or Lenders.

1.10 "Receivables" shall mean all of the following now owned or hereafter arising or acquired property of a Guarantor: (a) all Accounts; (b) all amounts at any time payable to such Guarantor in respect of the sale or other disposition by such Guarantor 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 payment intangibles of such Guarantor, letters of credit, indemnities, guarantees, security or other deposits and proceeds thereof issued payable to such Guarantor or otherwise in favor of or delivered to such Guarantor in connection with any Account; or (e) all other accounts, contract rights, chattel paper, instruments, notes, general intangibles and other forms of obligations owing to such Guarantor, 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 such Guarantor or to or for the benefit of any third person (including loans or advances to any Affiliates or Subsidiaries of such Guarantor) or otherwise associated with any Accounts, Inventory or general intangibles of such Guarantor (including, without limitation, choses in action, causes of action, tax refunds, tax refund claims, any funds which may become payable to such Guarantor in connection with the termination of any Plan or other employee benefit plan and any other amounts payable to such Guarantor 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 lives of employees on which such Guarantor is a beneficiary).

1.11 "Records" shall mean all of a Guarantor'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 such Guarantor with respect to the foregoing maintained with or by any other person).

SECTION 2. GRANT OF SECURITY INTEREST

2.1 To secure payment and performance of all Obligations, each Guarantor hereby grants to Secured Party, for the benefit of Secured Party and Lenders, a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Secured Party, for the benefit of Secured Party and Lenders, as security, all personal property and fixtures and interests in personal property and fixtures of such Guarantor, 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 Secured Party or any Lender, collectively, the "Collateral") including:

- (a) all Accounts;
- (b) all general intangibles, including, without limitation, all Intellectual Property;
- (c) all goods, including, without limitation, Inventory and Equipment;
- (d) all fixtures;
- (e) all chattel paper including, without limitation, all tangible and electronic chattel paper;
- (f) all instruments including, without limitation, all promissory notes;
- (g) all documents;
- (h) all deposit accounts;
- (i) all letters of credit, banker's acceptances and similar instruments and including all letter-of-credit rights;
- (j) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Receivables and other Collateral, including (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Receivables or other Collateral, including returned, repossessed and reclaimed goods, and (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors;
- (k) all (i) investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts) and (ii) monies, credit balances, deposits and other property of such Guarantor now or hereafter held or received by or in transit to Secured Party, any Lender or its Affiliates or at any other depository or other institution from or for the account of such Guarantor, whether for safekeeping, pledge, custody, transmission, collection or otherwise;
- (l) all commercial tort claims, including, without limitation, those identified in the Information Certificate;
- (m) to the extent not otherwise described above, all Receivables;
- (n) all Records; and
- (o) 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 or other involuntary conversion of any kind or nature of any or all of the other Collateral;

provided, however, that the term "Collateral", for purposes of this Agreement and the other Financing Documents, shall not include (a) SAIM's ownership interests in Agencias 7000, S. A. and Soha Textil, S. A. (collectively, the "Costa Rican Interests") for so long as the grant of a security interest therein, or any other pledge or encumbrance thereof would give rise to a right of purchase of the Costa Rican Interests by the other holders of equity interest in Agencias 7000, S. A. and Soha Textil, S. A., as applicable, and such right has not been terminated or waived and (b) thirty-five percent (35%) of the equity interests of a Guarantor in its non-United States Subsidiaries, if any.

Subject to the restrictions on the incurrence of purchase money Indebtedness in Section 9.9(b) of the Subsidiary Loan Agreement but notwithstanding anything to the contrary contained in clause (c) above, the types or items of Collateral described in such clause shall not include any Equipment purchased with the proceeds of such purchase money Indebtedness which

is, or at the time of a Guarantor's acquisition thereof shall be, subject to a purchase money lien or security interest (including capitalized or finance leases) permitted under Section 9.8 of the Subsidiary Loan Agreement if: (a) the valid grant of a security interest or lien to Secured Party, for itself and the ratable benefit of Lenders, in such item of Equipment is prohibited by the terms of the agreement between such Guarantor and the holder of such purchase money lien or security interest and the consent of such holder to Secured Party's lien has not been or is not waived, or the consent of such holder has not been or is not otherwise obtained, or under applicable law such prohibition cannot be waived and (b) the purchase money lien on such item of Equipment is or shall become and remain valid and perfected.

SECTION 3. PERFECTION OF SECURITY INTERESTS

3.1 Each Guarantor irrevocably and unconditionally authorizes Secured Party (or its agent) to file at any time and from time to time such financing statements with respect to the Collateral naming Secured Party or its designee as the secured party and such Guarantor as debtor, as Secured Party may require, and including any other information with respect to such Guarantor or otherwise required by part 5 of Article 9 of the Uniform Commercial Code of such jurisdiction as Secured Party may determine, together with any amendment and continuations with respect thereto, which authorization shall apply to all financing statements filed on, prior to or after the date hereof. Each Guarantor hereby ratifies and approves all financing statements naming Secured Party or its designee as secured party and such Guarantor as debtor with respect to the Collateral (and any amendments with respect to such financing statements) filed by or on behalf of Secured Party prior to the date hereof and ratifies and confirms the authorization of Secured Party to file such financing statements (and amendments, if any). Each Guarantor hereby authorizes Secured Party to adopt on behalf of such Guarantor any symbol required for authenticating any electronic filing. In the event that the description of the collateral in any financing statement naming Secured Party or its designee as the secured party and a Guarantor as debtor includes assets and properties of such Guarantor that do not at any time constitute Collateral, whether hereunder, under any of the other Financing Agreements or otherwise, the filing of such financing statement shall nonetheless be deemed authorized by such Guarantor to the extent of the Collateral included in such description and it shall not render the financing statement ineffective as to any of the Collateral or otherwise affect the financing statement as it applies to any of the Collateral. In no event shall a Guarantor at any time file, or permit or cause to be filed, any correction statement or termination statement with respect to any financing statement (or

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amendment or continuation with respect thereto) naming Secured Party or its designee as secured party and such Guarantor as debtor.

3.2 No Guarantor has any chattel paper (whether tangible or electronic) or instruments as of the date hereof, except as set forth in the Information Certificate. In the event that a Guarantor shall be entitled to or shall receive any chattel paper or instrument after the date hereof, such Guarantor shall promptly notify Secured Party thereof in writing. Promptly upon the receipt thereof by or on behalf of such Guarantor (including by any agent or representative), such Guarantor shall deliver, or cause to be delivered to Secured Party, all tangible chattel paper and instruments that such Guarantor has or may at any time acquire, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify, in each case except as Secured Party may otherwise agree. At Secured Party's option, such Guarantor shall, or Secured Party may at any time on behalf of such Guarantor, cause the original of any such instrument or chattel paper to be conspicuously marked in a form and manner acceptable to Secured Party with the following legend referring to chattel paper or instruments as applicable: "This [chattel paper][instrument] is subject to the security interest of Congress Financial Corporation (Southern), as Agent and any sale, transfer, assignment or encumbrance of this [chattel paper][instrument] violates the rights of such secured party."

3.3 In the event that a Guarantor shall at any time hold or acquire an interest in any electronic chattel paper or any "transferable record" (as such term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction), such Guarantor shall promptly notify Secured Party thereof in writing. Promptly upon Secured Party's request, such Guarantor shall take, or cause to be taken, such actions as Secured Party may request to give Secured Party control of such electronic

chattel paper under Section 9-105 of the UCC and control of such transferable record under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as in effect in such jurisdiction.

3.4 No Guarantor has any deposit accounts as of the date hereof, except as set forth in the Information Certificate. No Guarantor shall, directly or indirectly, after the date hereof open, establish or maintain any deposit account unless each of the following conditions is satisfied or unless otherwise permitted by the Subsidiary Loan Agreement: (i) Secured Party shall have received not less than five (5) Business Days prior written notice of the intention of such Guarantor to open or establish such account which notice shall specify in reasonable detail and specificity acceptable to Secured Party the name of the account, the owner of the account, the name and address of the bank at which such account is to be opened or established, the individual at such bank with whom such Guarantor is dealing and the purpose of the account; (ii) the bank where such account is opened or maintained shall be reasonably acceptable to Secured Party; and (iii) on or before the opening of such deposit account, such Guarantor shall, as Secured Party may specify, either (A) deliver to Secured Party a Deposit Account Control Agreement with respect to such deposit account duly authorized, executed and delivered by such Guarantor and the bank at which such deposit account is opened and maintained or (B) arrange

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for Secured Party to become the customer of the bank with respect to the deposit account on terms and conditions acceptable to Secured Party. The terms of this subsection (d) shall not apply to deposit accounts specifically and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Guarantors' salaried employees.

3.5 No Guarantor owns or holds, directly or indirectly, beneficially or as record owner or both, any investment property, as of the date hereof, or has any investment account, securities account, commodity account or other similar account with any bank or other financial institution or other securities intermediary or commodity intermediary as of the date hereof, in each case except as set forth in the Information Certificate.

3.6 In the event that a Guarantor shall be entitled to or shall at any time after the date hereof hold or acquire any certificated securities, such Guarantor shall promptly endorse, assign and deliver the same to Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify. If any securities now or hereafter acquired by a Guarantor are uncertificated and are issued to such Guarantor or its nominee directly by the issuer thereof, such Guarantor shall immediately notify Secured Party thereof and shall as Secured Party may specify, either (A) cause the issuer to agree to comply with instructions from Secured Party as to such securities, without further consent of such Guarantor or such nominee, or (B) arrange for Secured Party to become the registered owner of the securities.

3.7 No Guarantor shall, directly or indirectly, after the date hereof, open, establish or maintain any investment account, securities account, commodity account or any other similar account (other than a deposit account) with any securities intermediary or commodity intermediary unless each of the following conditions is satisfied: (A) Secured Party shall have received not less than five (5) Business Days' prior written notice of the intention of such Guarantor to open or establish such account which notice shall specify in reasonable detail and specificity acceptable to Secured Party the name of the account, the owner of the account, the name and address of the securities intermediary or commodity intermediary at which such account is to be opened or established, the individual at such intermediary with whom such Guarantor is dealing and the purpose of the account; (B) the securities intermediary or commodity intermediary (as the case may be) where such account is opened or maintained shall be acceptable to Secured Party; and (C) on or before the opening of such investment account, securities account or other similar account with a securities intermediary or commodity intermediary, such Guarantor shall, as Secured Party may specify, either (1) execute and deliver, and cause to be executed and delivered to Secured Party, an Investment Property Control Agreement with respect thereto duly authorized, executed and delivered by such Guarantor and such securities intermediary or commodity intermediary or (2) arrange for Secured Party to become the entitlement holder with respect to such investment property on terms and conditions acceptable to Secured Party.

3.8 No Guarantor is the beneficiary or otherwise entitled to any right

to payment under any letter of credit, banker's acceptance or similar instrument as of the date hereof, except as set forth in the Information Certificate. In the event that a Guarantor shall be entitled to or shall receive any right to payment under any letter of credit, banker's acceptance or any similar instrument, whether as beneficiary thereof or otherwise after the date hereof, such Guarantor shall promptly notify Secured Party thereof in writing. Such Guarantor shall immediately, as Secured Party may specify, either (i) deliver,

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or cause to be delivered, to Secured Party, with respect to any such letter of credit, banker's acceptance or similar instrument, the written agreement of the issuer and any other nominated person obligated to make any payment in respect thereof (including any confirming or negotiating bank), in form and substance satisfactory to Secured Party, consenting to the assignment of the proceeds of the letter of credit to Secured Party by such Guarantor and agreeing to make all payments thereon directly to Secured Party or as Secured Party may otherwise direct or (ii) cause Secured Party to become, at such Guarantor's expense, the transferee beneficiary of the letter of credit, banker's acceptance or similar instrument (as the case may be).

3.9 No Guarantor has any commercial tort claims as of the date hereof, except as set forth in the Information Certificate. In the event that a Guarantor shall at any time after the date hereof have any commercial tort claims, such Guarantor shall promptly notify Secured Party thereof in writing, which notice shall (i) set forth in reasonable detail the basis for and nature of such commercial tort claim and (ii) include the express grant by such Guarantor to Secured Party of a security interest in such commercial tort claim (and the proceeds thereof). In the event that such notice does not include such grant of a security interest, the sending thereof by such Guarantor to Secured Party shall be deemed to constitute such grant to Secured Party. Upon the sending of such notice, any commercial tort claim described therein shall constitute part of the Collateral and shall be deemed included therein. Without limiting the authorization of Secured Party provided in Section 3.1 hereof or otherwise arising by the execution by Guarantors of this Agreement or any of the other Financing Agreements, Secured Party is hereby irrevocably authorized from time to time and at any time to file such financing statements naming Secured Party or its designee as secured party and such Guarantor as debtor, or any amendments to any financing statements, covering any such commercial tort claim as Collateral. In addition, such Guarantor shall, promptly upon Secured Party's request, execute and deliver, or cause to be executed and delivered, to Secured Party such other agreements, documents and instruments as Secured Party may require in connection with such commercial tort claim.

3.10 No Guarantor has any goods, documents of title or other Collateral in the custody, control or possession of a third party as of the date hereof, except as set forth in the Information Certificate and except for goods located in the United States in transit to a location of such Guarantor permitted herein in the ordinary course of business of such Guarantor in the possession of the carrier transporting such goods. In the event that any goods, documents of title or other Collateral are at any time after the date hereof in the custody, control or possession of any other person not referred to in the Information Certificate or such carriers, the appropriate Guarantor shall promptly notify Secured Party thereof in writing. Promptly upon Secured Party's request, such Guarantor shall deliver to Secured Party a Collateral Access Agreement duly authorized, executed and delivered by such person and such Guarantor.

3.11 Each Guarantor shall take any other actions reasonably requested by Secured Party from time to time to cause the attachment, perfection and first priority of, and the ability of Secured Party to enforce, the security interest of Secured Party in any and all of the Collateral, including, without limitation, (i) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code or other applicable law, to the extent, if any, that such Guarantor's signature thereon is required therefor, (ii) causing Secured Party's name to be noted as secured party on any certificate of title for a titled good if such notation is

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a condition to attachment, perfection or priority of, or ability of Secured Party to enforce, the security interest of Secured Party in such Collateral, (iii) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of Secured Party to enforce, the security interest of Secured Party in such Collateral, (iv)

obtaining the consents and approvals of any Governmental Authority or third party, including, without limitation, any consent of any licensor, lessor or other person obligated on Collateral, and taking all actions required by any earlier versions of the Uniform Commercial Code or by other law, as applicable in any relevant jurisdiction.

SECTION 4. COLLATERAL COVENANTS

4.1 Accounts Covenants.

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

(b) Secured Party may, at any time or times that an Event of Default exists or has occurred and is continuing, enforce Secured Party's rights against any account debtor, secondary obligor or other obligor in respect of any of the Accounts or other Receivables. Without limiting the generality of the foregoing, Secured Party may at such time or times, (i) notify any or all account debtors, secondary obligors and other obligors in respect thereof that the Receivables have been assigned to Secured Party and that Secured Party has a security interest therein and Secured Party may direct any or all accounts debtors, secondary obligors or other obligors to make payment of Receivables directly to Secured Party, (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 Receivables or other obligations included in the Collateral and thereby discharge or release the account debtor or any secondary obligors or other obligors in respect thereof without affecting any of the Obligations, (iii) demand, collect or enforce payment of any Receivables or such other obligations, but without any duty to do so, and Secured Party and Lenders shall not be liable for any 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 Secured Party may deem necessary or desirable for the protection of its interests and the interests of Lenders. At any time that an Event of Default exists or has occurred and is continuing, at Secured Party's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Secured Party and are payable directly and only to Secured Party and Guarantors shall deliver to Secured Party such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Secured Party may require.

4.2 Inventory Covenants. With respect to the Inventory, each Guarantor:

(a) shall at all times maintain inventory records reasonably satisfactory to Secured Party, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, such Guarantor's cost therefor and daily withdrawals therefrom and additions thereto; (b) shall conduct a physical count of the Inventory at least one (1) time in any twelve (12) month period, but at any time or times as Secured Party may request on or after an

Event of Default, and promptly following such physical inventory shall supply Secured Party with a report in the form and with such specificity as may be satisfactory to Secured Party concerning such physical count; (c) shall not remove any Inventory from the locations set forth or permitted herein without the prior written consent of Secured Party, except for sales of Inventory in the ordinary course of such Guarantor'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 such Guarantor which is in transit to the locations set forth in the Information Certificate or permitted herein; (d) upon Secured Party's request, shall, at its expense, no more than two (2) times in any twelve (12) month period, but at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written appraisals as to the Inventory in form, scope and methodology acceptable to Secured Party and by an appraiser acceptable to Secured Party, addressed to Secured Party and Lenders or upon which Secured Party and Lenders are expressly permitted to rely; (e) shall produce, use, store and maintain the Inventory with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including, but not limited to, the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto); (f) none of the Inventory or other Collateral constitutes farm products or the proceeds thereof; (g) assumes all

responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory, except for the right of return given to customers of such Guarantor consistent with its current policies as of the date hereof; (h) shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate such Guarantor to repurchase such Inventory; (i) shall keep the Inventory in good and marketable condition; and (j) shall not, without prior written notice to Secured Party, acquire or accept any Inventory on consignment or approval. In addition to, and not in limitation of, anything to the contrary contained herein, Secured Party shall have the right to request the delivery to Secured Party of all documents, invoices and bills of lading relating to any in-transit Inventory. In the event any account debtor returns Inventory when an Event of Default exists or has occurred and is continuing, Guarantors shall, upon Secured Party's request, hold the returned Inventory in trust for Secured Party, segregate all returned Inventory from all of its other property, dispose of the returned Inventory solely according to Secured Party's instructions, and not issue any credits, discounts or allowances with respect thereto without Secured Party's prior written consent.

4.3 Equipment Covenants. With respect to the Equipment: (a) upon Secured Party's request, each Guarantor shall, at its expense, no more than one (1) time in any twelve (12) month period, but at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written appraisals as to the Equipment in form, scope and methodology acceptable to Secured Party and by appraiser acceptable to Secured Party, addressed to Secured Party and upon which Secured Party is expressly permitted to rely; (b) each Guarantor shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted); (c) each Guarantor shall use the Equipment 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 each Guarantor's business and not for personal, family, household or farming use; (e) Guarantors shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment

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repaired or maintained in the ordinary course of the business of such Guarantor or to move Equipment directly from one location set forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of such Guarantor in the ordinary course of business; (f) the Equipment is now and shall remain personal property and Guarantors shall not permit any of the Equipment to be or become a part of or affixed to real property; and (g) each Guarantor assumes all responsibility and liability arising from the use of the Equipment.

4.4 Power of Attorney. Each Guarantor hereby irrevocably designates and appoints Secured Party (and all persons designated by Secured Party) as such Guarantor's true and lawful attorney-in-fact, and authorizes Secured Party, in such Guarantor's or Secured Party's name, to: (a) at any time 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 such Guarantor'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 Secured Party deems advisable, (v) settle, adjust, compromise, extend or renew an Account, (vi) discharge and release any Receivable, (vii) prepare, file and sign such Guarantor's name on any proof of claim in bankruptcy or other similar document against an account debtor or 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 Secured Party, and open and dispose of all mail addressed to such Guarantor and handle and store all mail relating to the Collateral; and (ix) do all acts and things which are necessary, in Secured Party's determination, to fulfill such Guarantor'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 Secured Party or any 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 such Guarantor's name upon any items of payment in respect of Receivables or constituting Collateral or otherwise received by Secured Party and any Lender and deposit the same in Secured Party's account for application

to the Obligations, (iv) endorse such Guarantor'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 or foreign export control authorities in such Guarantor's name, Secured Party's name or the name of Secured Party's designee, and to sign and deliver to customs officials powers of attorney in such Guarantor's name for such purpose, and to complete in such Guarantor's or Secured Party's name, any order, sale or transaction, obtain the necessary documents in connection therewith and collect the proceeds thereof, and (vi) sign such Guarantor's name on any verification of Receivables and notices thereof to account debtors or any secondary obligors or other obligors in respect thereof. Each Guarantor hereby releases Secured Party and Lenders and their respective 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 Secured Party's or any Lender's own gross negligence or willful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

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4.5 Right to Cure. Secured Party may, at its option, (a) upon notice to Guarantors, cure any default by a Guarantor under any material agreement with a third party that affects the Collateral, its value or the ability of Secured Party to collect, sell or otherwise dispose of the Collateral or the rights and remedies of Secured Party therein or the ability of such Guarantor to perform its obligations hereunder or under the other Financing Agreements, (b) pay or bond on appeal any judgment entered against a Guarantor, (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 Secured Party's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Secured Party and Lenders with respect thereto. Secured Party may add any amounts so expended to the Obligations and charge Guarantors' account therefor, such amounts to be repayable by Guarantors on demand. Secured Party and Lenders 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 Guarantors. Any payment made or other action taken by Secured Party or any Lender under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

4.6 Access to Premises. From time to time as requested by Secured Party, at the cost and expense of Guarantors, (a) Secured Party or its designee shall have complete access to all of each Guarantor's premises during normal business hours and after notice to such Guarantor, or at any time and without notice to such Guarantor 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 such Guarantor's books and records, including the Records, and (b) each Guarantor shall promptly furnish to Secured Party such copies of such books and records or extracts therefrom as Secured Party may request, and (c) Secured Party or any Lender or Secured Party's designee may use during normal business hours such of each Guarantor's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Receivables and realization of other Collateral.

SECTION 5. REPRESENTATIONS AND WARRANTIES

Each Guarantor hereby represents and warrants to Secured Party the following (which shall survive the execution and delivery of this Agreement):

5.1 Corporate Existence, Power and Authority; Subsidiaries. Each Guarantor is a corporation or limited liability company duly organized and in good standing under the laws of its state of organization 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 the financial condition, results of operation or businesses of Borrower and its Subsidiaries, taken as a whole, or the rights of Secured Party 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 (a) are all within each Guarantor's corporate powers, (b) have been duly authorized, (c) are not in contravention of law or the terms

of each Guarantor's certificate of incorporation or organization, by-laws, operating agreement or other organizational documentation, or any indenture, agreement or undertaking to which such Guarantor is a party or by which such Guarantor or its property are bound and (d) will not result in the creation or

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imposition of, or require or give rise to any obligation to grant, any lien, security interest, charge or other encumbrance upon any property of Guarantors other than the liens and security interest under the Financing Agreements. This Agreement and the other Financing Agreements constitute legal, valid and binding obligations of Guarantors enforceable in accordance with their respective terms. Guarantors do not have any Subsidiaries except as set forth on the Information Certificate.

5.2 Name; State of Organization; Chief Executive Office; Collateral Locations.

(a) The exact legal name of each Guarantor is as set forth on the signature page of this Agreement and in the Information Certificate. No Guarantor has, during the past five years, been known by or used 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.

(b) Each Guarantor is an organization of the type and organized in the jurisdiction set forth in the Information Certificate. The Information Certificate accurately sets forth the organizational identification number of each Guarantor or accurately states that such Guarantor has none and accurately sets forth the federal employer identification number of each Guarantor.

(c) The chief executive office and mailing address of each Guarantor and such Guarantor's Records concerning Accounts are located only at the address identified as such in Schedule 8.2 to the Information Certificate and its only other places of business and the only other locations of Collateral, if any, are the addresses set forth in Schedule 8.2 to the Information Certificate, subject to the right of such Guarantor to establish new locations in accordance with Section 6.2 below. The Information Certificate correctly identifies any of such locations which are not owned by a Guarantor and sets forth the owners and/or operators thereof.

5.3 Priority of Liens; Title to Properties. The security interests and liens granted to Secured Party under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral subject only to the liens permitted under the Loan Agreement. Each Guarantor has good and valid 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 Secured Party, those granted under the Subsidiary Loan Agreement or the other Financing Agreements (as defined in the Subsidiary Loan Agreement) and such others as are specifically permitted under the Subsidiary Loan Agreement and the Loan Agreement.

5.4 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 Secured Party and Lenders on the date of each additional loan, advance or letter of credit accommodation under the Loan Agreement and shall be conclusively presumed to have been relied on by Secured

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Party and Lenders regardless of any investigation made or information possessed by Secured Party and Lenders. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which a Guarantor shall now or hereafter give, or cause to be given, to Secured Party or any Lender.

SECTION 6. AFFIRMATIVE AND NEGATIVE COVENANTS

6.1 Maintenance of Existence.

(a) Each Guarantor 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, trade names, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted.

(b) No Guarantor shall change its name unless each of the following conditions is satisfied: (i) Secured Party shall have received not less than thirty (30) days' prior written notice from such Guarantor of such proposed change in its corporate name, which notice shall accurately set forth the new name; and (ii) Secured Party shall have received a copy of the amendment to the articles or certificate of incorporation or organization of such Guarantor providing for the name change certified by the Secretary of State of the jurisdiction of incorporation or organization of such Guarantor as soon as it is available. Notwithstanding the foregoing, MJS shall be permitted to amend its organizational documents as necessary to change its name to M. J. Soffe Co.

(c) No Guarantor shall change its chief executive office or its mailing address or organizational identification number (or if it does not have one, shall not acquire one) unless Secured Party shall have received not less than thirty (30) days' prior written notice from such Guarantor of such proposed change, which notice shall set forth such information with respect thereto as Secured Party may require and Secured Party shall have received such agreements as Secured Party may require in connection therewith. No Guarantor shall change its type of organization, jurisdiction of organization or other legal structure.

6.2 New Collateral Locations. No Guarantor may open any new location within the continental United States unless such Guarantor (a) gives Secured Party 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 Secured Party such agreements, documents, and instruments as Secured Party may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including, without limitation, Uniform Commercial Code financing statements.

6.3 Costs and Expenses. Each Guarantor shall pay to Secured Party and Lenders 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, Secured Party'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, but not limited to: (a) all costs and expenses of filing or recording (including Uniform Commercial Code financing statement filing taxes

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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 Secured Party's customary charges and fees with respect thereto; (c) costs and expenses of preserving and protecting the Collateral; (d) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Secured Party, 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 Secured Party or any Lender arising out of the transactions contemplated hereby and thereby (including, without limitation, preparations for and consultations concerning any such matters); (e) all out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Secured Party during the course of periodic field examinations of the Collateral and Guarantors' operations, plus a per diem charge at Secured Party's then standard rate for Secured Party's examiners in the field and office (which rate as of the date hereof is \$750 per person per day); and (f) the reasonable fees and disbursements of counsel (including legal assistants) actually incurred to Secured Party in connection with any of the foregoing.

6.4 Further Assurances. At the request of Secured Party at any time and from time to time, each Guarantor 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.

SECTION 7. EVENTS OF DEFAULT AND REMEDIES

7.1 Events of Default. The occurrence or existence of any Event of Default under the Loan Agreement is referred to herein individually as an "Event of Default", and collectively as "Events of Default".

7.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Secured Party and Lenders 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 any Guarantor 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 Secured Party and Lenders hereunder, under any of the other Financing Agreements, the Uniform Commercial Code or other applicable law, are cumulative, not exclusive and enforceable, in Secured Party'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 a Guarantor of this Agreement or any

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of the other Financing Agreements. Secured Party may, at any time or times, proceed directly against any Guarantor or any Obligor to collect the Obligations 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, Secured Party may, in its discretion and upon the direction of Required Lenders, (i) 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, (ii) require Guarantors, at Guarantors' expense, to assemble and make available to Secured Party any part or all of the Collateral at any place and time designated by Secured Party, (iii) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (iv) 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, and (v) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Secured Party or elsewhere) at such prices or terms as Secured Party may deem reasonable, for cash, upon credit or for future delivery, with the Secured Party 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 Guarantors, which right or equity of redemption is hereby expressly waived and released by Guarantors. If any of the Collateral is sold or leased by Secured Party upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Secured Party. If notice of disposition of Collateral is required by law, ten (10) days' prior notice by Secured Party to Guarantors 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 Guarantors waive any other notice. In the event Secured Party institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Guarantors waive the posting of any bond which might otherwise be required.

(c) Secured Party may apply the cash proceeds of Collateral actually received by Secured Party 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 Secured Party may elect, whether or not then due. Guarantors shall remain liable to Secured Party and Lenders for the payment of any deficiency with interest at the highest rate provided for in the Loan Agreement and all costs and expenses of collection or enforcement, including reasonably attorneys' fees actually incurred and legal expenses.

(d) To the extent that applicable law imposes duties on Secured Party or any Lender to exercise remedies in a commercially reasonable manner (which

duties cannot be waived under such law), each Guarantor acknowledges and agrees that it is not commercially unreasonable for Secured Party or any Lender (i) to fail to incur expenses reasonably deemed significant by Secured Party or any Lender to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain consents of any Governmental Authority or other third party for

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the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors, secondary obligors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other persons, whether or not in the same business as such Guarantor, for expressions of interest in acquiring all or any portion of the Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, (xi) to purchase insurance or credit enhancements to insure Secured Party or Lenders against risks of loss, collection or disposition of Collateral or to provide to Secured Party or Lenders a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by Secured Party, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Secured Party in the collection or disposition of any of the Collateral. Each Guarantor acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by Secured Party or any Lender would not be commercially unreasonable in the exercise by Secured Party of remedies against the Collateral and that other actions or omissions by Secured Party or any Lender shall not be deemed commercially unreasonable solely on account of not being indicated in this Section. Without limitation of the foregoing, nothing contained in this Section shall be construed to grant any rights to Guarantors or to impose any duties on Secured Party or Lenders that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

(e) For the purpose of enabling Secured Party to exercise the rights and remedies hereunder, each Guarantor hereby grants to Secured Party, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Guarantor), 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 such Guarantor, 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.

SECTION 8. GOVERNING LAW; WAIVERS AND CONSENTS; INDEMNIFICATION

8.1 Governing Law; No Liability.

(a) The validity, interpretation and enforcement of this Agreement and any dispute arising out of the relationship between any Guarantor and Secured Party, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Georgia but excluding any principles of conflicts of law or other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of Georgia.

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(b) Secured Party and Lenders shall not have any liability to any Guarantor (whether in tort, contract, equity or otherwise) for losses suffered by such Guarantor 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 Secured Party and such Lender that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Secured Party and each 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 and the other Financing Agreements.

8.2 Waiver of Notices. Each Guarantor 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 a Guarantor which Secured Party or any Lender may elect to give shall entitle such Guarantor to any other or further notice or demand in the same, similar or other circumstances.

8.3 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 each Guarantor and Secured Party. Secured Party and Lenders 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 or any 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 Secured Party or any Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

8.4 Waiver of Counterclaims. Each Guarantor 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.

8.5 Indemnification. Each Guarantor shall indemnify and hold Secured Party and each Lender, and their respective directors, agents, employees, advisors and counsel and their respective Affiliates (each such person being an "Indemnitee"), harmless from and against any and all losses, claims, damages, liabilities, costs or expenses (including reasonable attorneys' fees actually incurred and 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 reasonable fees of counsel actually incurred and expenses of counsel,

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except, as to any Indemnitee, for such losses, claims, damages, liabilities, costs or expenses resulting from gross negligence or willful misconduct of such Indemnitee 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, each Guarantor shall pay the maximum portion which it is permitted to pay under applicable law to Secured Party and Lenders in satisfaction of indemnified matters under this Section. All amounts due under this Section shall be payable upon demand. 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. All of the foregoing costs and expenses shall be part of the Obligations and secured by the Collateral.

SECTION 9. MISCELLANEOUS

9.1 Notices. All notices, requests and demands hereunder shall be given in the form and manner and to the addresses set forth in the Guarantee.

9.2 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.

9.3 Entire Agreement. This Agreement and any instruments or documents delivered or to be delivered in connection herewith represent the entire agreement and understanding of this parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

9.4 Successors and Assigns. This Agreement shall be binding upon Guarantors and their respective successors and assigns and shall inure to the benefit of Secured Party, Lenders and their respective successors, endorsees, transferees and assigns. The liquidation, dissolution or termination of any Guarantor shall not terminate this Agreement as to such entity or as to any of the other Guarantors.

9.5 Counterparts, Etc. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of any such agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, each of Guarantors has caused these presents to be duly executed as of the day and year first above written.

MJS ACQUISITION COMPANY, a North Carolina corporation

/s/ Herbert M. Mueller

By: Herbert M. Mueller
Title: Vice President

[CORPORATE SEAL]

SAIM, LLC, a North Carolina limited liability company

By: MJS Acquisition Company, its sole member

/s/ Herbert M. Mueller

Title: Herbert M. Mueller
Vice President

[COMPANY SEAL]

GENERAL SECURITY AGREEMENT

This General Security Agreement (this "Agreement") dated October 3, 2003, is by DELTA APPAREL, INC., a Georgia corporation ("Delta"), and SAIM, LLC, a North Carolina limited liability company ("SAIM"; together with Delta, each a "Guarantor" and collectively, "Guarantors"), in favor of Congress Financial Corporation (Southern), a Georgia corporation, as agent for Lenders (as defined herein) ("Secured Party").

W I T N E S S E T H

WHEREAS, Secured Party, the financial institutions party thereto as lenders (collectively, "Lenders") and MJS Acquisition Company, a North Carolina corporation ("Borrower"), are parties to that certain Loan and Security Agreement, dated the date hereof (as the same now exists and as the same may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and other notes, guarantees, 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, the Financing Agreements and 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") pursuant to which Lenders may make loans and advances and provide other financial accommodations to Borrower as set forth therein; and

WHEREAS, due to the close business and financial relationships between Borrower and each Guarantor, in consideration of the benefits which will accrue to each Guarantor and as an inducement for and in consideration of Secured Party and Lenders making loans and advances and providing other financial accommodations to Borrower pursuant to the Loan Agreement and the other Financing Agreements, each Guarantor has agreed to execute and deliver to Secured Party a guarantee in favor of Secured Party and Lenders (as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Guarantee") pursuant to which Guarantors absolutely and unconditionally guarantee to Secured Party the payment and performance of all now existing and hereafter arising obligations, liabilities and indebtedness of Borrower to Secured Party and Lenders; and

WHEREAS, Borrower is a Subsidiary of Delta and SAIM is a Subsidiary of Borrower, and each Guarantor has determined that it will realize substantial direct and indirect benefits as a result of the loans and other financial accommodations extended to Borrower pursuant to the Loan Agreement, and such Guarantor's execution, delivery and performance of this Agreement are within such Guarantor's corporate or other purposes and are in the best interests of such Guarantor; and

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

Capitalized terms used herein shall have the meanings ascribed to such terms in the Loan Agreement to the extent not otherwise defined or limited herein. 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. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to the term "Guarantors" wherever used herein shall mean each and all of Guarantors and their respective successors and assigns, individually and collectively, jointly and severally (including, without limitation, any receiver, trustee or custodian for any of Guarantors or any of their respective assets or any of Guarantors in their respective capacity as debtor or debtor-in-possession under the United States Bankruptcy Code). All references to the term "Lender" wherever used herein shall mean Lender and its successors and assigns and all references to the term "Borrower" wherever used herein shall mean Borrower and its successors and assigns (including, without limitation, any receiver, trustee or custodian for Borrower or any of its assets or Borrower in its capacity as debtor or debtor-in-possession under the United States Bankruptcy Code). 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 cured or waived in accordance with the terms of the Loan Agreement. Any accounting term used herein unless otherwise defined in the Loan Agreement shall have the meanings customarily given to such term in accordance with GAAP. 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 a Guarantor to payment of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a secondary obligation incurred or to be incurred, or (d) arising out of the use of a credit or charge card or information contained on or for use with the card.

1.2 "Blocked Accounts" shall mean blocked accounts or lockboxes and related blocked accounts.

1.3 "Deposit Account Control Agreement" shall mean an agreement in writing, in form and substance satisfactory to Secured Party, by and among Secured Party, a Guarantor with a deposit account at any bank and the bank at which such deposit account is at any time maintained which provides that such bank will comply with instructions originated by Secured Party directing disposition of the funds in the deposit account without further consent by such Guarantor and such other terms and conditions as Secured Party may reasonably require, including as to any such agreement with respect to any Blocked Account, providing that all items received or deposited in the Blocked Accounts are the property of Secured Party, that the 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 bank will wire, or

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otherwise transfer, in immediately available funds, on a daily basis to a payment account specified therein all funds received or deposited into the Blocked Accounts.

1.4 "Equipment" shall mean all of a Guarantor's now owned and hereafter acquired equipment, wherever located, including machinery, data processing and computer equipment and computer hardware and software (whether owned or licensed, and including embedded software), 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.

1.5 "Event of Default" shall have the meaning set forth in Section 7.1 hereof.

1.6 "Information Certificate" shall mean, collectively, (a) the Information Certificate delivered pursuant to the Parent Revolving Loan Agreement containing material information with respect to Delta, its business and assets provided by or on behalf of such Guarantor to Secured Party in connection with the preparation of this Agreement, the Parent Revolving Loan Agreement and the other Financing Agreements (as defined in the Parent Revolving Loan Agreement) and the financing arrangements provided for therein and (b) the Information Certificate delivered pursuant to the Loan Agreement containing material information with respect to SAIM, its business and assets provided by or on behalf of such Guarantor to Secured Party in connection with the preparation of this Agreement, the other Financing Agreements and the financing arrangements provided for therein.

1.7 "Intellectual Property" shall mean a Guarantor'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 (including any goodwill associated with any trademark or the license of any trademark); customer and other lists in whatever form maintained; trade secret rights, copyright rights,

rights in works of authorship, domain names and domain name registrations; and software and contract rights relating to computer software programs, in whatever form created or maintained.

1.8 "Inventory" shall mean all of a Guarantor's now owned and hereafter existing or acquired goods, wherever located, which (a) are leased by such Guarantor as lessor, (b) are held by such Guarantor for sale or lease or to be furnished under a contract of service, (c) are furnished by such Guarantor under a contract of service, or (d) consist of raw materials, work in process, finished goods or materials used or consumed in its business.

1.9 "Obligations" shall mean any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Guarantors to Secured Party, Lenders and/or their respective Affiliates under or arising out of, or in connection with, the Guarantee and the other Financing Agreements and all extensions or renewals thereof, including, without limitation, the Guaranteed Obligations, principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or

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otherwise, whether arising under this Agreement, the Guarantee or the other Financing Agreements, 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 a Guarantor 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 and/or Lenders.

1.10 "Receivables" shall mean all of the following now owned or hereafter arising or acquired property of a Guarantor: (a) all Accounts; (b) all amounts at any time payable to such Guarantor in respect of the sale or other disposition by such Guarantor 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 payment intangibles of such Guarantor, letters of credit, indemnities, guarantees, security or other deposits and proceeds thereof issued payable to such Guarantor or otherwise in favor of or delivered to such Guarantor in connection with any Account; or (e) all other accounts, contract rights, chattel paper, instruments, notes, general intangibles and other forms of obligations owing to such Guarantor, 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 such Guarantor or to or for the benefit of any third person (including loans or advances to any Affiliates or Subsidiaries of such Guarantor) or otherwise associated with any Accounts, Inventory or general intangibles of such Guarantor (including, without limitation, choses in action, causes of action, tax refunds, tax refund claims, any funds which may become payable to such Guarantor in connection with the termination of any Plan or other employee benefit plan and any other amounts payable to such Guarantor 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 lives of employees on which such Guarantor is a beneficiary).

1.11 "Records" shall mean all of a Guarantor'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 such Guarantor with respect to the foregoing maintained with or by any other person).

SECTION 2. GRANT OF SECURITY INTEREST

2.1 To secure payment and performance of all Obligations, each Guarantor hereby grants to Secured Party, for the benefit of Secured Party and Lenders, a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Secured Party, for the benefit of Secured Party and Lenders, as security, all personal property and fixtures and interests in

personal property and fixtures of such Guarantor, whether now owned or hereafter acquired or existing, and wherever located (together with all other collateral

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security for the Obligations at any time granted to or held or acquired by Secured Party or any Lender, collectively, the "Collateral") including:

(a) all Accounts;

(b) all general intangibles, including, without limitation, all Intellectual Property;

(c) all goods, including, without limitation, Inventory and Equipment;

(d) all fixtures;

(e) all chattel paper including, without limitation, all tangible and electronic chattel paper;

(f) all instruments including, without limitation, all promissory notes;

(g) all documents;

(h) all deposit accounts;

(i) all letters of credit, banker's acceptances and similar instruments and including all letter-of-credit rights;

(j) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Receivables and other Collateral, including (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Receivables or other Collateral, including returned, repossessed and reclaimed goods, and (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors;

(k) all (i) investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts) and (ii) monies, credit balances, deposits and other property of such Guarantor now or hereafter held or received by or in transit to Secured Party, any Lender or its Affiliates or at any other depository or other institution from or for the account of such Guarantor, whether for safekeeping, pledge, custody, transmission, collection or otherwise;

(l) all commercial tort claims, including, without limitation, those identified in the Information Certificate;

(m) to the extent not otherwise described above, all Receivables;

(n) all Records; and

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(o) 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 or other involuntary conversion of any kind or nature of any or all of the other Collateral;

provided, however, that the term "Collateral", for purposes of this Agreement and the other Financing Documents, shall not include (a) SAIM's ownership interests in Agencias 7000, S. A. and Soha Textil, S. A. (collectively, the "Costa Rican Interests") for so long as the grant of a security interest therein, or any other pledge or encumbrance thereof would give rise to a right of purchase of the Costa Rican Interests by the other holders of equity interest in Agencias 7000, S. A. and Soha Textil, S. A., as applicable, and such right has not been terminated or waived and (b) thirty-five percent (35%) of the equity interests of a Guarantor in its non-United States Subsidiaries, if any.

Subject to the restrictions on the incurrence of purchase money Indebtedness in Section 9.9(b) of the Loan Agreement and the Parent Revolving Loan Agreement but notwithstanding anything to the contrary contained in clause (c) above, the types or items of Collateral described in such clause shall not include any Equipment purchased with the proceeds of such purchase money Indebtedness which is, or at the time of a Guarantor's acquisition thereof shall be, subject to a purchase money lien or security interest (including capitalized or finance leases) permitted under Section 9.8 of the Loan Agreement and the Parent Revolving Loan Agreement if: (a) the valid grant of a security interest or lien to Secured Party, for itself and the ratable benefit of Lenders, in such item of Equipment is prohibited by the terms of the agreement between such Guarantor and the holder of such purchase money lien or security interest and the consent of such holder to Secured Party's lien has not been or is not waived, or the consent of such holder has not been or is not otherwise obtained, or under applicable law such prohibition cannot be waived and (b) the purchase money lien on such item of Equipment is or shall become and remain valid and perfected.

SECTION 3. PERFECTIOIN OF SECURITY INTERESTS

3.1 Each Guarantor irrevocably and unconditionally authorizes Secured Party (or its agent) to file at any time and from time to time such financing statements with respect to the Collateral naming Secured Party or its designee as the secured party and such Guarantor as debtor, as Secured Party may require, and including any other information with respect to such Guarantor or otherwise required by part 5 of Article 9 of the Uniform Commercial Code of such jurisdiction as Secured Party may determine, together with any amendment and continuations with respect thereto, which authorization shall apply to all financing statements filed on, prior to or after the date hereof. Each Guarantor hereby ratifies and approves all financing statements naming Secured Party or its designee as secured party and such Guarantor as debtor with respect to the Collateral (and any amendments with respect to such financing statements) filed by or on behalf of Secured Party prior to the date hereof and ratifies and confirms the authorization of Secured Party to file such financing statements (and amendments, if any). Each Guarantor hereby authorizes Secured Party to adopt on behalf of such Guarantor any symbol required for authenticating any

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electronic filing. In the event that the description of the collateral in any financing statement naming Secured Party or its designee as the secured party and a Guarantor as debtor includes assets and properties of such Guarantor that do not at any time constitute Collateral, whether hereunder, under any of the other Financing Agreements or otherwise, the filing of such financing statement shall nonetheless be deemed authorized by such Guarantor to the extent of the Collateral included in such description and it shall not render the financing statement ineffective as to any of the Collateral or otherwise affect the financing statement as it applies to any of the Collateral. In no event shall a Guarantor at any time file, or permit or cause to be filed, any correction statement or termination statement with respect to any financing statement (or amendment or continuation with respect thereto) naming Secured Party or its designee as secured party and such Guarantor as debtor.

3.2 No Guarantor has any chattel paper (whether tangible or electronic) or instruments as of the date hereof, except as set forth in the Information Certificate. In the event that a Guarantor shall be entitled to or shall receive any chattel paper or instrument after the date hereof, such Guarantor shall promptly notify Secured Party thereof in writing. Promptly upon the receipt thereof by or on behalf of such Guarantor (including by any agent or representative), such Guarantor shall deliver, or cause to be delivered to Secured Party, all tangible chattel paper and instruments that such Guarantor has or may at any time acquire, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify, in each case except as Secured Party may otherwise agree. At Secured Party's option, such Guarantor shall, or Secured Party may at any time on behalf of such Guarantor, cause the original of any such instrument or chattel paper to be conspicuously marked in a form and manner acceptable to Secured Party with the following legend referring to chattel paper or instruments as applicable: "This [chattel paper][instrument] is subject to the security interest of Congress Financial Corporation (Southern), as Agent and any sale, transfer, assignment or encumbrance of this [chattel paper][instrument] violates the rights of such secured party."

3.3 In the event that a Guarantor shall at any time hold or acquire an interest in any electronic chattel paper or any "transferable record" (as such

term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction), such Guarantor shall promptly notify Secured Party thereof in writing. Promptly upon Secured Party's request, such Guarantor shall take, or cause to be taken, such actions as Secured Party may request to give Secured Party control of such electronic chattel paper under Section 9-105 of the UCC and control of such transferable record under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as in effect in such jurisdiction.

3.4 No Guarantor has any deposit accounts as of the date hereof, except as set forth in the Information Certificate. No Guarantor shall, directly or indirectly, after the date hereof open, establish or maintain any deposit account unless each of the following conditions is satisfied or unless otherwise permitted by (a) with respect to Delta, the Parent Revolving Loan Agreement, and (b) with respect to SAIM, the Loan Agreement: (i) Secured Party shall have received not less than five (5) Business Days prior written notice of the intention of such Guarantor to open or establish such account which notice shall specify in reasonable detail and specificity acceptable to Secured Party the name of the account, the owner of the account, the name and address of the bank at which such account is to be opened or established, the individual at such

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bank with whom such Guarantor is dealing and the purpose of the account; (ii) the bank where such account is opened or maintained shall be reasonably acceptable to Secured Party; and (iii) on or before the opening of such deposit account, such Guarantor shall, as Secured Party may specify, either (A) deliver to Secured Party a Deposit Account Control Agreement with respect to such deposit account duly authorized, executed and delivered by such Guarantor and the bank at which such deposit account is opened and maintained or (B) arrange for Secured Party to become the customer of the bank with respect to the deposit account on terms and conditions acceptable to Secured Party. The terms of this subsection (d) shall not apply to deposit accounts specifically and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Guarantors' salaried employees.

3.5 No Guarantor owns or holds, directly or indirectly, beneficially or as record owner or both, any investment property, as of the date hereof, or has any investment account, securities account, commodity account or other similar account with any bank or other financial institution or other securities intermediary or commodity intermediary as of the date hereof, in each case except as set forth in the Information Certificate.

3.6 In the event that a Guarantor shall be entitled to or shall at any time after the date hereof hold or acquire any certificated securities, such Guarantor shall promptly endorse, assign and deliver the same to Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify. If any securities now or hereafter acquired by a Guarantor are uncertificated and are issued to such Guarantor or its nominee directly by the issuer thereof, such Guarantor shall immediately notify Secured Party thereof and shall as Secured Party may specify, either (A) cause the issuer to agree to comply with instructions from Secured Party as to such securities, without further consent of such Guarantor or such nominee, or (B) arrange for Secured Party to become the registered owner of the securities.

3.7 No Guarantor shall, directly or indirectly, after the date hereof, open, establish or maintain any investment account, securities account, commodity account or any other similar account (other than a deposit account) with any securities intermediary or commodity intermediary unless each of the following conditions is satisfied: (A) Secured Party shall have received not less than five (5) Business Days' prior written notice of the intention of such Guarantor to open or establish such account which notice shall specify in reasonable detail and specificity acceptable to Secured Party the name of the account, the owner of the account, the name and address of the securities intermediary or commodity intermediary at which such account is to be opened or established, the individual at such intermediary with whom such Guarantor is dealing and the purpose of the account; (B) the securities intermediary or commodity intermediary (as the case may be) where such account is opened or maintained shall be acceptable to Secured Party; and (C) on or before the opening of such investment account, securities account or other similar account with a securities intermediary or commodity intermediary, such Guarantor shall, as Secured Party may specify, either (1) execute and deliver, and cause to be

executed and delivered to Secured Party, an Investment Property Control Agreement with respect thereto duly authorized, executed and delivered by such Guarantor and such securities intermediary or commodity intermediary or (2) arrange for Secured Party to become the entitlement holder with respect to such investment property on terms and conditions acceptable to Secured Party.

3.8 No Guarantor is the beneficiary or otherwise entitled to any right to payment under any letter of credit, banker's acceptance or similar instrument as of the date hereof, except as set forth in the Information Certificate. In

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the event that a Guarantor shall be entitled to or shall receive any right to payment under any letter of credit, banker's acceptance or any similar instrument, whether as beneficiary thereof or otherwise after the date hereof, such Guarantor shall promptly notify Secured Party thereof in writing. Such Guarantor shall immediately, as Secured Party may specify, either (i) deliver, or cause to be delivered, to Secured Party, with respect to any such letter of credit, banker's acceptance or similar instrument, the written agreement of the issuer and any other nominated person obligated to make any payment in respect thereof (including any confirming or negotiating bank), in form and substance satisfactory to Secured Party, consenting to the assignment of the proceeds of the letter of credit to Secured Party by such Guarantor and agreeing to make all payments thereon directly to Secured Party or as Secured Party may otherwise direct or (ii) cause Secured Party to become, at such Guarantor's expense, the transferee beneficiary of the letter of credit, banker's acceptance or similar instrument (as the case may be).

3.9 No Guarantor has any commercial tort claims as of the date hereof, except as set forth in the Information Certificate. In the event that a Guarantor shall at any time after the date hereof have any commercial tort claims, such Guarantor shall promptly notify Secured Party thereof in writing, which notice shall (i) set forth in reasonable detail the basis for and nature of such commercial tort claim and (ii) include the express grant by such Guarantor to Secured Party of a security interest in such commercial tort claim (and the proceeds thereof). In the event that such notice does not include such grant of a security interest, the sending thereof by such Guarantor to Secured Party shall be deemed to constitute such grant to Secured Party. Upon the sending of such notice, any commercial tort claim described therein shall constitute part of the Collateral and shall be deemed included therein. Without limiting the authorization of Secured Party provided in Section 3.1 hereof or otherwise arising by the execution by Guarantors of this Agreement or any of the other Financing Agreements, Secured Party is hereby irrevocably authorized from time to time and at any time to file such financing statements naming Secured Party or its designee as secured party and such Guarantor as debtor, or any amendments to any financing statements, covering any such commercial tort claim as Collateral. In addition, such Guarantor shall, promptly upon Secured Party's request, execute and deliver, or cause to be executed and delivered, to Secured Party such other agreements, documents and instruments as Secured Party may require in connection with such commercial tort claim.

3.10 No Guarantor has any goods, documents of title or other Collateral in the custody, control or possession of a third party as of the date hereof, except as set forth in the Information Certificate and except for goods located in the United States in transit to a location of such Guarantor permitted herein in the ordinary course of business of such Guarantor in the possession of the carrier transporting such goods. In the event that any goods, documents of title or other Collateral are at any time after the date hereof in the custody, control or possession of any other person not referred to in the Information Certificate or such carriers, the appropriate Guarantor shall promptly notify Secured Party thereof in writing. Promptly upon Secured Party's request, such Guarantor shall deliver to Secured Party a Collateral Access Agreement duly authorized, executed and delivered by such person and such Guarantor.

3.11 Each Guarantor shall take any other actions reasonably requested by Secured Party from time to time to cause the attachment, perfection and first priority of, and the ability of Secured Party to enforce, the security interest of Secured Party in any and all of the Collateral, including, without limitation, (i) executing, delivering and, where appropriate, filing financing

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statements and amendments relating thereto under the Uniform Commercial Code or other applicable law, to the extent, if any, that such Guarantor's signature thereon is required therefor, (ii) causing Secured Party's name to be noted as

secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of Secured Party to enforce, the security interest of Secured Party in such Collateral, (iii) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of Secured Party to enforce, the security interest of Secured Party in such Collateral, (iv) obtaining the consents and approvals of any Governmental Authority or third party, including, without limitation, any consent of any licensor, lessor or other person obligated on Collateral, and taking all actions required by any earlier versions of the Uniform Commercial Code or by other law, as applicable in any relevant jurisdiction.

SECTION 4. COLLATERAL COVENANTS

4.1 Accounts Covenants.

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

(b) Secured Party may, at any time or times that an Event of Default exists or has occurred and is continuing, enforce Secured Party's rights against any account debtor, secondary obligor or other obligor in respect of any of the Accounts or other Receivables. Without limiting the generality of the foregoing, Secured Party may at such time or times, (i) notify any or all account debtors, secondary obligors and other obligors in respect thereof that the Receivables have been assigned to Secured Party and that Secured Party has a security interest therein and Secured Party may direct any or all accounts debtors, secondary obligors or other obligors to make payment of Receivables directly to Secured Party, (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 Receivables or other obligations included in the Collateral and thereby discharge or release the account debtor or any secondary obligors or other obligors in respect thereof without affecting any of the Obligations, (iii) demand, collect or enforce payment of any Receivables or such other obligations, but without any duty to do so, and Secured Party and Lenders shall not be liable for any 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 Secured Party may deem necessary or desirable for the protection of its interests and the interests of Lenders. At any time that an Event of Default exists or has occurred and is continuing, at Secured Party's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Secured Party and are payable directly and only to Secured Party and Guarantors shall deliver to Secured Party such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Secured Party may require.

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4.2 Inventory Covenants. With respect to the Inventory, each Guarantor:

(a) shall at all times maintain inventory records reasonably satisfactory to Secured Party, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, such Guarantor's cost therefor and daily withdrawals therefrom and additions thereto; (b) shall conduct a physical count of the Inventory at least one (1) time in any twelve (12) month period, but at any time or times as Secured Party may request on or after an Event of Default, and promptly following such physical inventory shall supply Secured Party with a report in the form and with such specificity as may be satisfactory to Secured Party concerning such physical count; (c) shall not remove any Inventory from the locations set forth or permitted herein without the prior written consent of Secured Party, except for sales of Inventory in the ordinary course of such Guarantor'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 such Guarantor which is in transit to the locations set forth in the Information Certificate or permitted herein; (d) upon Secured Party's request, shall, at its expense, no more than two (2) times in any twelve (12) month period, but at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written appraisals as to the Inventory in form, scope and methodology acceptable to Secured Party and by an appraiser acceptable to Secured Party, addressed to Secured Party and Lenders or upon which Secured Party and Lenders are expressly permitted to rely; (e) shall

produce, use, store and maintain the Inventory with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including, but not limited to, the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto); (f) none of the Inventory or other Collateral constitutes farm products or the proceeds thereof; (g) assumes all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory, except for the right of return given to customers of such Guarantor consistent with its current policies as of the date hereof; (h) shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate such Guarantor to repurchase such Inventory; (i) shall keep the Inventory in good and marketable condition; and (j) shall not, without prior written notice to Secured Party, acquire or accept any Inventory on consignment or approval. In addition to, and not in limitation of, anything to the contrary contained herein, Secured Party shall have the right to request the delivery to Secured Party of all documents, invoices and bills of lading relating to any in-transit Inventory. In the event any account debtor returns Inventory when an Event of Default exists or has occurred and is continuing, Guarantors shall, upon Secured Party's request, hold the returned Inventory in trust for Secured Party, segregate all returned Inventory from all of its other property, dispose of the returned Inventory solely according to Secured Party's instructions, and not issue any credits, discounts or allowances with respect thereto without Secured Party's prior written consent.

4.3 Equipment Covenants. With respect to the Equipment: (a) upon Secured Party's request, each Guarantor shall, at its expense, no more than one (1) time in any twelve (12) month period, but at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written appraisals as to the Equipment in form, scope and methodology acceptable to Secured Party and by appraiser acceptable to Secured Party, addressed to Secured Party and upon which Secured Party is expressly permitted to rely; (b) each Guarantor shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear

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excepted); (c) each Guarantor shall use the Equipment 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 each Guarantor's business and not for personal, family, household or farming use; (e) Guarantors 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 such Guarantor or to move Equipment directly from one location set forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of such Guarantor in the ordinary course of business; (f) the Equipment is now and shall remain personal property and Guarantors shall not permit any of the Equipment to be or become a part of or affixed to real property; and (g) each Guarantor assumes all responsibility and liability arising from the use of the Equipment.

4.4 Power of Attorney. Each Guarantor hereby irrevocably designates and appoints Secured Party (and all persons designated by Secured Party) as such Guarantor's true and lawful attorney-in-fact, and authorizes Secured Party, in such Guarantor's or Secured Party's name, to: (a) at any time 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 such Guarantor'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 Secured Party deems advisable, (v) settle, adjust, compromise, extend or renew an Account, (vi) discharge and release any Receivable, (vii) prepare, file and sign such Guarantor's name on any proof of claim in bankruptcy or other similar document against an account debtor or 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 Secured Party, and open and dispose of all mail addressed to such Guarantor and handle and store all mail relating to the Collateral; and (ix) do all acts and things which are necessary, in Secured Party's determination, to fulfill such Guarantor'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 Secured Party or any 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 such Guarantor's name upon any items of payment in respect of Receivables or constituting Collateral or otherwise received by Secured Party and any Lender and deposit the same in Secured Party's account for application to the Obligations, (iv) endorse such Guarantor'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 or foreign export control authorities in such Guarantor's name, Secured Party's name or the name of Secured Party's designee, and to sign and deliver to customs officials powers of attorney in such Guarantor's name for such purpose, and to complete in such

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Guarantor's or Secured Party's name, any order, sale or transaction, obtain the necessary documents in connection therewith and collect the proceeds thereof, and (vi) sign such Guarantor's name on any verification of Receivables and notices thereof to account debtors or any secondary obligors or other obligors in respect thereof. Each Guarantor hereby releases Secured Party and Lenders and their respective 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 Secured Party's or any Lender's own gross negligence or willful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

4.5 Right to Cure. Secured Party may, at its option, (a) upon notice to Guarantors, cure any default by a Guarantor under any material agreement with a third party that affects the Collateral, its value or the ability of Secured Party to collect, sell or otherwise dispose of the Collateral or the rights and remedies of Secured Party therein or the ability of such Guarantor to perform its obligations hereunder or under the other Financing Agreements, (b) pay or bond on appeal any judgment entered against a Guarantor, (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 Secured Party's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Secured Party and Lenders with respect thereto. Secured Party may add any amounts so expended to the Obligations and charge Guarantors' account therefor, such amounts to be repayable by Guarantors on demand. Secured Party and Lenders 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 Guarantors. Any payment made or other action taken by Secured Party or any Lender under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

4.6 Access to Premises. From time to time as requested by Secured Party, at the cost and expense of Guarantors, (a) Secured Party or its designee shall have complete access to all of each Guarantor's premises during normal business hours and after notice to such Guarantor, or at any time and without notice to such Guarantor 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 such Guarantor's books and records, including the Records, and (b) each Guarantor shall promptly furnish to Secured Party such copies of such books and records or extracts therefrom as Secured Party may request, and (c) Secured Party or any Lender or Secured Party's designee may use during normal business hours such of each Guarantor's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Receivables and realization of other Collateral.

SECTION 5. REPRESENTATIONS AND WARRANTIES

Each Guarantor hereby represents and warrants to Secured Party the following (which shall survive the execution and delivery of this Agreement):

5.1 Corporate Existence, Power and Authority; Subsidiaries. Each Guarantor is a corporation or limited liability company duly organized and in good standing under the laws of its state of organization 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 the financial condition, results of operation or businesses of

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Borrower and its Subsidiaries, taken as a whole, or the rights of Secured Party 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 (a) are all within each Guarantor's corporate powers, (b) have been duly authorized, (c) are not in contravention of law or the terms of each Guarantor's certificate of incorporation or organization, by-laws, operating agreement or other organizational documentation, or any indenture, agreement or undertaking to which such Guarantor is a party or by which such Guarantor or its property are bound and (d) will not result in the creation or imposition of, or require or give rise to any obligation to grant, any lien, security interest, charge or other encumbrance upon any property of Guarantors other than the liens and security interest under the Financing Agreements. This Agreement and the other Financing Agreements constitute legal, valid and binding obligations of Guarantors enforceable in accordance with their respective terms. Guarantors do not have any Subsidiaries except as set forth on the Information Certificate.

5.2 Name; State of Organization; Chief Executive Office; Collateral Locations.

(a) The exact legal name of each Guarantor is as set forth on the signature page of this Agreement and in the Information Certificate. No Guarantor has, during the past five years, been known by or used 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.

(b) Each Guarantor is an organization of the type and organized in the jurisdiction set forth in the Information Certificate. The Information Certificate accurately sets forth the organizational identification number of each Guarantor or accurately states that such Guarantor has none and accurately sets forth the federal employer identification number of each Guarantor.

(c) The chief executive office and mailing address of each Guarantor and such Guarantor's Records concerning Accounts are located only at the address identified as such in Schedule 8.2 to the Information Certificate and its only other places of business and the only other locations of Collateral, if any, are the addresses set forth in Schedule 8.2 to the Information Certificate, subject to the right of such Guarantor to establish new locations in accordance with Section 6.2 below. The Information Certificate correctly identifies any of such locations which are not owned by a Guarantor and sets forth the owners and/or operators thereof.

5.3 Priority of Liens; Title to Properties. The security interests and liens granted to Secured Party under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral subject only to the liens permitted under the Loan Agreement or the Parent Revolving Loan Agreement. Each Guarantor has good and valid 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 Secured Party, those granted under the Parent Revolving Loan Agreement or the other Financing Agreements (as defined in the Parent Revolving Loan Agreement) and such others as are specifically permitted under the Parent Revolving Loan Agreement or the Loan Agreement.

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5.4 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 Secured Party and Lenders on the date of each additional loan, advance or letter of credit accommodation under the Loan Agreement and shall be conclusively presumed to have been relied on by Secured Party and Lenders regardless of any investigation made or information possessed by Secured Party and Lenders. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which a Guarantor shall now or hereafter give, or cause to be given, to Secured Party or any Lender.

SECTION 6. AFFIRMATIVE AND NEGATIVE COVENANTS

6.1 Maintenance of Existence.

(a) Each Guarantor 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, trade names, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted.

(b) No Guarantor shall change its name unless each of the following conditions is satisfied: (i) Secured Party shall have received not less than thirty (30) days' prior written notice from such Guarantor of such proposed change in its corporate name, which notice shall accurately set forth the new name; and (ii) Secured Party shall have received a copy of the amendment to the articles or certificate of incorporation or organization of such Guarantor providing for the name change certified by the Secretary of State of the jurisdiction of incorporation or organization of such Guarantor as soon as it is available.

(c) No Guarantor shall change its chief executive office or its mailing address or organizational identification number (or if it does not have one, shall not acquire one) unless Secured Party shall have received not less than thirty (30) days' prior written notice from such Guarantor of such proposed change, which notice shall set forth such information with respect thereto as Secured Party may require and Secured Party shall have received such agreements as Secured Party may require in connection therewith. No Guarantor shall change its type of organization, jurisdiction of organization or other legal structure.

6.2 New Collateral Locations. No Guarantor may open any new location within the continental United States unless such Guarantor (a) gives Secured Party 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 Secured Party such agreements, documents, and instruments as Secured Party may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including, without limitation, Uniform Commercial Code financing statements.

6.3 Costs and Expenses. Each Guarantor shall pay to Secured Party and Lenders 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, Secured Party's rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto,

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including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including, but not limited to: (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 Secured Party's customary charges and fees with respect thereto; (c) costs and expenses of preserving and protecting the Collateral; (d) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Secured Party, 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 Secured Party or any Lender arising out of the transactions contemplated hereby and thereby (including, without limitation, preparations for and consultations concerning any such matters); (e) all out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Secured Party during the course of periodic field examinations of the Collateral and Guarantors' operations, plus a per diem charge at Secured Party's then standard rate for Secured Party's examiners in the field and office (which rate as of the date hereof is \$750 per person per day); and (f) the reasonable fees and disbursements of counsel (including legal assistants) actually incurred to Secured Party in connection with any of the foregoing.

6.4 Further Assurances. At the request of Secured Party at any time and

from time to time, each Guarantor 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.

SECTION 7. EVENTS OF DEFAULT AND REMEDIES

7.1 Events of Default. The occurrence or existence of any Event of Default under the Loan Agreement is referred to herein individually as an "Event of Default", and collectively as "Events of Default".

7.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Secured Party and Lenders 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 any Guarantor 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 Secured Party and Lenders hereunder, under any of the other Financing Agreements, the Uniform Commercial Code or other applicable law, are cumulative, not exclusive and

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enforceable, in Secured Party'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 a Guarantor of this Agreement or any of the other Financing Agreements. Secured Party may, at any time or times, proceed directly against any Guarantor or any Obligor to collect the Obligations 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, Secured Party may, in its discretion and upon the direction of Required Lenders, (i) 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, (ii) require Guarantors, at Guarantors' expense, to assemble and make available to Secured Party any part or all of the Collateral at any place and time designated by Secured Party, (iii) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (iv) 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, and (v) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Secured Party or elsewhere) at such prices or terms as Secured Party may deem reasonable, for cash, upon credit or for future delivery, with the Secured Party 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 Guarantors, which right or equity of redemption is hereby expressly waived and released by Guarantors. If any of the Collateral is sold or leased by Secured Party upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Secured Party. If notice of disposition of Collateral is required by law, ten (10) days' prior notice by Secured Party to Guarantors 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 Guarantors waive any other notice. In the event Secured Party institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Guarantors waive the posting of any bond which might otherwise be required.

(c) Secured Party may apply the cash proceeds of Collateral actually received by Secured Party 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 Secured Party may elect, whether or not then due. Guarantors shall remain liable to Secured Party and Lenders for the payment of any deficiency with interest at the highest rate provided for in the Loan Agreement and all costs and expenses of collection or enforcement, including reasonably attorneys'

fees actually incurred and legal expenses.

(d) To the extent that applicable law imposes duties on Secured Party or any Lender to exercise remedies in a commercially reasonable manner (which duties cannot be waived under such law), each Guarantor acknowledges and agrees that it is not commercially unreasonable for Secured Party or any Lender (i) to fail to incur expenses reasonably deemed significant by Secured Party or any Lender to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to

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Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain consents of any Governmental Authority or other third party for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors, secondary obligors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other persons, whether or not in the same business as such Guarantor, for expressions of interest in acquiring all or any portion of the Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, (xi) to purchase insurance or credit enhancements to insure Secured Party or Lenders against risks of loss, collection or disposition of Collateral or to provide to Secured Party or Lenders a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by Secured Party, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Secured Party in the collection or disposition of any of the Collateral. Each Guarantor acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by Secured Party or any Lender would not be commercially unreasonable in the exercise by Secured Party of remedies against the Collateral and that other actions or omissions by Secured Party or any Lender shall not be deemed commercially unreasonable solely on account of not being indicated in this Section. Without limitation of the foregoing, nothing contained in this Section shall be construed to grant any rights to Guarantors or to impose any duties on Secured Party or Lenders that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

(e) For the purpose of enabling Secured Party to exercise the rights and remedies hereunder, each Guarantor hereby grants to Secured Party, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Guarantor), 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 such Guarantor, 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.

SECTION 8. GOVERNING LAW; WAIVERS AND CONSENTS; INDEMNIFICATION

8.1 Governing Law; No Liability.

(a) The validity, interpretation and enforcement of this Agreement and any dispute arising out of the relationship between any Guarantor and Secured Party, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Georgia but excluding any principles of conflicts

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of law or other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of Georgia.

(b) Secured Party and Lenders shall not have any liability to any Guarantor (whether in tort, contract, equity or otherwise) for losses suffered by such Guarantor 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 Secured Party and such Lender that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Secured Party and each 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 and the other Financing Agreements.

8.2 Waiver of Notices. Each Guarantor 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 a Guarantor which Secured Party or any Lender may elect to give shall entitle such Guarantor to any other or further notice or demand in the same, similar or other circumstances.

8.3 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 each Guarantor and Secured Party. Secured Party and Lenders 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 or any 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 Secured Party or any Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

8.4 Waiver of Counterclaims. Each Guarantor 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.

8.5 Indemnification. Each Guarantor shall indemnify and hold Secured Party and each Lender, and their respective directors, agents, employees, advisors and counsel and their respective Affiliates (each such person being an "Indemnitee"), harmless from and against any and all losses, claims, damages, liabilities, costs or expenses (including reasonable attorneys' fees actually incurred and 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

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transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement, court costs, and the reasonable fees of counsel actually incurred and expenses of counsel, except, as to any Indemnitee, for such losses, claims, damages, liabilities, costs or expenses resulting from gross negligence or willful misconduct of such Indemnitee 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, each Guarantor shall pay the maximum portion which it is permitted to pay under applicable law to Secured Party and Lenders in satisfaction of indemnified matters under this Section. All amounts due under this Section shall be payable upon demand. 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. All of the foregoing costs and expenses shall be part of the Obligations and secured by the Collateral.

SECTION 9. MISCELLANEOUS

9.1 Notices. All notices, requests and demands hereunder shall be given in the form and manner and to the addresses set forth in the Guarantee.

9.2 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.

9.3 Entire Agreement. This Agreement and any instruments or documents delivered or to be delivered in connection herewith represent the entire agreement and understanding of this parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

9.4 Successors and Assigns. This Agreement shall be binding upon Guarantors and their respective successors and assigns and shall inure to the benefit of Secured Party, Lenders and their respective successors, endorsees, transferees and assigns. The liquidation, dissolution or termination of any Guarantor shall not terminate this Agreement as to such entity or as to any of the other Guarantors.

9.5 Counterparts, Etc. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of any such agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, each of Guarantors has caused these presents to be duly executed as of the day and year first above written.

DELTA APPAREL, INC.,
a Georgia corporation

/s/ Herbert M. Mueller

By: Herbert M. Mueller

Title: Vice President and CFO

[CORPORATE SEAL]

SAIM, LLC, a North Carolina limited
liability company

By: MJS Acquisition Company, its sole member

/s/ Herbert M. Mueller
Title: Vice President

[COMPANY SEAL]

TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT (this "Agreement"), dated October 3, 2003, is by and among MJS ACQUISITION COMPANY, a North Carolina corporation ("MJS"), with its chief executive office at One Soffe Drive, Fayetteville, North Carolina 28302, DELTA APPAREL, INC., a Georgia corporation ("Delta"; together with MJS, each a "Debtor" and collectively, the "Debtors"), with its chief executive office at 2750 Premiere Parkway, Suite 100, Duluth, Georgia 30097, and CONGRESS FINANCIAL CORPORATION (SOUTHERN), a Georgia corporation, as agent for Delta Lenders (as defined below) and as agent for Soffe Lenders (as defined below) (in either or both capacities, "Secured Party"), having an office at 200 Galleria Parkway, Suite 1500, Atlanta, Georgia 30339.

W I T N E S S E T H :

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WHEREAS, each 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 set forth opposite the name of such Debtor;

WHEREAS, Secured Party, the financial institutions party thereto as lenders (collectively, "Soffe Lenders") and MJS are parties to that certain Loan and Security Agreement, dated the date hereof (as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Soffe 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, the Financing Agreements (as defined in the Soffe Loan Agreement) and this Agreement (all of the foregoing, together with the Soffe Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, being collectively referred to herein as the "Soffe Financing Agreements") pursuant to which Soffe Lenders may make loans and advances and provide other financial accommodations to MJS as set forth therein; and

WHEREAS, as an inducement to Secured Party and Soffe Lenders to enter into the Soffe Loan Agreement and to make the loans thereunder, Delta has agreed to guarantee the obligations of MJS to Secured Party and Soffe Lenders pursuant to that certain Guarantee dated the date hereof (as amended, modified, supplemented, extended or restated from time to time, the "Soffe Loan Agreement Guarantee"), by Delta and SAIM, LLC in favor of Secured Party, on behalf of Secured Party and Soffe Lenders, and has agreed to secure its obligations under the Soffe Loan Agreement Guarantee as provided herein; and

WHEREAS, Secured Party, the financial institutions party thereto as lenders (collectively, "Delta Lenders"; together with Soffe Lenders, collectively, "Lenders") and Delta are parties to that certain Amended and Restated Loan and Security Agreement, dated the date hereof (as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Delta Loan Agreement"; together with the Soffe Loan Agreement, each a "Loan Agreement" and collectively, the "Loan Agreements"), 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, the Financing Agreements (as defined in the Delta Loan Agreement) and this Agreement (all of the foregoing, together with the Delta Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, being collectively referred to herein as the "Delta Financing Agreements"; together with the Soffe Financing Agreements, each a "Financing Agreement" and collectively, the "Financing Agreements") pursuant to which Delta Lenders may make loans and advances and provide other financial accommodations to Delta as set forth therein; and

WHEREAS, as an inducement to Secured Party and Delta Lenders to enter into the Delta Loan Agreement and to make the loans thereunder, MJS has agreed to guarantee the obligations of Delta to Secured Party and Delta Lenders pursuant to that certain Guarantee dated the date hereof (as amended, modified, supplemented, extended or restated from time to time, the "Delta Loan Agreement Guarantee"; together with the Soffe Loan Agreement Guarantee, each a "Guarantee" and collectively, the "Guarantees"), by MJS and SAIM, LLC in favor of Secured Party, on behalf of Secured Party and Delta Lenders, and has agreed to secure its obligations under the Delta Loan Agreement Guarantee as provided herein; and

WHEREAS, MJS is a Subsidiary of Delta, and each Debtor has determined that it will realize substantial direct and indirect benefits as a result of the loans and other financial accommodations extended to the other Debtor pursuant to the Loan Agreements, and such Debtor's execution, delivery and performance of this Agreement are within such Debtor's corporate or other purposes and are in the best interests of such Debtor; and

WHEREAS, it is a condition precedent to the execution and delivery of the Soffe Loan Agreement by Secured Party and Soffe Lenders and the execution and delivery of the Delta Loan Agreement by Secured Party and Delta Lenders and the extension of the loans and other financial accommodations to the Debtors under the Loan Agreements that each Debtor agree to pledge to Secured Party, for the benefit of Secured Party and Lenders, 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, the parties hereto 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 Secured Obligations (as hereinafter defined), each Debtor hereby grants to Secured Party, for the benefit of Secured Party and Lenders, a continuing security interest in and a general lien upon the following (being collectively referred to herein as the "Collateral"): (a) all of such Debtor's now existing or hereafter acquired right, title, and interest in and to: (i) all of such Debtor's trademarks, tradenames, trade styles, service marks and domain names 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

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applications described in Exhibit A hereto, together with all rights and privileges arising under applicable law with respect to such 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 such 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 full and prompt payment and performance of the Obligations (as defined in the Loan Agreements), the Guaranteed Obligations (as defined in the Guarantees) and the other covenants, agreements and liabilities of the Debtors under the Loan Agreements and all of the obligations of each Debtor and the Obligor to Secured Party under (i) this Agreement, (ii) the Delta Loan Agreement Guarantee, (iii) the Soffe Loan Agreement Guarantee, and (iv) other Financing Agreements and any extensions, renewals or amendments to any of the foregoing, however created, acquired, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, whether arising before, during or after the initial or any renewal term of the Soffe Loan Agreement or the Delta Loan Agreement or after the commencement of any case with respect to any 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 or Lenders (all of the foregoing now existing or hereafter arising obligations being referred to, collectively, as the "Secured Obligations").

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Debtor hereby represents, warrants and covenants with and to Secured Party and Lenders the following (all of such representations, warranties and covenants being continuing so long as any of the Secured Obligations are outstanding and the Financing Agreements and the Guarantees have not been terminated in writing):

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

(b) All of the existing Collateral is valid and subsisting in full force and effect, and such Debtor has the right and power to grant the security interest granted hereunder. Such Debtor shall, at such Debtor's expense, perform

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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 Agreements, (ii) (A) with respect to MJS, the security interests permitted under the Soffe Loan Agreement, and (B) with respect to Delta, the security interests permitted under the Delta Loan Agreement, and (iii) the licenses permitted under Section 3(e) below.

(c) Such 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 (i) with respect to Soffe, in the Soffe Loan Agreement, and (ii) with respect to Delta, in the Delta 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) Such Debtor shall, at such Debtor's expense, promptly perform all acts and execute all documents reasonably 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. Such 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. Such 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, such 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) Such 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 hereto for the implementation, following the occurrence of an Event of Default, of the assignment, sale or other disposition of the Collateral and the taking of any other action Secured Party, in its discretion, deems necessary or advisable 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 such Debtor fails to pay or do as required hereunder or as requested by Secured Party to preserve, defend, protect, maintain, record or enforce the Secured Obligations, the Collateral, or the security interest granted hereunder, including, without limitation, all filing or recording fees, court costs,

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

(h) Such 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 such Debtor has given Secured Party thirty (30) days' prior written notice of such action. If, after the date hereof, such Debtor shall (i) obtain any registered trademark, tradename, trade style, service mark and domain name, 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, tradename, trade style, service mark or domain name registrations or applications for trademark, tradename, trade style, service mark or domain name 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, such 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) Such Debtor has not abandoned any of the Trademarks and such Debtor will not do any act, nor omit to do any act, whereby the Trademarks may become abandoned, invalidated, unenforceable, avoided, or avoidable. Such 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) Such 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 such 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 such 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. Such Debtor shall promptly notify Secured Party if such 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, such Debtor, at such 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) Such Debtor assumes all responsibility and liability arising from the use of the Trademarks and such Debtor hereby indemnifies and holds Secured Party harmless from and against any claim, suit, loss, damage, or expense (including reasonable attorneys' fees actually incurred and legal expenses) arising out of any alleged defect in any product manufactured, promoted, or sold by such 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 such Debtor (or any affiliate or subsidiary thereof), except for losses, claims, damages, liabilities, costs or expenses resulting from the gross negligence or willful misconduct of Secured Party as determined pursuant to a final non-appealable order of a court of competent jurisdiction. The foregoing indemnity shall survive the payment of the Secured Obligations, the termination of this Agreement and the termination or non-renewal of the Loan Agreements.

(m) Such 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 Secured Obligations, the Collateral, or the security interests granted hereunder, including, without limitation, all filing or recording fees, court costs, collection charges, travel expenses, and reasonable attorneys' fees actually incurred and legal expenses. Such expenditures shall be payable on demand, together with interest at the rate then the Obligations set forth in the Delta Loan Agreement and shall be part of the Secured Obligations secured hereby.

4. EVENTS OF DEFAULT

All Secured 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 Agreements (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 Softe Loan Agreement, the Delta 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, any Debtor except as such notice or consent is expressly provided for hereunder:

(a) Secured Party may require that Debtors and their respective Affiliates or Subsidiaries not 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 any Debtor or any Subsidiary or Affiliate of any 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

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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 Debtors of intended disposition of Collateral is required by law, the giving of five (5) days' prior written notice to Debtors of any proposed disposition shall be deemed reasonable notice thereof and Debtors 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, Debtors 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 any Debtor, pursuant to the authority granted in the Special Power 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. Each 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 reasonable attorneys' fees actually incurred and legal expenses. Each 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, other disposition or handling of any of the Collateral to the costs and expenses of Secured Party relating to such license, assignment, sale, other disposition or handling, including, without limitation,

reasonable attorneys' fees actually incurred and all legal, travel and other expenses which may be incurred by Secured Party. Thereafter, Secured Party shall apply any remaining proceeds to such of the Secured Obligations in the order of application set forth in the Loan Agreements, subject to the provisions of the Intercreditor Agreement. Debtors shall remain liable to Secured Party for any of the Secured Obligations remaining unpaid after the application of such proceeds, and Debtors shall pay Secured Party on demand any such unpaid amount, together with interest at the rate then the Obligations set forth in the Delta Loan Agreement and shall be part of the Secured Obligations secured hereby.

(f) Each Debtor shall use commercially reasonable efforts to supply to Secured Party or to Secured Party's designee such Debtor's knowledge and expertise relating to the manufacture and sale of the products and services bearing the Trademarks and such 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.

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

(a) The validity, interpretation and enforcement of this Agreement 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 or other rule of law that would result in the application of the law of any jurisdiction other than the State of Georgia.

(b) Each Debtor and Secured Party irrevocably consent and submit to the non-exclusive jurisdiction of a Georgia State court or Superior court located in 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 in any way connected or related or incidental to the dealings of Debtors and Secured Party in respect of this Agreement or the transactions related hereto, 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 such 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 such Debtor or its property).

(c) Each 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 (i) with respect to Soffe, its address set forth in the Soffe Loan Agreement, and (ii) with respect to Delta, its address set forth in the Delta Loan Agreement, 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 any Debtor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, any Debtor so served shall appear in answer to such process, failing which such Debtor shall be deemed in default and judgment may be entered by Secured Party against such Debtor for the amount of the claim and other relief requested.

(d) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH 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 (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF SUCH DEBTOR AND SECURED PARTY IN RESPECT OF THIS AGREEMENT OR THE TRANSACTIONS RELATED HERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. EACH 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 SUCH 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 SUCH DEBTOR AND SECURED PARTY TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Secured Party shall not have any liability to Debtors (whether in tort, contract, equity or otherwise) for losses suffered by Debtors 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 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. Except as prohibited by law, each Debtor waives any right which it may have to claim or recover in any litigation with Secured Party or any Lender any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. Each Debtor: (i) certifies that neither Secured Party, any Lender nor any representative, agent or attorney acting for or on behalf of Secured Party or any Lender has represented, expressly or otherwise, that Secured Party and Lenders would not, in the event of litigation, seek to enforce any of the waivers provided for in this Agreement and (ii) acknowledges that in entering into this Agreement, Secured Party and Lenders are relying upon, among other things, the waivers and certifications set forth in this Section 6(e) and elsewhere herein and therein.

7. MISCELLANEOUS

(a) All notices, requests and demands hereunder shall be given in the form and manner and to the addresses set forth (i) with respect to Delta and Secured Party, in the Delta Loan Agreement and (ii) with respect to MJS, in the Delta Loan Agreement Guarantee; provided, however, that upon termination of the Delta Loan Agreement, all notices, requests and demands hereunder shall be given in the form and manner and to the addresses set forth set forth (i) with respect to MJS and Secured Party, in the Soffe Loan Agreement and (ii) with respect to Delta, in the Soffe Loan Agreement Guarantee.

(b) Upon the termination of the Delta Loan Agreement, all references herein to the Delta Loan Agreement shall mean and be a reference to the Soffe Loan Agreement.

(c) 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. All references to Debtors 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(f) hereof.

(d) This Agreement and any other document referred to herein shall be binding upon Debtors and their respective successors and assigns and inure to the benefit of and be enforceable by Secured Party, Lenders and their successors and assigns, except that no Debtor may assign its rights under this Agreement and any other Financing Agreement without the prior written consent of Secured Party.

(e) 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.

(f) 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 each Debtor and 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.

(g) This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of any such agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

(h) Capitalized terms used herein shall have the meanings ascribed to such terms in the Delta Loan Agreement to the extent not otherwise defined or limited herein.

[Remainder of page intentionally left blank.]

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

MJS ACQUISITION COMPANY

By: /s/ Herbert M. Mueller
Title: Vice President

DELTA APPAREL, INC.

By: /s/ Herbert M. Mueller
Title: Vice President and CFO

CONGRESS FINANCIAL CORPORATION
(SOUTHERN), as agent

By: /s/ Susan L. Miller
Title: First Vice President

EXHIBIT A
TO
TRADEMARK SECURITY AGREEMENT
LIST OF TRADEMARKS AND TRADEMARK APPLICATIONS

EXHIBIT B
TO
TRADEMARK SECURITY AGREEMENT
LIST OF LICENSES

EXHIBIT C
TO
TRADEMARK SECURITY AGREEMENT
SPECIAL POWER OF ATTORNEY

STATE OF GEORGIA)
COUNTY OF FULTON)

ss.:

KNOW ALL MEN BY THESE PRESENTS, that [NAME OF DEBTOR] ("Debtor"), having an office at [ADDRESS OF DEBTOR] hereby appoints and constitutes, severally, CONGRESS FINANCIAL CORPORATION (SOUTHERN), as agent for the Delta Lenders (as defined in the hereinafter defined Trademark Security Agreement) and as agent for the Soffe Lenders (as defined in the hereinafter defined Trademark Security Agreement) ("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, instruments of assignment or other papers and the taking of any and all other action which Secured Party, in its discretion, deems necessary or advisable for the purpose of (a) assigning, selling, or otherwise disposing or handling of all right, title, and interest of Debtor in and to any Collateral (as defined in the Trademark Security Agreement) following the occurrence of an Event of Default under the Trademark Security Agreement, (b) recording, registering and filing of, or accomplishing any other formality with respect to the foregoing or (c) exercising the rights and remedies granted to Secured Party under the Trademark Security Agreement.

2. Execution and delivery of any and all documents, statements, certificates or other papers and the taking of any and all other action 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, among Debtor, [NAME OF OTHER DEBTOR] and Secured Party (the "Trademark Security Agreement") and is subject to the terms and provisions thereof. This Power of Attorney, being coupled with an interest, is irrevocable until all "Secured Obligations", as such term is defined in the Trademark Security Agreement, are paid in full and the Trademark Security Agreement is terminated in writing by Secured Party.

Dated: October ____, 2003

[NAME OF DEBTOR]

By: _____
Title: _____

STATE OF GEORGIA)
COUNTY OF FULTON)

ss.:

On this ____ day of October, 2003, before me personally came, to me known, who being duly sworn, did depose and say, that he is the _____ of [NAME OF DEBTOR], 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.

Notary Public

[THE INDEBTEDNESS EVIDENCED BY THIS AGREEMENT IS SUBORDINATE TO THE PRIOR PAYMENT IN FULL OF THE SENIOR DEBT (AS DEFINED IN THE SUBORDINATION AGREEMENT DEFINED BELOW) PURSUANT TO, AND TO THE EXTENT PROVIDED IN THE SUBORDINATION AGREEMENT (DEFINED BELOW)].

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (the "Agreement") is made, entered into and effective as of the 3rd day of October, 2003, by and between Delta Apparel, Inc., a Georgia corporation ("Pledgor"), in favor of James F. Soffe, a resident of the State of North Carolina, John D. Soffe, a resident of the State of North Carolina, and Anthony M. Cimaglia, a resident of the State of North Carolina (jointly, the "Pledgees").

A. Pledgor owns all of the issued and outstanding capital stock of MJS Acquisition Company, a North Carolina corporation (the "Company").

B. Simultaneously with the execution of this Agreement, Company has acquired all of the issued and outstanding shares of capital stock of M.J. Soffe Co., a North Carolina corporation ("Soffe"), pursuant to the terms of that certain Amended and Restated Stock Purchase Agreement dated as of the date hereof among Pledgor, Pledgees, the Company and Soffe (the "Purchase Agreement"). Capitalized terms used and not otherwise defined herein shall have the meaning assigned thereto in the Purchase Agreement.

C. The Company has paid part of the purchase price under the Purchase Agreement by delivery of a Promissory Note in the original principal amount of Eight Million Dollars and no/100ths (\$8,000,000.00) (the "Note"),

D. Simultaneously with the execution of this Agreement, Pledgor has entered into a Guaranty wherein it has guaranteed, among other things, the payment of the Note by the Company (the "Guaranty Agreement"), and such Guaranty Agreement and Note are to be secured by a second lien in and to all of the capital stock of the Company.

E. The Company has entered into a Loan and Security Agreement, Guarantee and other ancillary documents (the "Senior Debt Documents") with, and in favor of, Congress Financial Corporation (Southern) as Agent and in its individual capacity (the "Senior Lender"), wherein the Senior Lender will be given a first and prior lien in and to all of the capital stock of the Company (the "First Lien").

F. Contemporaneously with the execution and delivery of the Senior Debt Documents, Pledgees have entered into a Subordination Agreement (the "Subordination Agreement," as amended, restated, supplemented or otherwise modified from time to time) with the Senior Lender.

G. Pledgees have required, as a condition to their entering into the Purchase Agreement and accepting the Note and Guaranty Agreement, that Pledgor execute, deliver and perform this Agreement.

AGREEMENTS

NOW, THEREFORE, in order to induce Pledgees to accept the Note and the Guaranty Agreement and enter into the Purchase Agreement, and in consideration of the benefits to accrue to Pledgee by reason thereof, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Certain Definitions. As used herein, the following terms shall have the following meanings, respectively, unless otherwise required by the context:

a. "Code" shall mean the Uniform Commercial Code as in effect on the date of this Agreement, and as the same may be amended from time to time hereafter, in the State of North Carolina.

b. "Collateral" shall mean, collectively, (i) all of the shares of the capital stock of the Company now or at any time or times hereafter owned by Pledgor or its successors or assigns, and the certificates representing the shares of such capital stock, all options and warrants for the purchase of shares of the stock of the Company now or hereafter held in the name of the Pledgor or its successors or assigns (all of said capital stock, options and warrants and all capital stock held in the name of the Pledgor or its

successors or assigns as a result of the exercise of such options or warrants being hereinafter collectively referred to as the "Pledged Shares"), whether or not delivered by Pledgor to Pledgees accompanied by the stock power in the form of Exhibit A attached hereto and made a part hereof (the "Powers") duly executed in blank, and, unless otherwise expressly provided herein, all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, or in exchange for, any or all of the Pledged Shares; (ii) all additional shares of stock of the Company from time to time acquired by Pledgor in any manner, and the certificates representing such additional shares (any such additional shares shall constitute part of the Pledged Shares), and all options, warrants, and, unless otherwise expressly provided herein, dividends, cash, instruments and other rights and options from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares; (iii) the property and interest in property described in Section 3 below; and (iv) all proceeds of the foregoing.

c. "Debt" shall mean all indebtedness, obligations and liabilities of the Company or Pledgor, whether for principal, interest, penalties, fees, expenses, performance or otherwise, now existing or hereafter incurred under or in connection with the Note or the Additional Consideration (as defined in the Purchase Agreement) or under or in connection with Pledgor's obligation under the Guaranty Agreement with respect to the Note and the Additional Consideration, and any and all extensions, renewals, refinancings or refundings thereof in whole or in part.

2. Pledge. As security for the full and timely payment and performance of the Debt in accordance with the terms thereof and of the Note and other agreements now or hereafter evidencing the Debt, together with Pledgor's obligations hereunder and all amounts that may be due and owing hereunder, the Pledgor (a) hereby pledges and hypothecates the Collateral to the Pledgees and (b) agrees that the Pledgees shall have, and hereby grants to and creates in favor of the Pledgees, a second priority security interest under the Code in and to the Collateral. THE SECURITY INTEREST AND PLEDGE TO THE PLEDGEEES HEREUNDER IS SUBORDINATE TO THE LIEN IN FAVOR OF SENIOR LENDER, WHICH SHALL HAVE POSSESSION OF THE COLLATERAL IN ACCORDANCE WITH AND UNDER THE SENIOR DEBT DOCUMENTS UNTIL THE SENIOR DEBT DOCUMENTS HAVE BEEN TERMINATED OR THE COLLATERAL IS OTHERWISE RELEASED FROM THE LIEN OF THE SENIOR LENDER. Upon such termination or release of the Collateral by the Senior Lender, Pledgor authorizes and directs the Senior Lender to deliver possession of the Collateral to Pledgees, together with such other documents as may be necessary to perfect the security interest of Pledgees therein. Pledgor further agrees that Pledgees may file or record, at the cost and expense of Pledgor, this Agreement or other notice in the form of financing statements and such other documents, including extensions and renewals as may be necessary to perfect and continue the perfection of the security interest of Pledgees in and to the Collateral. So long as no Event of Default has occurred

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and is continuing, Pledgees shall hold the Collateral as collateral security hereunder and shall not transfer, assign or otherwise dispose of any interest therein.

3. Collateral Adjustments. If, during the term of this Agreement:

a. any stock dividend, reclassification, readjustment or other change is declared or made in the capital structure of the Company, or any option included within the Collateral is exercised, or both, or

b. any subscription(s), warrant(s) or any other right(s) or option(s) shall be issued by the Company or any other party having authority to do so in connection with the Collateral,

then all new, substituted and additional shares, warrants, rights, options and other securities issued by reason of any of the foregoing shall constitute Collateral and, if appropriate, be immediately delivered to and held by Pledgees under the terms of this Agreement; provided, however, that nothing contained in this Section 3 shall be deemed to permit any stock dividend, issuance of additional stock, warrants, rights or options, reclassification, readjustment or other change in the capital structure of the Company which is not expressly permitted in this Agreement; and further provided that Pledgor's failure to so deliver such property to Pledgees shall in no way affect the security interest granted therein as hereinabove provided.

4. Representations and Warranties. Pledgor represents and warrants as follows:

a. Pledgor is the sole legal and beneficial owner of the Collateral (including, without limitation, all of the Pledged Shares), free and clear of any and all liens, interests, claims or other encumbrances except for the security interest created by this Agreement and the prior lien of the Senior Lender, subject to the terms and conditions set forth in the Subordination Agreement.

b. All of the Pledged Shares have been duly authorized, validly issued and are fully paid and non-assessable.

c. Pledgor has full power and authority to enter into this Agreement and is under no restriction, limitation or incapacity with respect to the execution, delivery and performance of this Agreement, except to the extent provided in the Senior Debt Documents.

d. There are no restrictions upon the voting rights associated with, or upon the transfer of, any of the Collateral except as provided herein or in the Senior Debt Documents.

e. Except as otherwise provided herein, Pledgor has the right to vote, pledge and grant a security interest in or otherwise transfer the Collateral free of any liens, interests, claims or other encumbrances, except as provided herein or in the Senior Debt Documents.

f. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge of the Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement, or (ii) for the exercise by Pledgees of the voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement (other than under applicable securities law).

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g. The pledge of the Collateral pursuant to this Agreement creates a valid and perfected second priority security interest in the Collateral in favor of Pledgees for the benefit of Pledgees securing the payment and performance of the Debt.

h. The Powers are duly executed and give the Pledgees the authority they purport to confer.

The representations and warranties set forth in this Section 4 shall survive the execution and delivery of this Agreement and shall continue until the termination of this Agreement in accordance with Sections 12 and 13 hereof. Notwithstanding anything to the contrary contained herein, Pledgor shall not be deemed to have breached or to be in breach of any of the representations and warranties herein to the extent that such breach results from a breach by any Pledgee of any of the representations, warranties, or covenants in the Purchase Agreement.

5. Voting Rights. Subject to the First Lien and the Subordination Agreement, during the term of this Agreement, and except as provided in the next sentence of this Section 5 and as provided in Section 9 hereof, Pledgor shall have the right to vote the Pledged Shares on all corporate questions in a manner not inconsistent with the terms of this Agreement, the Note, the Purchase Agreement and any other agreement, instrument or document executed pursuant thereto or in connection therewith. Subject to the First Lien and the Subordination Agreement, after the occurrence and during the continuation of an Event of Default (as hereinafter defined), Pledgees may, at their option, exercise all voting powers pertaining to the Collateral, including the right to take shareholder action by written consent, and Pledgor hereby irrevocably constitutes and appoints Pledgees as Pledgor's proxy and attorney-in-fact, with full power of substitution, to do so. This proxy shall be irrevocable and shall continue in full force and effect until the termination of this Agreement in accordance with Sections 12 and 13 hereof.

6. Dividends and Other Distributions.

a. Subject to the First Lien and the Subordination Agreement, so long as no Event of Default shall have occurred or is continuing, and subject to Sections 3 and 9:

i. Pledgor shall be entitled to receive and retain all cash dividends and interest paid in respect of the Collateral; and

ii. Pledgees shall execute and deliver (or cause to be executed and delivered) to Pledgor all such proxies and other instruments as Pledgor may reasonably request for the purpose of enabling Pledgor to receive the cash dividends or interest payments which it is authorized to receive and retain pursuant to clause (i) above.

b. Subject to the First Lien and the Subordination Agreement, after the occurrence and during the continuation of an Event of Default, or if any of the following would result in an Event of Default if paid to Pledgor:

i. All rights of Pledgor to receive dividends and interest payments in respect of the Collateral shall cease, and all such rights shall thereupon become vested in Pledgees, for the benefit of Pledgees, who shall thereupon have the sole right to receive and hold as Collateral such dividends and interest payments; and

ii. All dividends and interest payments which are received by Pledgor contrary to the provisions of clause (i) of this Section 6(b) shall be received in trust for Pledgees, for the benefit of Pledgees, shall be segregated from other funds of Pledgor and shall be paid over

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immediately to Pledgees as Collateral in the same form as so received (with any necessary endorsements).

7. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default":

a. An Event of Default (as defined in the Note) under the Note;

b. The Pledgor breaches or fails in any manner to satisfy or perform any of its obligations or covenants under this Agreement, provided that Pledgees give notice to Pledgor of such breach or failure, identifying such notice as a default notice given pursuant to this Agreement, and such breach or failure remains uncured for 30 days after Pledgor's receipt of such notice (or, in the case of a breach or failure that is not capable of being cured in such 30-day period, for such longer period as may be required for Pledgor to cure such failure acting with due diligence, but in no event exceeding 120 days), and provided further, however, that the foregoing notice and cure periods shall not apply if the breach or failure is a result of an intentional breach by Pledgor;

c. The Pledgor or the Company makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts as they mature;

d. A trustee or receiver of the Pledgor or the Company or of any substantial part of the assets of the Pledgor or the Company is appointed, and the Pledgor or the Company (if appointment is made in a proceeding brought against it) by any action indicates approval of, consent to or acquiescence in such appointment or if any such trustee or receiver is not discharged within a period of sixty (60) days; or

e. Any proceedings are commenced by or against the Pledgor or the Company under any bankruptcy, reorganization, insolvency, readjustment of debt law or statute of the Federal government or any state government, and the Pledgor or the Company by any action indicates approval of, consent to or acquiescence therein or if the same shall remain undismissed for a period of sixty (60) days.

Notwithstanding the foregoing, neither the failure of the Company to make any payment under this Agreement or the Note or with respect to the Additional Consideration nor the failure by Pledgor to make, pursuant to the Guaranty, any such payment that the Company has not made shall constitute an Event of Default to the extent that the Pledgees are prohibited from accepting such payment pursuant to the terms of the Subordination Agreement dated as of the date hereof among the Company, Pledgor, Pledgees, and the Senior Lender.

8. Remedies.

a. Subject to the First Lien and the Subordination Agreement, after the occurrence and during the continuation of an Event of Default, Pledges may at their option, at any time and with or without notice or demand of any kind (except as set forth in the next sentence), exercise any and all rights and remedies granted Pledges under this Agreement, to a secured party under the Code and otherwise at law or in equity, including, without limitation, accelerating the Debt and/or (i) transferring any of the Collateral into its name or that of its nominee(s) or (ii) cause a sale or other transfer of all or substantially all of the Collateral. Upon an election to cause a sale or transfer of the Collateral, Pledges shall have absolute authority to negotiate the terms of such sale, and Pledgor shall cooperate fully in such negotiations and sale. In the event that any such

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sale closes, the proceeds from the sale shall be first paid in satisfaction of the costs and expenses referred to in the next sentence, then to satisfaction of the Debt and, finally, with any remaining amount paid to Pledgor or such other party as may be entitled thereto. Pledgor will pay to Pledges all reasonable expenses (including, without limitation, court costs and reasonable attorneys' and paralegals' fees and expenses) of, or incident to, the enforcement of any of the provisions hereof or the negotiation and closing of any such sale.

b. The Pledgor recognizes that the Pledges may be unable to effect a public sale of all or a portion of the Collateral by reason of certain provisions contained in the Securities Act of 1933, as amended, and applicable state securities laws and, under the circumstances then existing, may reasonably resort to one or more private sales to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such Collateral for their own account for investment and not with a view to the distribution or resale thereof. The Pledgor agrees that private sales so made may be at prices and on other terms less favorable to the seller than if such Collateral were sold at public sale and that the Pledges have no obligation to delay sale of any of the Collateral for the period of time necessary to permit the issuers of such Collateral, even if such issuers would agree, to register or qualify such Collateral for public sale under the Securities Act of 1933, as amended, and applicable state securities laws. The Pledgor agrees that private sales made under the foregoing circumstances shall be deemed to have been made in a commercially reasonable manner hereunder and under the Code.

c. Pledgor agrees that following the occurrence and during the continuation of an Event of Default it will not at any time plead, claim or take the benefit of any appraisal, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Agreement, or the absolute sale of the whole or any part of the Collateral or the possession thereof by any purchaser at any sale hereunder, and Pledgor waives the benefit of all such laws to the extent it lawfully may do so. Pledgor agrees that it will not interfere with any right, power and remedy of Pledges provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by Pledges of any one or more of such rights, powers or remedies. No failure or delay on the part of Pledges to exercise any such right, power or remedy and no notice or demand which may be given to or made upon Pledgor by Pledges with respect to any such remedies shall operate as a waiver thereof, or limit or impair Pledges' right to take any action or to exercise any power or remedy hereunder, without notice or demand, or prejudice their rights as against Pledgor in any respect.

d. Pledgor further agrees that a breach of any of the covenants contained in this Agreement will cause irreparable injury to Pledges, that Pledges may have no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Agreement shall be specifically enforceable against Pledgor, and, to the extent permitted by law, Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that the Debt is not then due and payable in accordance with the agreements and instruments governing and evidencing the Debt.

9. Negative Covenants. Pledgor covenants and agrees that so long as any of the Debt is outstanding (and at all times prior to the termination of this

Agreement), unless Pledgees shall otherwise give Pledgor prior written consent, which consent shall not be unreasonably withheld, and (except for subsection (b) below) unless permitted by the Senior Loan Documents:

a. Pledgor shall not (and shall not permit the Company to) (i) sell, transfer or otherwise dispose of, or grant any option with respect to, any of the Collateral or (ii) create or permit to exist any lien, claim,

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interest or other encumbrance upon or with respect to any of the Collateral.

b. Pledgor shall not permit the Company, directly or indirectly, to declare or pay any dividends on account of any shares of any capital stock of the Company ("Capital Stock") now or hereafter outstanding, or redeem, retire, purchase or otherwise acquire any shares of any class of Capital Stock for any consideration, 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 in the form of shares of Capital Stock consisting of common stock, and Pledgor shall not permit the Company to make any loan to any Affiliate (as defined in the Purchase Agreement) or make any extraordinary payment for any management fee or administrative or overhead charges to or on behalf of an Affiliate, and Pledgor shall not accept any of the foregoing from the Company, except that, notwithstanding the foregoing, the following are permitted:

i. payments for goods in the ordinary course of business;

ii. payments by the Company to any Affiliate for actual and necessary reasonable out-of-pocket legal and accounting, insurance, marketing, payroll, information systems and similar types of services paid for by the Company or any Affiliate on behalf of the Company, in the ordinary course of their respective businesses or as the same may be directly attributable to the Company; provided that such payments are approved by James F. Soffe (or, in the event of his death or incapacity, Anthony M. Cimaglia, or, in the event of the death or incapacity of James F. Soffe and Anthony M. Cimaglia, John D. Soffe), which approval shall not be unreasonably withheld;

iii. dividends or other distributions by the Company to Pledgor with respect to the Capital Stock that in the aggregate after the date of this Agreement do not exceed ten percent (10%) of the Company's cumulative net after tax income from the date of this Agreement to the end of the fiscal month ending on or immediately prior to the applicable dividend or distribution payment date (provided, however, that no such dividend or distribution may be paid if at such time any payment of principal of or interest on the Note or any payment of Additional Consideration has become due and for any reason (including, without limitation, by reason of the Subordination Agreement) such payment has not been made to the Pledgees or the next scheduled payment of principal of or interest on the Note or any payment of Additional Consideration would be prohibited by reason of the Subordination Agreement as a result of the payment of such dividend or distribution); provided, however, that in any event the payment by the Company to Pledgor of the \$370,000 per annum management fee described in the Purchase Agreement is permitted; and

iv. the Company may pay (by dividend or otherwise) to Pledgor the amount of Federal and state taxes that are attributable to the income or assets of Pledgor (after giving effect to any "carry forward losses" or other net losses to which Pledgor may be entitled).

c. Pledgor shall not permit the Company to engage in or enter into any agreement relating to any merger, consolidation, liquidation, winding up, dissolution, restructuring or any other transaction that is not in the ordinary course of the Company's business.

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d. Pledgor shall not permit the Company to issue or sell any capital stock to any person without the prior written consent of Pledgees. The recipients of any such stock shall be required (as a condition to the issuance of such stock) to pledge the shares in accordance with the terms of this Agreement.

e. Pledgor shall not (and shall not permit the Company to) amend, modify or otherwise change any of the terms or provisions in any of the Company's corporate or charter documents in effect on the date hereof.

10. Pledges Appointed Attorney in Fact. Pledgor hereby irrevocably appoints Pledges as Pledgor's attorney-in-fact (coupled with an interest) to (a) prior to or after the occurrence of an Event of Default, execute, deliver and file financing statements covering the Collateral; and (b) upon the occurrence of an Event of Default and during the continuance of such Event of Default, in either or both its own name or as "attorney-in-fact for Pledgor" and without prior notice to and prior demand on Pledgor, perform (but Pledges shall not be obligated to and shall incur no liability to Pledgor and any third party for failure to do so) any act which Pledges is obligated by this Agreement to perform and any other acts which the Pledges deem appropriate to perfect and continue the security interests in the Collateral, unless such action is prohibited by the Subordination Agreement.

11. Waivers. Pledgor waives presentment and demand for payment of any of the Debt, protest and notice of dishonor or Event of Default with respect to any of the Debt and all other notices to which Pledgor might otherwise be entitled, except as otherwise expressly provided herein or in the Note.

12. Term. This Agreement shall remain in full force and effect until the Debt and all other obligations due and owing hereunder have been fully and indefeasibly paid, satisfied and performed and the Note has been canceled pursuant to its terms. Upon the termination of this Agreement as provided above (other than as a result of the sale of the Collateral), Pledges will release the security interest created hereunder and will deliver the Collateral to Pledgor.

13. Reinstatement. This Agreement shall remain in full force and effect and continue to be effective, or be reinstated, as the case may be, if at any time payment and performance of the Debt, or any part thereof, or any other obligation secured hereby, is, pursuant to applicable law, rescinded or reduced in amount, whether as a "voidable preference," "fraudulent conveyance" or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Debt shall be reinstated and deemed reduced only by any amount paid and not so rescinded, reduced, restored or returned.

14. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Pledgor and Pledges and their respective successors and assigns. Pledgor's successors and assigns shall include, without limitation, a receiver, trustee and debtor-in-possession of or for Pledgor. Except to the Senior Lender, neither Pledgor nor any Pledgee may assign this Agreement without the prior written consent of the other parties, which consent shall not be unreasonably withheld.

15. Applicable Law; Severability. This Agreement shall be governed by and construed according to the laws of the State of North Carolina (excluding therefrom any provisions that would result in the application of the laws of another jurisdiction). Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but, if any provision of this Agreement shall be held to be prohibited or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

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16. Further Assurances. Pledgor agrees that it will cooperate with Pledges and will execute and deliver, or cause to be executed and delivered, all such other certificates, stock powers, proxies, instruments and documents, and will take all such other actions, including, without limitation, the execution and filing of financing statements, as Pledges may reasonably request from time to time in order to carry out the provisions and purposes of this Agreement. Pledges also has the right to file financing statements without the signature of Pledgor and to state thereon all information relating to Pledgor as Pledges may reasonably deem necessary or advisable to prepare and file such financing statements.

17. Pledges' Duty of Care. Pledges shall not be liable for any acts, omissions, errors of judgment or mistakes of fact or law with respect to the exercise of their rights or remedies under this Agreement including, without

limitation, acts, omissions, errors or mistakes with respect to the exercise of their rights or remedies under this Agreement with respect to the Collateral, except for those arising out of or in connection with Pledges' negligence or willful misconduct with respect to the custody of the Collateral in Pledges' possession. Without limiting the generality of the foregoing, Pledges shall be under no obligation to take any steps necessary to preserve rights in the Collateral against any other parties but may do so at their option. All reasonable expenses incurred in connection therewith shall be for the sole account of Pledgor, and shall constitute part of the obligations secured hereby.

18. Notices. Any notice, demand or other communication under this Agreement to any party hereto shall be effective if delivered by hand delivery or sent via telecopy, recognized overnight courier service or certified mail, return receipt requested, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by telecopy, (ii) on the next business day if sent by recognized overnight courier service and (iii) on the third business day following the date sent by certified mail, return receipt requested. Each such notice, demand or other communication shall be addressed to such party at the address set forth below (or at such other address as such party shall specify to the other parties hereto in writing):

If to Pledges at: James F. Soffe, as Representative
for the Pledges
1414 Lakeview Drive
Fayetteville, NC 28305

With a copy to: Poyner & Spruill LLP
3600 Glenwood Avenue
Raleigh, NC 27612
Fax: (919) 783-1075
Attn.: James M. O'Brien, III, Esq.

If to Pledgor at: Delta Apparel, Inc.
2750 Premier Parkway
Suite 100
Duluth, GA 30097
Attention: Robert W. Humphreys

With a Copy to: Wyche, Burgess, Freeman & Parham, P.A.
44 East Camperdown Way
Greenville, SC 29601
Attention: Eric B. Amstutz, Esq.

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19. Amendments, Waivers and Consents. No amendment or waiver of any provision of this Agreement nor consent to any departure by Pledgor herefrom shall in any event be effective unless the same shall be in writing and signed by Pledges and Pledgor, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

20. Section Headings. The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

21. Execution in Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one and the same agreement.

22. No Strict Construction; Access to Counsel. This Agreement shall be strictly construed neither against the Pledgor nor Pledges. Each party hereto acknowledges and agrees that it has had access to and consulted with an attorney.

23. Representative. Each Pledgee named herein has designated and appointed James F. Soffe and his successors (the "Representative") as his representative to act in the name of, for and on behalf of each such party with respect to any and all matters relating to this Agreement. Each and every act of Representative shall be in the name of, for and on behalf of such parties and shall bind each of the Pledges. All notices to and consents of the Pledges permitted or required hereunder shall be delivered to or obtained from the Representative and such notices and consents shall be deemed notices to and consents of each of the Pledges.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

PLEDGOR:

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

Its: President and CEO

PLEDGEES:

/s/ James F. Soffe

James F. Soffe

/s/ John D. Soffe

John D. Soffe

/s/ Anthony M. Cimaglia

Anthony M. Cimaglia

ACKNOWLEDGMENT

The undersigned hereby acknowledges receipt of a copy of the foregoing Pledge Agreement executed by Delta Apparel, Inc., James F. Soffe, John D. Soffe and Anthony M. Cimaglia, and dated as of October 3, 2003, agrees to be bound by the terms and provisions of the Pledge Agreement applicable to the undersigned, agrees promptly to note on its books and records the security interests granted under the Pledge Agreement, and waives any rights or requirement at any time hereafter to receive a copy of such Pledge Agreement in connection with the registration of any Collateral in the name of Pledges or their nominee(s) or the exercise of voting rights by Pledges.

MJS Acquisition Company

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: President and CEO

EXHIBIT A

Form of Stock Power

FOR VALUE RECEIVED, the undersigned ("Transferor") does hereby sell, assign and transfer to _____ (the "Transferee") _____ shares of the capital stock of MJS Acquisition Company, a North Carolina corporation (the "Company"), represented by Certificate Nos. _____ (the "Stock") and standing in the name of the Transferor on the books of the Company, and the Transferor does hereby irrevocably constitute and appoint _____ as Transferor's true and lawful attorney, for and in Transferor's name and stead, to sell, assign and transfer all or any of the Stock, and for that purpose to make and execute all necessary acts of assignment and transfer thereof; and to substitute one or more persons with like full power, hereby ratifying and confirming all that said attorney or substitute or substitutes shall lawfully do by virtue hereof.

Dated: _____

TRANSFEROR:

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

 Name: Robert W. Humphreys
 Title: President and Chief Executive Officer

GUARANTEE

THIS GUARANTEE (this "Guarantee"), dated October 3, 2003, is by MJS Acquisition Company, a North Carolina corporation ("MJS"), with its chief executive office at One Soffe Drive, Fayetteville, North Carolina 28302, and SAIM, LLC, a North Carolina corporation ("SAIM", and together with MJS, each individually, a "Guarantor" and collectively, "Guarantors"), with its chief executive office at One Soffe Drive, Fayetteville, North Carolina 28302, in favor of Congress Financial Corporation (Southern), a Georgia corporation, as agent for Lenders (as defined below) ("Agent"), having an office at 200 Galleria Parkway, Suite 1500, Atlanta, Georgia 30339.

W I T N E S S E T H :

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WHEREAS, Agent, the financial institutions party thereto as lenders (collectively, "Lenders") and Delta Apparel, Inc., a Georgia corporation ("Borrower"), are parties to that certain Amended and Restated Loan and Security Agreement, dated the date hereof (as the same now exists and as the same may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and other notes, guarantees, 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 Guarantee (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") pursuant to which Lenders may make loans and advances and provide other financial accommodations to Borrower as set forth therein; and

WHEREAS, due to the close business and financial relationships between Borrower and each Guarantor, in consideration of the benefits which will accrue to each Guarantor and as an inducement for and in consideration of Lenders making loans and advances and providing other financial accommodations to Borrower pursuant to the Loan Agreement and the other Financing Agreements, each Guarantor has agreed to guarantee the Guaranteed Obligations (as hereinafter defined) to the extent and on the terms and conditions set forth in this Guarantee, and such guarantee will be secured by a security interest in and lien upon substantially all of such Guarantor's now owned or hereafter acquired real and personal property pursuant to certain of the Financing Agreements to which such Guarantor is a party;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Guarantor hereby jointly and severally agrees in favor of Agent, for the benefit of Agent and Lenders, as follows:

1. Guarantee.

(a) Each Guarantor absolutely and unconditionally, jointly and severally, guarantees and agrees to be liable for the full and indefeasible payment and performance when due of the following (all of which are collectively referred to herein as the "Guaranteed Obligations"): all obligations, liabilities and indebtedness of any kind, nature and description of Borrower and each other Guarantor to Agent, Lenders and/or their respective Affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under the Loan Agreement or the other Financing Agreements, 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 Borrower and each other Guarantor 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 or not such amounts are allowed or allowable in whole or in part in any such case and including loans, interest, fees, charges and expenses related thereto and all other obligations of Borrower and each other Guarantor or their respective successors to Agent and Lenders arising after 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 and all expenses (including, without limitation, reasonable attorneys' fees actually incurred and legal expenses) incurred by Agent, Lenders, or any of them, in connection with

the preparation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of Borrower's and each other Guarantor's obligations, liabilities and indebtedness under the Loan Agreement or the other Financing Agreements as aforesaid to Agent and Lenders, the rights of Agent, Lenders, or any of them, in any collateral pledged under the Financing Agreements or under this Guarantee and all other Financing Agreements or in any way involving claims by or against Agent, Lenders, or any of them, directly or indirectly arising out of or related to the relationships between Borrower, any Guarantor or any other Obligor (as hereinafter defined) and Agent or such Lender or Lenders under the Loan Agreement or the Financing Agreements, whether such expenses are incurred before, during or after the initial or any renewal term of the Loan Agreement and the other Financing Agreements or after the commencement of any case with respect to Borrower or any Guarantor under the United States Bankruptcy Code or any similar statute.

(b) This Guarantee is a guaranty of payment and not of collection. Each Guarantor agrees that Agent need not attempt to collect any Guaranteed Obligations from Borrower, any one Guarantor or any other Obligor or to realize upon any collateral, but may require any one Guarantor to make immediate payment of all of the Guaranteed Obligations to Agent when due, whether by maturity, acceleration or otherwise, or at any time thereafter. Agent shall apply any amounts received in respect of the Guaranteed Obligations to any of the Guaranteed Obligations, in whole or in part (including reasonable attorneys' fees actually incurred and legal expenses incurred by Agent and Lenders with respect thereto or otherwise chargeable to Borrower or Guarantors) in the order of application set forth in the Loan Agreement.

(c) Payment by Guarantors shall be made to Agent at the office of Agent from time to time on demand as Guaranteed Obligations become due. Guarantors

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shall make all payments to Agent on the Guaranteed 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. One or more successive or concurrent actions may be brought hereon against any Guarantor either in the same action in which Borrower or any other Guarantor or any other Obligor is sued or in separate actions. In the event any claim or action, or action on any judgment, based on this Guarantee is brought against any Guarantor, each Guarantor agrees not to deduct, set-off, or seek any counterclaim for or recoup any amounts which are or may be owed by Agent, Lenders, or any of them, to any Guarantor.

(d) Notwithstanding anything to the contrary contained herein, the amount of the obligations payable by any Guarantor under this Guarantee shall be the aggregate amount of the Guaranteed Obligations unless a court of competent jurisdiction adjudicates Guarantor's obligations to be invalid, avoidable or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers), in which case the amount of the Guaranteed Obligations payable by Guarantor hereunder shall be limited to the maximum amount that could be guaranteed by Guarantor without rendering such Guarantor's Guaranteed Obligations under this Guarantee invalid, avoidable or unenforceable under such applicable law.

2. Waivers and Consents.

(a) Notice of acceptance of this Guarantee, the making of loans and advances and providing other financial accommodations to Borrower and presentment, demand, protest, notice of protest, notice of nonpayment or default and all other notices to which Borrower or any Guarantor are entitled are hereby waived by each Guarantor. Each Guarantor also waives notice of and hereby consents to, (i) any amendment, modification, supplement, extension, renewal, or restatement of the Loan Agreement and any of the other Financing Agreements, including, without limitation, extensions of time of payment of or increase or decrease in the amount of any of the Guaranteed Obligations, the interest rate, fees, other charges, or any collateral, and the guarantee made herein shall apply to the Loan Agreement and the other Financing Agreements and the Guaranteed Obligations as so amended, modified, supplemented, renewed, restated or extended, increased or decreased, (ii) the taking, exchange, surrender and releasing of collateral or guarantees now or at any time held by or available to Agent for the obligations of Borrower or any other party at any time liable on or in respect of the Guaranteed Obligations or who is the owner of any property which is security for the Guaranteed Obligations (individually, an "Obligor" and

collectively, the "Obligors"), including, without limitation, the surrender or release by Agent of any one Guarantor hereunder, (iii) the exercise of, or refraining from the exercise of, any rights against Borrower, any Guarantor or any other Obligor or any collateral, (iv) the settlement, compromise or release of, or the waiver of any default with respect to, any of the Guaranteed Obligations and (v) any financing by Agent, Lenders, or any of them, of Borrower under Section 364 of the United States Bankruptcy Code or consent to the use of cash collateral by Agent, Lenders or any of them, under Section 363 of the United States Bankruptcy Code. Each Guarantor agrees that the amount of the Guaranteed Obligations shall not be diminished and the liability of Guarantors hereunder shall not be otherwise impaired or affected by any of the foregoing.

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(b) No invalidity, irregularity or unenforceability of all or any part of the Guaranteed Obligations shall affect, impair or be a defense to this Guarantee, nor shall any other circumstance which might otherwise constitute a defense available to or legal or equitable discharge of Borrower in respect of any of the Guaranteed Obligations, or any one Guarantor in respect of this Guarantee, affect, impair or be a defense to this Guarantee. Without limitation of the foregoing, the liability of Guarantors hereunder shall not be discharged or impaired in any respect by reason of any failure by Agent to perfect or continue perfection of any lien or security interest in any collateral or any delay by Agent in perfecting any such lien or security interest. As to interest, fees and expenses that constitute Guaranteed Obligations, whether arising before or after the commencement of any case with respect to Borrower or any Guarantor under the United States Bankruptcy Code or any similar statute, Guarantors shall be liable therefor, even if Borrower's or such Guarantor's liability for such amounts does not, or ceases to, exist by operation of law. Each Guarantor acknowledges that none of Agent and Lenders have made any representations to any Guarantor with respect to Borrower, any other Obligor or otherwise in connection with the execution and delivery by Guarantors of this Guarantee and Guarantors are not in any respect relying upon Agent, Lenders, or any of them, or any statements by Lender in connection with this Guarantee.

(c) Unless and until the indefeasible payment and satisfaction in full of all of the Guaranteed Obligations in immediately available funds and the termination of the financing arrangements of Agent and Lenders with Borrower, each Guarantor hereby irrevocably and unconditionally waives and relinquishes (i) all statutory, contractual, common law, equitable and all other claims against Borrower, (ii) any collateral for the Guaranteed Obligations or other assets of Borrower or any other Obligor, (iii) all rights of subrogation, reimbursement, exoneration, contribution, indemnification, setoff or other recourse in respect to sums paid or payable to Agent, Lenders, or any of them, by any Guarantor hereunder and (iv) any and all other benefits which any Guarantor might otherwise directly or indirectly receive or be entitled to receive by reason of any amounts paid by or collected or due from Guarantors, Borrower or any other Obligor upon the Guaranteed Obligations or realized from their property.

3. Subordination. Payment of all amounts now or hereafter owed to any Guarantor by Borrower or any other Obligor is hereby subordinated in right of payment to the indefeasible payment in full to Agent and Lenders of the Guaranteed Obligations and all such amounts and any security and guarantees therefor are hereby assigned to Agent, for the benefit of Agent and Lenders, as security for the Guaranteed Obligations.

4. Acceleration. Notwithstanding anything to the contrary contained herein or any of the terms of any of the other Financing Agreements, the liability of Guarantors for the entire Guaranteed Obligations shall mature and become immediately due and payable, even if the liability of Borrower or any other Obligor therefor does not, upon the occurrence of any act, condition or event which constitutes an Event of Default as such term is defined in the Loan Agreement.

5. Account Stated. The books and records of Agent showing the account between Agent and Lenders and Borrower shall be admissible in evidence in any action or proceeding against or involving Guarantors as prima facie proof of the items therein set forth, and the monthly statements of Agent rendered to Borrower, to the extent to which no written objection is made within thirty (30)

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days from the date of sending thereof to Borrower, shall be deemed conclusively correct and constitute an account stated between Agent and Lenders and Borrower

and be binding on Guarantors.

6. Termination. This Guarantee is continuing, unlimited, absolute and unconditional. All Guaranteed Obligations shall be conclusively presumed to have been created in reliance on this Guarantee. Each Guarantor shall continue to be liable hereunder until one of Agent's officers actually receives a written termination notice from a Guarantor sent to Agent at its address set forth above by certified mail, return receipt requested, and thereafter as set forth below. Such notice received by Agent from any one Guarantor shall not constitute a revocation or termination of this Guarantee as to any other Guarantor. Revocation or termination hereof by any Guarantor shall not affect, in any manner, the rights of Agent or any obligations or duties of any Guarantor (including the Guarantor which may have sent such notice) under this Guarantee with respect to (i) Guaranteed Obligations which have been created, contracted, assumed or incurred prior to the receipt by Agent of such written notice of revocation or termination as provided herein, including, without limitation, (A) all amendments, extensions, renewals and modifications of such Guaranteed Obligations (whether or not evidenced by new or additional agreements, documents or instruments executed on or after such notice of revocation or termination), (B) all interest, fees and similar charges accruing or due on and after revocation or termination, and (C) all attorneys' fees actually incurred and legal expenses, costs and other expenses paid or incurred on or after such notice of revocation or termination in attempting to collect or enforce any of the Guaranteed Obligations against Borrower, Guarantors or any other Obligor (whether or not suit be brought), and (ii) Guaranteed Obligations which have been created, contracted, assumed or incurred after the receipt by Agent of such written notice of revocation or termination as provided herein pursuant to any contract entered into by Agent prior to receipt of such notice. The sole effect of such revocation or termination by any Guarantor shall be to exclude from this Guarantee the liability of such Guarantor for those Guaranteed Obligations arising after the date of receipt by Agent of such written notice which are unrelated to Guaranteed Obligations arising or transactions entered into prior to such date. Without limiting the foregoing, this Guarantee may not otherwise be terminated and shall continue so long as the Loan Agreement shall be in effect (whether during its original term or any renewal, substitution or extension thereof).

7. Reinstatement. If after receipt of any payment of, or proceeds of collateral applied to the payment of, any of the Guaranteed Obligations, Agent, Lenders, or any of them, are required to disgorge or return such payment or proceeds to any Person for any reason, then the Guaranteed Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Guarantee shall continue in full force and effect as if such payment or proceeds had not been received by such person. Each Guarantor shall be liable to pay to Agent, Lenders, or any of them, and does indemnify and hold such persons harmless for, the amount of any payments or proceeds surrendered or returned. This Section 7 shall remain effective notwithstanding any contrary action which may be taken by Agent, Lenders, or any of them, in reliance upon such payment or proceeds. This Section 7 shall survive the termination or revocation of this Guarantee.

8. Amendments and Waivers. Neither this Guarantee nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct,

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but only by a written agreement signed by an authorized officer of each Guarantor and Agent. Agent 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 Agent. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Agent 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 Agent would otherwise have on any future occasion, whether similar in kind or otherwise.

9. Representations and Warranties; Covenants.

(a) Each Guarantor is a corporation or limited liability company duly organized and in good standing under the laws of its state or other jurisdiction of incorporation or organization 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 the financial condition,

results of operation or businesses of Borrower and its Subsidiaries, taken as a whole, or the rights of Agent, Lenders, or any of them, hereunder or under any of the other Financing Agreements. The execution, delivery and performance of this Guarantee are within the corporate or company powers of each Guarantor, have been duly authorized and are not in contravention of law or the terms of the certificates or articles of incorporation or organization, by-laws or operating agreement, or other organizational documentation of any Guarantor, or any indenture, agreement or undertaking to which any Guarantor is a party or by which any Guarantor or its property are bound. This Guarantee constitutes the legal, valid and binding obligation of each Guarantor, enforceable in accordance with its terms. Any one Guarantor signing this Guarantee shall be bound hereby whether or not any other Guarantor or any other person signs this Guarantee at any time.

(b) Upon the termination of the Subsidiary Loan Agreement (as defined in the Loan Agreement), each Guarantor agrees that, for purposes of this Guarantee, (a) all of the representations, warranties and covenants made by Borrower on behalf of or relating to each "Subsidiary" or any "Guarantor" in the Loan Agreement shall be deemed incorporated by reference into and made an express part of this Guarantee, as fully and completely as if set forth expressly herein, and such Guarantor shall comply herewith and be bound thereby and (b) all references to the "Collateral" in such representations, warranties and covenants shall be deemed to include the "Collateral" as defined in that certain Security Agreement dated the date hereof by Guarantors in favor of Agent, for the benefit of Agent and Lenders. Each Guarantor ratifies and affirms each representation and warranty made with respect to it or on its behalf by Borrower in the Loan Agreement.

(c) SAIM agrees that, for purposes of this Guarantee, until the termination of the Subsidiary Loan Agreement, all references to the "Collateral" in the representations, warranties and covenants of the Subsidiary Loan Agreement shall be deemed to include the "Collateral" as defined in that certain Security Agreement dated the date hereof by Guarantors in favor of Agent, for the benefit of Agent and Lenders.

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(d) Notwithstanding any provision of the Loan Agreement or this Guarantee to the contrary, SAIM hereby (i) represents and warrants that it has no assets other than a fifty percent (50%) interest in Agencias 7000, S.A., a Costa Rica corporation, and a fifty percent (50%) interest in Soha Textiles, S.A., a Costa Rica corporation (such interests, collectively, the "Costa Rica Assets"), and (b) covenants that it shall not own or have an interest in any asset other than the Costa Rica Assets.

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

(a) The validity, interpretation and enforcement of this Guarantee and any dispute arising out of the relationship between any Guarantor and Agent, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Georgia but excluding any principles of conflicts of law or other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of Georgia.

(b) Each Guarantor hereby irrevocably consents and submits to the non-exclusive jurisdiction of the State of Georgia and the United States District Court for the Northern District of Georgia, whichever Agent elects and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Guarantee or any of the other Financing Agreements or in any way connected with or related or incidental to the dealings of any Guarantor and Agent, Lenders, or any of them, in respect of this Guarantee 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 any Guarantor or Borrower and Agent, Lenders, or any of them, or the conduct of any such persons in connection with this Guarantee, the other Financing Agreements or otherwise shall be heard only in the courts described above (except that Agent and Lenders shall have the right to bring any action or proceeding against any Guarantor or its property in the courts of any other jurisdiction which Agent deems necessary or appropriate in order to realize on collateral at any time granted by Borrower or any Guarantor to Agent, for the benefit of Agent and Lenders, or to otherwise enforce its rights against any Guarantor or its property).

(c) Each Guarantor 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 Agent's option, by service upon any Guarantor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, any Guarantor so served shall appear in answer to such process, failing which such Guarantor shall be deemed in default and judgment may be entered by Agent against such Guarantor for the amount of the claim and other relief requested.

(d) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH GUARANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS GUARANTEE OR ANY OF THE OTHER FINANCING AGREEMENTS OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF ANY OF GUARANTORS, AGENT AND ANY OF LENDERS IN RESPECT OF THIS GUARANTEE OR ANY OF THE

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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 GUARANTOR 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 ANY OF GUARANTORS, AGENT OR ANY OF LENDERS MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF GUARANTORS, AGENT AND LENDERS TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Neither Agent nor Lenders shall have any liability to Guarantors (whether in tort, contract, equity or otherwise) for losses suffered by Guarantors in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Guarantee, 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 Agent and Lenders that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Agent and Lenders 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 the Loan Agreement and the other Financing Agreements.

11. Notices. All notices, requests and demands hereunder shall be in writing and (a) made to Agent at its address set forth above and to each Guarantor at its chief executive office set forth above, 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 (as defined in the Loan Agreement), one (1) Business Day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

12. Partial Invalidity. If any provision of this Guarantee is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Guarantee as a whole, but this Guarantee 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.

13. Entire Agreement. This Guarantee and any instruments or documents delivered or to be delivered in connection herewith represent the entire agreement and understanding of the parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

14. Successors and Assigns. This Guarantee shall be binding upon Guarantors and their respective successors and assigns and shall inure to the benefit of Agent, Lenders and their respective successors, endorsees, transferees and assigns, except that no Guarantor may assign its rights under this Guaranty and

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any other Financing Agreement without the prior written consent of Secured Party. The liquidation, dissolution or termination of any Guarantor shall not terminate this Guarantee as to such entity or as to any of the other Guarantors.

15. Construction. All references to the term "Guarantors" wherever used herein shall mean each and all of Guarantors and their respective successors and assigns, individually and collectively, jointly and severally (including, without limitation, any receiver, trustee or custodian for any of Guarantors or any of their respective assets or any of Guarantors in their respective capacity as debtor or debtor-in-possession under the United States Bankruptcy Code). All references to the term "Agent" wherever used herein shall mean Agent and its successors and assigns and all references to the term "Lenders" wherever and herein shall mean each and all of Lenders and their respective successors and assigns. All references to the term "Borrower" wherever used herein shall mean Borrower and its successors and assigns (including, without limitation, any receiver, trustee or custodian for Borrower or any of its assets or Borrower in its capacity as debtor or debtor-in-possession under the United States Bankruptcy Code). All references to the term "Person" or "person" wherever used 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 association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality of political subdivision thereof. All references to the plural shall also mean the singular and to the singular shall also mean the plural.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, each Guarantor has executed and delivered this Guarantee as of the day and year first above written.

DELTA APPAREL, INC.

By: /s/ Herbert M. Mueller

Title: Vice President and CFO

SAIM, LLC

By: MJS Acquisition Company, its sole member

/s/ Herbert M. Mueller

Title: Vice President

GUARANTEE

THIS GUARANTEE (this "Guarantee"), dated October 3, 2003, is by Delta Apparel, Inc., a Georgia corporation ("Delta"), with its chief executive office at 2750 Premiere Parkway, Duluth, Georgia 30097, and SAIM, LLC, a North Carolina corporation ("SAIM", and together with Delta, each individually, a "Guarantor" and collectively, "Guarantors"), with its chief executive office at One Soffe Drive, Fayetteville, North Carolina 28302, in favor of Congress Financial Corporation (Southern), a Georgia corporation, as agent for Lenders (as defined below) ("Agent"), having an office at 200 Galleria Parkway, Suite 1500, Atlanta, Georgia 30339.

W I T N E S S E T H :

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WHEREAS, Agent, the financial institutions party thereto as lenders (collectively, "Lenders") and MJS Acquisition Company, a North Carolina corporation ("Borrower"), are parties to that certain Loan and Security Agreement, dated the date hereof (as the same now exists and as the same may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and other notes, guarantees, 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 Guarantee (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") pursuant to which Lenders may make loans and advances and provide other financial accommodations to Borrower as set forth therein; and

WHEREAS, due to the close business and financial relationships between Borrower and each Guarantor, in consideration of the benefits which will accrue to each Guarantor and as an inducement for and in consideration of Lenders making loans and advances and providing other financial accommodations to Borrower pursuant to the Loan Agreement and the other Financing Agreements, each Guarantor has agreed to guarantee the Guaranteed Obligations (as hereinafter defined) to the extent and on the terms and conditions set forth in this Guarantee, and such guarantee will be secured by a security interest in and lien upon substantially all of such Guarantor's now owned or hereafter acquired real and personal property pursuant to certain of the Financing Agreements to which such Guarantor is a party;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Guarantor hereby jointly and severally agrees in favor of Agent, for the benefit of Agent and Lenders, as follows:

1. Guarantee.

(a) Each Guarantor absolutely and unconditionally, jointly and severally, guarantees and agrees to be liable for the full and indefeasible payment and performance when due of the following (all of which are collectively referred to herein as the "Guaranteed Obligations"): all obligations, liabilities and indebtedness of any kind, nature and description of Borrower and each other Guarantor to Agent, Lenders and/or their respective Affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under the Loan Agreement or the other Financing Agreements, 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 Borrower and each other Guarantor 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 or not such amounts are allowed or allowable in whole or in part in any such case and including loans, interest, fees, charges and expenses related thereto and all other obligations of Borrower and each other Guarantor or their respective successors to Agent and Lenders arising after 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 and all expenses (including, without limitation, reasonable attorneys' fees actually incurred and legal expenses) incurred by Agent, Lenders, or any of them, in connection with

the preparation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of Borrower's and each other Guarantor's obligations, liabilities and indebtedness under the Loan Agreement or the other Financing Agreements as aforesaid to Agent and Lenders, the rights of Agent, Lenders, or any of them, in any collateral pledged under the Financing Agreements or under this Guarantee and all other Financing Agreements or in any way involving claims by or against Agent, Lenders, or any of them, directly or indirectly arising out of or related to the relationships between Borrower, any Guarantor or any other Obligor (as hereinafter defined) and Agent or such Lender or Lenders under the Loan Agreement or the Financing Agreements, whether such expenses are incurred before, during or after the initial or any renewal term of the Loan Agreement and the other Financing Agreements or after the commencement of any case with respect to Borrower or any Guarantor under the United States Bankruptcy Code or any similar statute.

(b) This Guarantee is a guaranty of payment and not of collection. Each Guarantor agrees that Agent need not attempt to collect any Guaranteed Obligations from Borrower, any one Guarantor or any other Obligor or to realize upon any collateral, but may require any one Guarantor to make immediate payment of all of the Guaranteed Obligations to Agent when due, whether by maturity, acceleration or otherwise, or at any time thereafter. Agent shall apply any amounts received in respect of the Guaranteed Obligations to any of the Guaranteed Obligations, in whole or in part (including reasonable attorneys' fees actually incurred and legal expenses incurred by Agent and Lenders with respect thereto or otherwise chargeable to Borrower or Guarantors) in the order of application set forth in the Loan Agreement.

(c) Payment by Guarantors shall be made to Agent at the office of Agent from time to time on demand as Guaranteed Obligations become due. Guarantors

shall make all payments to Agent on the Guaranteed 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. One or more successive or concurrent actions may be brought hereon against any Guarantor either in the same action in which Borrower or any other Guarantor or any other Obligor is sued or in separate actions. In the event any claim or action, or action on any judgment, based on this Guarantee is brought against any Guarantor, each Guarantor agrees not to deduct, set-off, or seek any counterclaim for or recoup any amounts which are or may be owed by Agent, Lenders, or any of them, to any Guarantor.

(d) Notwithstanding anything to the contrary contained herein, the amount of the obligations payable by any Guarantor under this Guarantee shall be the aggregate amount of the Guaranteed Obligations unless a court of competent jurisdiction adjudicates Guarantor's obligations to be invalid, avoidable or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers), in which case the amount of the Guaranteed Obligations payable by Guarantor hereunder shall be limited to the maximum amount that could be guaranteed by Guarantor without rendering such Guarantor's Guaranteed Obligations under this Guarantee invalid, avoidable or unenforceable under such applicable law.

2. Waivers and Consents.

(a) Notice of acceptance of this Guarantee, the making of loans and advances and providing other financial accommodations to Borrower and presentment, demand, protest, notice of protest, notice of nonpayment or default and all other notices to which Borrower or any Guarantor are entitled are hereby waived by each Guarantor. Each Guarantor also waives notice of and hereby consents to, (i) any amendment, modification, supplement, extension, renewal, or restatement of the Loan Agreement and any of the other Financing Agreements, including, without limitation, extensions of time of payment of or increase or decrease in the amount of any of the Guaranteed Obligations, the interest rate, fees, other charges, or any collateral, and the guarantee made herein shall apply to the Loan Agreement and the other Financing Agreements and the Guaranteed Obligations as so amended, modified, supplemented, renewed, restated or extended, increased or decreased, (ii) the taking, exchange, surrender and releasing of collateral or guarantees now or at any time held by or available to Agent for the obligations of Borrower or any other party at any time liable on or in respect of the Guaranteed Obligations or who is the owner of any property which is security for the Guaranteed Obligations (individually, an "Obligor" and collectively, the "Obligors"), including, without limitation, the surrender or

release by Agent of any one Guarantor hereunder, (iii) the exercise of, or refraining from the exercise of, any rights against Borrower, any Guarantor or any other Obligor or any collateral, (iv) the settlement, compromise or release of, or the waiver of any default with respect to, any of the Guaranteed Obligations and (v) any financing by Agent, Lenders, or any of them, of Borrower under Section 364 of the United States Bankruptcy Code or consent to the use of cash collateral by Agent, Lenders or any of them, under Section 363 of the United States Bankruptcy Code. Each Guarantor agrees that the amount of the Guaranteed Obligations shall not be diminished and the liability of Guarantors hereunder shall not be otherwise impaired or affected by any of the foregoing.

(b) No invalidity, irregularity or unenforceability of all or any part of the Guaranteed Obligations shall affect, impair or be a defense to this Guarantee, nor shall any other circumstance which might otherwise constitute a defense available to or legal or equitable discharge of Borrower in respect of any of the Guaranteed Obligations, or any one Guarantor in respect of this Guarantee, affect, impair or be a defense to this Guarantee. Without limitation of the foregoing, the liability of Guarantors hereunder shall not be discharged or impaired in any respect by reason of any failure by Agent to perfect or continue perfection of any lien or security interest in any collateral or any delay by Agent in perfecting any such lien or security interest. As to interest, fees and expenses that constitute Guaranteed Obligations, whether arising before or after the commencement of any case with respect to Borrower or any Guarantor under the United States Bankruptcy Code or any similar statute, Guarantors shall be liable therefor, even if Borrower's or such Guarantor's liability for such amounts does not, or ceases to, exist by operation of law. Each Guarantor acknowledges that none of Agent and Lenders have made any representations to any Guarantor with respect to Borrower, any other Obligor or otherwise in connection with the execution and delivery by Guarantors of this Guarantee and Guarantors are not in any respect relying upon Agent, Lenders, or any of them, or any statements by Lender in connection with this Guarantee.

(c) Unless and until the indefeasible payment and satisfaction in full of all of the Guaranteed Obligations in immediately available funds and the termination of the financing arrangements of Agent and Lenders with Borrower, each Guarantor hereby irrevocably and unconditionally waives and relinquishes (i) all statutory, contractual, common law, equitable and all other claims against Borrower, (ii) any collateral for the Guaranteed Obligations or other assets of Borrower or any other Obligor, (iii) all rights of subrogation, reimbursement, exoneration, contribution, indemnification, setoff or other recourse in respect to sums paid or payable to Agent, Lenders, or any of them, by any Guarantor hereunder and (iv) any and all other benefits which any Guarantor might otherwise directly or indirectly receive or be entitled to receive by reason of any amounts paid by or collected or due from Guarantors, Borrower or any other Obligor upon the Guaranteed Obligations or realized from their property.

3. Subordination. Payment of all amounts now or hereafter owed to any Guarantor by Borrower or any other Obligor is hereby subordinated in right of payment to the indefeasible payment in full to Agent and Lenders of the Guaranteed Obligations and all such amounts and any security and guarantees therefor are hereby assigned to Agent, for the benefit of Agent and Lenders, as security for the Guaranteed Obligations.

4. Acceleration. Notwithstanding anything to the contrary contained herein or any of the terms of any of the other Financing Agreements, the liability of Guarantors for the entire Guaranteed Obligations shall mature and become immediately due and payable, even if the liability of Borrower or any other Obligor therefor does not, upon the occurrence of any act, condition or event which constitutes an Event of Default as such term is defined in the Loan Agreement.

5. Account Stated. The books and records of Agent showing the account between Agent and Lenders and Borrower shall be admissible in evidence in any action or proceeding against or involving Guarantors as prima facie proof of the items therein set forth, and the monthly statements of Agent rendered to

Borrower, to the extent to which no written objection is made within thirty (30) days from the date of sending thereof to Borrower, shall be deemed conclusively correct and constitute an account stated between Agent and Lenders and Borrower and be binding on Guarantors.

6. Termination. This Guarantee is continuing, unlimited, absolute and unconditional. All Guaranteed Obligations shall be conclusively presumed to have been created in reliance on this Guarantee. Each Guarantor shall continue to be liable hereunder until one of Agent's officers actually receives a written termination notice from a Guarantor sent to Agent at its address set forth above by certified mail, return receipt requested, and thereafter as set forth below. Such notice received by Agent from any one Guarantor shall not constitute a revocation or termination of this Guarantee as to any other Guarantor. Revocation or termination hereof by any Guarantor shall not affect, in any manner, the rights of Agent or any obligations or duties of any Guarantor (including the Guarantor which may have sent such notice) under this Guarantee with respect to (i) Guaranteed Obligations which have been created, contracted, assumed or incurred prior to the receipt by Agent of such written notice of revocation or termination as provided herein, including, without limitation, (A) all amendments, extensions, renewals and modifications of such Guaranteed Obligations (whether or not evidenced by new or additional agreements, documents or instruments executed on or after such notice of revocation or termination), (B) all interest, fees and similar charges accruing or due on and after revocation or termination, and (C) all attorneys' fees actually incurred and legal expenses, costs and other expenses paid or incurred on or after such notice of revocation or termination in attempting to collect or enforce any of the Guaranteed Obligations against Borrower, Guarantors or any other Obligor (whether or not suit be brought), and (ii) Guaranteed Obligations which have been created, contracted, assumed or incurred after the receipt by Agent of such written notice of revocation or termination as provided herein pursuant to any contract entered into by Agent prior to receipt of such notice. The sole effect of such revocation or termination by any Guarantor shall be to exclude from this Guarantee the liability of such Guarantor for those Guaranteed Obligations arising after the date of receipt by Agent of such written notice which are unrelated to Guaranteed Obligations arising or transactions entered into prior to such date. Without limiting the foregoing, this Guarantee may not otherwise be terminated and shall continue so long as the Loan Agreement shall be in effect (whether during its original term or any renewal, substitution or extension thereof).

7. Reinstatement. If after receipt of any payment of, or proceeds of collateral applied to the payment of, any of the Guaranteed Obligations, Agent, Lenders, or any of them, are required to disgorge or return such payment or proceeds to any Person for any reason, then the Guaranteed Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Guarantee shall continue in full force and effect as if such payment or proceeds had not been received by such person. Each Guarantor shall be liable to pay to Agent, Lenders, or any of them, and does indemnify and hold such persons harmless for, the amount of any payments or proceeds surrendered or returned. This Section 7 shall remain effective notwithstanding any contrary action which may be taken by Agent, Lenders, or any of them, in reliance upon such payment or proceeds. This Section 7 shall survive the termination or revocation of this Guarantee.

8. Amendments and Waivers. Neither this Guarantee 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 each

Guarantor and Agent. Agent 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 Agent. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Agent 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 Agent would otherwise have on any future occasion, whether similar in kind or otherwise.

9. Representations and Warranties; Covenants.

(a) Each Guarantor is a corporation or limited liability company duly organized and in good standing under the laws of its state or other jurisdiction of incorporation or organization 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 the financial condition, results of operation or businesses of Borrower and its Subsidiaries, taken as a whole, or the rights of Agent, Lenders, or any of them, hereunder or under any of the other Financing Agreements. The execution, delivery and performance of

this Guarantee are within the corporate or company powers of each Guarantor, have been duly authorized and are not in contravention of law or the terms of the certificates or articles of incorporation or organization, by-laws or operating agreement, or other organizational documentation of any Guarantor, or any indenture, agreement or undertaking to which any Guarantor is a party or by which any Guarantor or its property are bound. This Guarantee constitutes the legal, valid and binding obligation of each Guarantor, enforceable in accordance with its terms. Any one Guarantor signing this Guarantee shall be bound hereby whether or not any other Guarantor or any other person signs this Guarantee at any time.

(b) Upon the termination of the Parent Revolving Loan Agreement (as defined in the Loan Agreement), Delta agrees that, for purposes of this Guarantee, (a) all of the representations, warranties and covenants made by Borrower on behalf of or relating to each "Subsidiary" (as if Delta was a Subsidiary of Borrower) (other than Section 9.17 of the Loan Agreement) or any "Guarantor" in the Loan Agreement shall be deemed incorporated by reference into and made an express part of this Guarantee, as fully and completely as if set forth expressly herein, and Delta shall comply herewith and be bound thereby and (b) all references to the "Collateral" in such representations, warranties and covenants shall be deemed to include the "Collateral" as defined in that certain Security Agreement dated the date hereof by Guarantors in favor of Agent, for the benefit of Agent and Lenders.

(c) SAIM agrees that, for purposes of this Guarantee, all references to the "Collateral" in the representations, warranties and covenants of the Loan Agreement shall be deemed to include the "Collateral" as defined in that certain Security Agreement dated the date hereof by Guarantors in favor of Agent, for the benefit of Agent and Lenders.

(d) Each Guarantor ratifies and affirms each representation and warranty made with respect to it or on its behalf by Borrower in the Loan Agreement.

(e) Notwithstanding any provision of the Loan Agreement or this Guarantee to the contrary, SAIM hereby (i) represents and warrants that it has no assets other than a fifty percent (50%) interest in Agencias 7000, S.A., a Costa Rica corporation, and a fifty percent (50%) interest in Soha Textiles, S.A., a Costa Rica corporation (such interests, collectively, the "Costa Rica Assets"), and (b) covenants that it shall not own or have an interest in any asset other than the Costa Rica Assets.

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

(a) The validity, interpretation and enforcement of this Guarantee and any dispute arising out of the relationship between any Guarantor and Agent, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Georgia but excluding any principles of conflicts of law or other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of Georgia.

(b) Each Guarantor hereby irrevocably consents and submits to the non-exclusive jurisdiction of the State of Georgia and the United States District Court for the Northern District of Georgia, whichever Agent elects and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Guarantee or any of the other Financing Agreements or in any way connected with or related or incidental to the dealings of any Guarantor and Agent, Lenders, or any of them, in respect of this Guarantee 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 any Guarantor or Borrower and Agent, Lenders, or any of them, or the conduct of any such persons in connection with this Guarantee, the other Financing Agreements or otherwise shall be heard only in the courts described above (except that Agent and Lenders shall have the right to bring any action or proceeding against any Guarantor or its property in the courts of any other jurisdiction which Agent deems necessary or appropriate in order to realize on collateral at any time granted by Borrower or any Guarantor to Agent, for the benefit of Agent and Lenders, or to otherwise enforce its rights against any Guarantor or its property).

(c) Each Guarantor 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 Agent's option, by service upon any Guarantor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, any Guarantor so served shall appear in answer to such process, failing which such Guarantor shall be deemed in default and judgment may be entered by Agent against such Guarantor for the amount of the claim and other relief requested.

(d) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH GUARANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS GUARANTEE OR ANY OF THE OTHER FINANCING AGREEMENTS OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF ANY OF GUARANTORS, AGENT AND ANY OF LENDERS IN RESPECT OF THIS GUARANTEE 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 GUARANTOR 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 ANY OF GUARANTORS, AGENT OR ANY OF LENDERS MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF GUARANTORS, AGENT AND LENDERS TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Neither Agent nor Lenders shall have any liability to Guarantors (whether in tort, contract, equity or otherwise) for losses suffered by Guarantors in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Guarantee, 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 Agent and Lenders that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Agent and Lenders 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 the Loan Agreement and the other Financing Agreements.

11. Notices. All notices, requests and demands hereunder shall be in writing and (a) made to Agent at its address set forth above and to each Guarantor at its chief executive office set forth above, 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 (as defined in the Loan Agreement), one (1) Business Day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

12. Partial Invalidity. If any provision of this Guarantee is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Guarantee as a whole, but this Guarantee 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.

13. Entire Agreement. This Guarantee and any instruments or documents delivered or to be delivered in connection herewith represent the entire agreement and understanding of the parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

14. Successors and Assigns. This Guarantee shall be binding upon Guarantors and their respective successors and assigns and shall inure to the benefit of Agent, Lenders and their respective successors, endorsees, transferees and assigns, except that no Guarantor may assign its rights under this Guaranty and any other Financing Agreement without the prior written consent of Secured

Party. The liquidation, dissolution or termination of any Guarantor shall not terminate this Guarantee as to such entity or as to any of the other Guarantors.

15. Construction. All references to the term "Guarantors" wherever used herein shall mean each and all of Guarantors and their respective successors and assigns, individually and collectively, jointly and severally (including,

without limitation, any receiver, trustee or custodian for any of Guarantors or any of their respective assets or any of Guarantors in their respective capacity as debtor or debtor-in-possession under the United States Bankruptcy Code). All references to the term "Agent" wherever used herein shall mean Agent and its successors and assigns and all references to the term "Lenders" wherever and herein shall mean each and all of Lenders and their respective successors and assigns. All references to the term "Borrower" wherever used herein shall mean Borrower and its successors and assigns (including, without limitation, any receiver, trustee or custodian for Borrower or any of its assets or Borrower in its capacity as debtor or debtor-in-possession under the United States Bankruptcy Code). All references to the term "Person" or "person" wherever used 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 association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality of political subdivision thereof. All references to the plural shall also mean the singular and to the singular shall also mean the plural.

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IN WITNESS WHEREOF, each Guarantor has executed and delivered this Guarantee as of the day and year first above written.

MJS ACQUISITION COMPANY

By: /s/ Herbert M. Mueller

Title: Vice President

SAIM, LLC

By: MJS Acquisition Company, its sole member

/s/ Herbert M. Mueller

Title: Vice President and CFO

COLLATERAL ASSIGNMENT OF PURCHASE AGREEMENTS

This COLLATERAL ASSIGNMENT OF PURCHASE AGREEMENTS (this "Assignment"), dated as of October 3, 2003, is entered into among MJS ACQUISITION COMPANY, a North Carolina corporation ("MJS"), DELTA APPAREL, INC., a Georgia corporation ("Delta"; together with MJS, each, a "Debtor" and collectively, "Debtors"), and CONGRESS FINANCIAL CORPORATION (SOUTHERN), as agent for Delta Lenders (as defined below) and as agent for Soffe Lenders (as defined below) (in either or both capacities, "Secured Party").

W I T N E S S E T H:

WHEREAS, Secured Party, Soffe Lenders and MJS have entered or are about to enter into financing arrangements pursuant to which Soffe Lenders may make loans and advances and provide other financial accommodations to MJS as set forth in the Loan and Security Agreement, dated the date hereof, by and among Secured Party, the financial institutions party thereto as lenders (collectively, "Soffe Lenders") and MJS (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Soffe Loan Agreement"; capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Soffe Loan Agreement) and other notes, guarantees, 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 Soffe 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 "Soffe Financing Agreements"); and

WHEREAS, as an inducement to Secured Party and Soffe Lenders to enter into the Soffe Loan Agreement and to make the loans thereunder, Delta has agreed to guarantee the obligations of MJS to Secured Party and Soffe Lenders pursuant to that certain Guarantee dated the date hereof (as amended, modified, supplemented, extended or restated from time to time, the "Soffe Loan Agreement Guarantee"), by Delta and SAIM, LLC in favor of Secured Party, on behalf of Secured Party and Soffe Lenders, and has agreed to secure its obligations under the Soffe Loan Agreement Guarantee as provided herein; and

WHEREAS, Secured Party, the financial institutions party thereto as lenders (collectively, "Delta Lenders"; together with Soffe Lenders, collectively, "Lenders") and Delta have entered or are about to enter into financing arrangements pursuant to which Delta Lenders may make loans and advances and provide other financial accommodations to Debtor as set forth in the Amended and Restated Loan and Security Agreement, dated the date hereof, by and among Secured Party, Delta Lenders and Delta (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Delta Loan Agreement"; together with the Soffe Loan Agreement, collectively, the "Loan Agreements") and other notes, guarantees, 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 Delta 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 "Delta Financing Agreements" and together with the Soffe Financing Agreements, collectively, the "Financing Agreements"); and

WHEREAS, as an inducement to Secured Party to enter into the Delta Loan Agreement and to make the loans thereunder, MJS has agreed to guarantee the obligations of Delta to Secured Party pursuant to that certain Guarantee, dated as of the date hereof (as amended, modified, supplemented, extended or restated from time to time, the "Delta Loan Agreement Guarantee"; together with the Soffe Loan Agreement Guarantee, each a "Guarantee" and collectively, the "Guarantees"), by MJS and SAIM, LLC in favor of Secured Party, on behalf of Secured Party and Delta Lenders, and has agreed to secure its obligations under the Delta Loan Agreement Guarantee as provided herein; and

WHEREAS, MJS, Delta, M. J. Soffe Co. and James F. Soffe, John D. Soffe and Anthony M. Cimaglia (collectively, "Sellers") have entered into those certain documents set forth on Schedule 1 attached hereto and made a part hereof, along with the Exhibits and Schedules attached thereto (collectively, the "Soffe Stock Purchase Documents"); and

WHEREAS, pursuant to the Soffe Stock Purchase Documents, Sellers have

made certain representations and warranties to, and covenants and indemnities in favor of, Debtors (collectively, the "Seller Commitments"); and

WHEREAS, it is a condition precedent to the execution and delivery of the Soffe Loan Agreement by Secured Party and Soffe Lenders and the execution and delivery of the Delta Loan Agreement by Secured Party and Delta Lenders and the extension of the loans and other financial accommodations to MJS under the Soffe Loan Agreement and to Delta under the Delta Loan Agreement that each Debtor assign to Secured Party, for the benefit of Secured Party and Lenders, as additional security for the repayment of the Obligations (as defined in the Loan Agreements) and the Guaranteed Obligations (as defined in the Guarantees), all of such Debtor's rights and remedies with respect to any and all of the Seller Commitments;

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

1. ASSIGNMENT OF RIGHTS. Subject to the terms of this Assignment, each Debtor hereby collaterally assigns and transfers to Secured Party, for the benefit of Secured Party and Lenders, as additional security for the repayment in full of the Obligations (as defined in the Loan Agreements) and the Guaranteed Obligations (as defined in the Guarantees), all of such Debtor's rights and remedies under or pursuant to the Soffe Stock Purchase Documents. Secured Party shall not, by virtue of this Assignment, obtain rights or remedies against Sellers greater than the rights and remedies each Debtor has against Sellers with respect to such assigned rights and remedies. This Assignment and Secured Party's rights hereunder shall be subject to all of the limitations and defenses available to the Sellers, and all requirements and conditions

applicable to Sellers and Debtors, under the Soffe Stock Purchase Documents, including, without limitation, setoff rights, indemnification baskets and liability limitations, exclusive remedy provisions, notice requirements and duties to mitigate damages.

2. RIGHTS AND POWERS OF SECURED PARTY. Each Debtor hereby irrevocably authorizes and empowers Secured Party or its agents, in its sole discretion, effective as of the occurrence and during the continuance of an Event of Default, (i) to assert, either directly or on behalf of such Debtor, any rights such Debtor may from time to time have against Sellers with respect to any and all of the Seller Commitments or with respect to any and all payments or other obligations due from Sellers to such Debtor under or pursuant to the Soffe Stock Purchase Documents, and (ii) to receive and collect any damages, awards and other monies resulting therefrom and to apply the same on account of the Obligations (as defined in the Loan Agreements) and the Guaranteed Obligations (as defined in the Guarantees); provided, that Secured Party shall give Debtors at least ten (10) days' prior written notice of its intention to assert any claim in connection with the Seller Commitments; and provided, further, that Secured Party shall act in a commercially reasonable manner in asserting any and all rights and claims. Each Debtor hereby irrevocably makes, constitutes and appoints Secured Party (and all officers, employees or agents designated by Secured Party) as such Debtor's true and lawful attorney and agent-in-fact, effective as of the occurrence and during the continuance of an Event of Default, for the purpose of enabling Secured Party or its agents to assert such rights and to apply such monies in the manner set forth hereinabove. Notwithstanding any provision of this Assignment to the contrary, Secured Party agrees that unless an Event of Default shall have occurred and be continuing, each Debtor shall have the right to (i) assert claims against Sellers in connection with the Seller Commitments and the right to collect any damages, awards and other monies resulting therefrom, and (ii) receive, retain and apply all payments and other obligations due from Sellers under the Soffe Stock Purchase Documents in a manner consistent with any applicable provisions of the Loan Agreements; provided, that such Debtor shall give Secured Party notice of its intention to assert any material claim in connection with the Seller Commitments.

3. INFORMATION. Each Debtor shall keep Secured Party informed of all material circumstances relating to the Seller Commitments, and no Debtor shall grant any material consents or waive any of its material rights or remedies under the Soffe Stock Purchase Documents without the prior written consent of Secured Party, which consent shall not be unreasonably withheld.

4. FURTHER DOCUMENTS. At any time or from time to time, upon Secured Party's written request, each Debtor will execute and deliver to Secured Party

such further documents, and do such other acts and things, as Secured Party may reasonably request in order to further effect the purposes of this Assignment, including, without limitation, the filing or recording of this Assignment or any schedule, amendment or supplement hereto, or a financing or continuation statement with respect hereto in accordance with the laws of any applicable jurisdictions. Each Debtor hereby authorizes Secured Party to effect any such filing or recording as aforesaid (including the filing of any such financing statements or amendments thereto without the signature of such Debtor), and Secured Party's costs and expenses with respect thereto shall be payable by Debtors on demand.

5. REPRESENTATIONS AND WARRANTIES. Each Debtor hereby represents and warrants that (a) such Debtor has not assigned or pledged or otherwise encumbered the Soffe Stock Purchase Documents other than as contemplated hereby

or pursuant to the other Financing Agreements, and (b) the execution, delivery and performance of this Assignment and the transactions contemplated hereunder and thereunder (i) are all within such Debtor's corporate powers, (ii) have been duly authorized, (iii) are not in contravention of law or the terms of such Debtor's certificate of incorporation, by-laws, or other organizational documentation, or any indenture, agreement or undertaking to which such Debtor is a party or by which such Debtor or its property are bound and (iv) will not result in the creation or imposition of, or require or give rise to any obligation to grant, any lien, security interest, charge or other encumbrance upon any property of such Debtor other than the liens and security interest under the Financing Agreements. This Assignment constitutes a legal, valid and binding obligation of such Debtor enforceable in accordance with its terms.

6. COVENANTS. Each Debtor hereby covenants and agrees that (a) such Debtor will not assign, pledge or otherwise encumber any of its rights, title or interest under, in or to the Soffe Stock Purchase Documents to anyone other than Secured Party and its successors or assigns, (b) such Debtor will not take or omit to take any action the taking or omission of which might result in a material alteration or material impairment of, such Debtor's rights under, the Soffe Stock Purchase Documents or the Seller Commitments, (c) except as permitted by the Loan Agreements, such Debtor will not, without the written consent of Secured Party, consent or agree to any act or omission to act on the part of any party to the Soffe Stock Purchase Documents which, without such consent or agreement, would constitute a material default thereunder, and (d) such Debtor will deliver to Secured Party a copy of each material demand, notice, communication or document (except those received in the ordinary course of business) delivered to or sent by such Debtor in any way relating to the Soffe Stock Purchase Documents.

7. TERMINATION. This Assignment shall continue in effect until (a) the Obligations (as defined in the Loan Agreements) and the Guaranteed Obligations (as defined in the Guarantees) have been indefeasibly paid in full in cash or otherwise satisfied or collateralized to the satisfaction of Secured Party and Lenders and (b) Secured Party and Lenders shall be under no further obligation to make Loans or issue or cause the issuance of Letter of Credit Accommodations (as defined in the Loan Agreements) under the Loan Agreements, at which time Secured Party shall release to Debtors Secured Party's interests in the Seller Commitments.

8. SEVERABILITY. 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 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.

9. WAIVER OR AMENDMENT. Neither this Assignment 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 each Debtor and 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.

10. NOTICES. All notices, requests and demands hereunder shall be given (a) with respect to MJS and Secured Party, in the form and manner and to the addresses for such Person set forth in the Soffe Loan Agreement and (b) with respect to Delta, in the form and manner and to the address for Delta set forth in the Delta Loan Agreement.

11. SUCCESSORS AND ASSIGNS. This Assignment shall be binding upon Debtors and their respective successors and assigns and inure to the benefit of and be enforceable by Secured Party, Lenders and their respective successors and assigns, except that no Debtor may assign its rights under this Agreement or the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Secured Party. Each reference herein to any right granted to, benefit conferred upon or power exercisable by the "Secured Party" shall be a reference to Secured Party for the benefit of Secured Party and Lenders, and each action taken or right exercised hereunder shall be deemed to have been so taken or exercised by Secured Party for the benefit of Secured Party and Lenders.

12. COUNTERPARTS. This Assignment may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Assignment or any of the other Financing Agreements by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Assignment or any of such other Financing Agreements. Any party delivering an executed counterpart of any such agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement..

13. GOVERNING LAW. The validity, interpretation and enforcement of this Assignment 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 or other rule of law that would result in the application of the law of any jurisdiction other than the State of Georgia.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Assignment as of the date first above written.

DEBTORS: MJS ACQUISITION COMPANY, a North Carolina corporation

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: Vice President

DELTA APPAREL, INC., a Georgia corporation

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: President and CEO

SECURED PARTY: CONGRESS FINANCIAL CORPORATION
(SOUTHERN), AS AGENT

By: /s/ Susan L. Miller

Name: Susan L. Miller
Title: First Vice President

[Signatures continue on following page.]

[Signatures continued from previous page.]

Each of Sellers hereby acknowledges and agrees to the execution and delivery of this Assignment by Debtors and Secured Party; provided, however, that this Assignment and Secured Party's rights hereunder shall be subject to all of the limitations and defenses available to the Sellers, and all requirements and conditions applicable to Sellers and Debtors, under the Soffe Stock Purchase Documents, including, without limitation, setoff rights, indemnification baskets and liability limitations, exclusive remedy provisions, notice requirements and duties to mitigate damages:

JAMES F. SOFFE

/s/ James F. Soffe

JOHN D. SOFFE

/s/ John D. Soffe

ANTHONY M. CIMAGLIA

/s/ Anthony M. Cimaglia

SCHEDULE 1

The Soffe Stock Purchase Documents shall include the following documents, as amended, and all schedules and exhibits thereto:

1. Amended and Restated Stock Purchase Agreement, dated as of October 3, 2003, among Parent, MJS, M. J. Soffe Co. and Sellers. (the "Stock Purchase Agreement");
2. Mutual Release dated October 3, 2003, by James F. Soffe, John D. Soffe and Anthony M. Cimaglia, and M. J. Soffe Co.;
3. Shareholders' Closing Certificate dated October 3, 2003, executed pursuant to the Stock Purchase Agreement;
4. Affidavit for Lost Security and Indemnity Agreement dated September 24, 2003, executed by Anthony M. Cimaglia;
5. Termination Agreement dated October 3, 2003 among Anthony M. Cimaglia, Dorothy Dixon McAllister, and James F. Soffe; and
6. Termination Agreement dated October 3, 2003 among M. J. Soffe Co., James F. Soffe, John D. Soffe, and Anthony M. Cimaglia.

SUBORDINATION AGREEMENT

This SUBORDINATION AGREEMENT (this "Agreement") dated as of October 3, 2003 is made and entered into by and among Congress Financial Corporation (Southern), a Georgia corporation ("Senior Agent"), as collateral agent for the Subsidiary Lenders (defined below) and the Parent Lenders (defined below), James F. Soffe, John D. Soffe and Anthony M. Cimaglia, each individual residents of the State of North Carolina (each collectively or individually hereinafter referred to as a "Junior Creditor" or "Junior Creditors"), MJS Acquisition Company, a North Carolina corporation ("Borrower") and Delta Apparel, Inc., a Georgia corporation ("Parent").

W I T N E S S E T H:

WHEREAS, Parent, Borrower, M.J. Soffe Co., a North Carolina corporation, and Junior Creditors are among the parties to that certain Amended and Restated Stock Purchase Agreement, dated as of October 3, 2003 (the "Stock Purchase Agreement"), pursuant to which (a) Borrower delivered, as partial consideration for the purchase of the stock of M.J. Soffe Co., a subordinated promissory note (the "Junior Note"), dated as of the date hereof, payable to the order of Junior Creditors in the original principal amount of \$8,000,000 and (b) Parent delivered a guaranty in favor of Junior Creditors guaranteeing the obligations of Borrower under the Stock Purchase Agreement, the Junior Note and Borrower's closing certificate under the Stock Purchase Agreement (the "Junior Guaranty") (all obligations, liabilities and indebtedness of every kind, nature and description owing by Borrower, Parent or any of their respective affiliates or subsidiaries to Junior Creditors, or any of them, under the Stock Purchase Agreement (including the closing certificate and all other certificates delivered in connection therewith), the Junior Note or the Junior Guaranty, whether now existing or hereafter arising, including principal, interest, earn out amounts, charges, fees, premiums, indemnities and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise (and including, without limitation, any principal, interest, fees, costs, expenses and other amounts, whether or not such amounts are allowable in whole or in part, in any Insolvency Proceeding) are hereinafter collectively referred to as the "Junior Creditor Debt"; provided, however, "Junior Creditor Debt" shall not include (x) any obligations of Borrower to any Junior Creditor arising pursuant to those certain Employment Agreements listed on Schedule A hereto, and (y) that certain DC Lease, as defined in the Stock Purchase Agreement);

WHEREAS, pursuant to a certain (a) Loan and Security Agreement (as supplemented, amended or modified from time to time, the "Subsidiary Loan Agreement") of even date among Borrower, Senior Agent and the parties thereto from time to time as lenders (the "Subsidiary Lenders"), (b) Amended and Restated Loan and Security Agreement (as supplemented, amended or modified from time to time, the "Parent Loan Agreement") of even date among Parent, Senior

Agent and the parties thereto from time to time as lenders (the "Parent Lenders" and collectively or individually with Subsidiary Lenders and Senior Agent, "Senior Creditors"), (c) Guarantee of even date herewith by Borrower and its subsidiary in favor of Senior Agent (as supplemented, amended or modified from time to time, the "Subsidiary Guarantee") and (d) Guarantee of even date herewith by Parent in favor of Senior Agent (as supplemented, amended or modified from time to time, the "Parent Guarantee") (the Subsidiary Loan Agreement, the Parent Loan Agreement, the Subsidiary Guarantee and the Parent Guarantee and all other agreements and documents related thereto (including the Financing Agreements (as defined in the Parent Loan Agreement and the Subsidiary Loan Agreement, respectively)) may be collectively or individually hereinafter referred to as the "Senior Creditor Agreements"), Borrower and Parent are each indebted to, and have guaranteed indebtedness in favor of, Senior Creditors (all obligations, liabilities and indebtedness of every kind, nature and description owing by Borrower, Parent or any of their respective affiliates or subsidiaries to Senior Creditors, or any of them, and/or any affiliates of Senior Creditors, under any of the Senior Creditor Agreements, whether now existing or hereafter arising, including principal, interest, charges, fees, premiums, indemnities and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, (and including, without limitation, any principal, interest, fees, costs, expenses and other amounts, whether or not such amounts are allowable in whole or in part, in any Insolvency Proceeding) are hereinafter collectively referred to as the "Senior Debt"; provided that "Senior Debt" shall be, for the purposes of this Agreement and the subordination of the Junior Debt, subject to the limitation set forth in Section 12 of this Agreement);

WHEREAS, as security for the payment and performance of all liabilities and obligations due under the Senior Debt, each of Borrower and Parent, pursuant to certain Senior Creditor Agreements, has granted to Senior Agent a first priority lien (the "Senior Lien") on and unconditional security interest in and to all of its assets (the "Collateral");

WHEREAS, as an inducement and a condition precedent to, and part of the consideration for, Senior Creditors' extension of credit to Borrower and Parent, the initial proceeds of which shall be used, in part, to consummate the transactions under the Stock Purchase Agreement and thereby directly benefit the Junior Creditors, each Junior Creditor has agreed, among other things, subject to the terms and provisions of this Agreement, (i) to subordinate the Junior Creditor Debt to the Senior Debt, (ii) to subordinate any lien which such Junior Creditor has or may have in the future on the assets or property of Borrower, Parent or any affiliate or subsidiary of Borrower or Parent ("Junior Creditor Lien") to the Senior Lien and (iii) except as otherwise provided herein, to forebear from foreclosing upon any part of the Collateral or any other security with respect to the Junior Creditor Debt, if any, or otherwise exercising such Junior Creditor's remedy or taking any action against Borrower or Parent upon any of its obligations to such Junior Creditor.

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NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, it is hereby agreed that each capitalized term used herein and not defined herein shall have the meaning ascribed thereto in the Subsidiary Loan Agreement, and as follows:

1. Priority of Liens. Notwithstanding anything to the contrary including, without limitation, the date, time, manner or order of perfection or attachment of the security interests and liens on the Collateral granted by Borrower or Parent to any Senior Creditor or any Junior Creditor, and notwithstanding the usual application of the priority provisions of the Uniform Commercial Code as in effect in any jurisdiction or any other applicable law or judicial decision of any jurisdiction, or whether a Junior Creditor holds possession of all or any part of the Collateral, or if any Senior Creditor or any Junior Creditor is perfected without filing or possession in any part of the Collateral, the Senior Liens, or any of them, shall have priority over the Junior Creditor Liens, or any of them, and such Junior Creditor Liens are and shall be, in all respects, subject and subordinate to the Senior Liens therein to the full extent of the Senior Debt, and to the extent that the Senior Liens are perfected under applicable law. The lien priorities provided in this Section 1 shall not be altered or otherwise affected by any amendment, modification, supplement, extension, renewal, restatement or refinancing of either the Senior Debt or the Junior Creditor Debt, nor by any action or inaction which any Senior Creditor or any Junior Creditor may take or fail to take in respect of any of the Collateral.

2. Subordination of the Junior Creditor Debt.

(a) As of the date hereof and until the Termination Date (as defined below), each Junior Creditor subordinates any and all claims now or hereafter owing to it by Borrower or Parent under the Junior Creditor Debt to any and all claims of Senior Creditors under the Senior Debt (including, without limitation, interest or other payments on the Senior Debt paid or accrued after the commencement of an Insolvency Proceeding) and payment of or for adequate protection pursuant to any Insolvency Proceeding, and, except as set forth in paragraph (b) below, agrees that prior to the Termination Date no payment may be made on the Junior Creditor Debt, whether of principal or interest or other indebtedness. "Insolvency Proceeding" shall mean any action or proceeding by or against Borrower, Parent or any of their respective Affiliates seeking any reorganization, arrangement, composition, readjustment, liquidation or other similar relief under Chapter 11 of Title 11 of the United States Code (11 U.S.C. ss. 101 et seq.) (the "Bankruptcy Code") or any present or future statute, law or regulation relative to Borrower, Parent or any of their respective Affiliates or their respective properties, or any proceedings for liquidation, dissolution or other winding up of Borrower, Parent or any of their respective Affiliates, or the appointment of any trustee, receiver or liquidator for Borrower, Parent or any of their respective Affiliates or any part of any of its properties, or any assignment for the benefit of creditors or any marshaling of assets of Borrower, Parent or any of their respective Affiliates.

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(b) Except as set forth below in this paragraph (b), each Junior Creditor agrees not to accept any payment of the Junior Creditor Debt nor make any transfer to third parties not party to this Agreement or take any other action designed to secure directly or indirectly from Borrower or Parent or any other Person any payment on account of the Junior Creditor Debt, without the express, prior written consent of Senior Agent, and, except for those payments permitted to be received by Junior Creditors as set forth below in this paragraph (b), each Junior Creditor agrees to pay over to Senior Agent any funds that may be received by such Junior Creditor from Borrower or Parent as a payment on account of the Junior Creditor Debt at any time prior to the Termination Date. Each Junior Creditor further agrees not to sell, assign, transfer or endorse any Junior Creditor Debt or any Lien therefor to anyone except subject to the terms and conditions of this Agreement. Notwithstanding anything contained herein to the contrary, so long as: (A) after giving effect to each such payment, no event of default exists and is continuing under the Senior Creditor Agreements; and (B) Borrower has delivered to Senior Agent a certificate of its chief financial officer evidencing, to the satisfaction of Senior Agent (which shall include with respect to any payment permitted by clauses (w) or (x) below, the Annual Financial Statements (as defined in the Subsidiary Loan Agreement) with respect to the prior fiscal year), that (i) Borrower had Excess Availability for each of the immediately preceding ninety (90) consecutive days prior to the date of such payment of not less than \$4,000,000; (ii) after giving effect to any such payment, Borrower has (1) Excess Availability of not less than \$4,000,000 and (2) a Fixed Charge Coverage Ratio for the twelve-month period ending as of the last day of the immediately preceding fiscal month of not less than 1.5 to 1.0; and (iii) Borrower's Net Income for the twelve-month period ending as of the last day of the immediately preceding fiscal month shall not be less than \$2,000,000, Borrower may pay and Junior Creditors may receive (w) annual payments with respect to EBITDA Earn Out Amounts required under and as defined in the Stock Purchase Agreement in an aggregate amount not to exceed \$2,000,000 in any fiscal year, (x) annual payments with respect to Return Rate Earnout Amounts required under and as defined in the Stock Purchase Agreement in an aggregate amount not to exceed \$2,000,000 in any fiscal year, (y) regularly scheduled quarterly payments of principal under the Junior Note in an amount not to exceed \$400,000 per quarter together with scheduled quarterly payments of interest thereon at a per annum rate not exceeding 8%, and (z) payments of principal and/or interest due under the Junior Note in a previous quarter to the extent payment thereof was not made due to the failure to satisfy the requirements of this Section 2(b) at the time such payments were due.

(c) Each Junior Creditor agrees that the priority of the Senior Debt set forth above shall continue during any Insolvency Proceeding by or against Borrower or Parent. In the event of any payment, distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the property, assets or business of Borrower or Parent, or the proceeds thereof, or any securities of Borrower or Parent, to Junior Creditor, by reason of any liquidation, dissolution or other winding up of Borrower, Parent or their respective businesses or by reason of any sale or

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Insolvency Proceeding, then any such payment or distribution of any kind or character, whether in cash, property or securities, which, but for the subordination provisions of this Section 2, would otherwise be payable or deliverable upon or in respect of the Junior Creditor Debt, shall instead be paid over or delivered directly to Senior Agent, for application to the payment of the Senior Debt, to the extent necessary to make payment of the Senior Debt remaining unpaid after giving effect to any concurrent payment or distribution to any Senior Creditors, and Junior Creditors shall not receive any such payment or distribution or any benefit therefrom to such extent until after the date (the "Termination Date") of (i) the indefeasible payment in full in cash of all Senior Debt, and (ii) the termination of the Senior Creditor Agreements.

(d) Senior Agent and the other Senior Creditors shall have the exclusive right to manage, perform and enforce the terms of the Senior Creditor Agreements with respect to the Collateral, to exercise and enforce all privileges and rights thereunder according to its discretion and the exercise of its business judgment, including, without limitation, the exclusive right to take or retake control or possession of the Collateral and to hold, prepare for sale, process, sell, lease, dispose of, or liquidate the Collateral, and the exclusive right to control all aspects of liquidation of the Collateral and disposition of the proceeds thereof, including all proceedings pertaining thereto under any Insolvency Proceeding and the approval of any plan of reorganization of Borrower or Parent. Junior Creditors shall have no right to participate in any negotiations or proceedings involving any condemnation of the Collateral or any

part thereof or involving any insurance that may be available for loss of or damage to the Collateral or any part thereof, and each Junior Creditor hereby appoints Senior Agent as its attorney-in-fact to settle or compromise any claim for proceeds of insurance or condemnation with respect to the Collateral. In connection with any enforcement of the Senior Lien against the Collateral, Senior Agent shall use its reasonable efforts to give notice to Junior Creditors prior to Senior Agent's foreclosure on or liquidation of the Collateral.

3. Negative Covenants. For so long as this Agreement is in effect, and except as expressly permitted hereby, (a) Borrower and Parent shall not directly or indirectly, make any payment (other than a payment permitted by Section 2(b) hereof) on account of or grant a security interest in, mortgage, pledge, assign or transfer any properties to secure (other than the Junior Creditor Liens) or satisfy all or any part of the Junior Creditor Debt; (b) no Junior Creditor shall (i) demand, collect or accept from Borrower, Parent or any other Person any payment (other than a payment permitted by Section 2(b) hereof) or security (other than the Junior Creditor Liens) on account of the Junior Creditor Debt or any part thereof, or accelerate the maturity of the Junior Creditor Debt, (ii) take any action or exercise any remedy against Borrower or Parent to enforce the Junior Creditor Debt (other than actions necessary to preserve the Junior Creditor Debt in an Insolvency Proceeding and not inconsistent with the provisions of this Agreement), (iii) take any action or exercise any remedy against any guarantor of or pledgor securing the Senior Debt in order to collect any of the Junior Creditor Debt, or (iv) take any action or exercise any remedy

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against the Collateral as a result of any breach or default under the Junior Creditor Debt; (c) no Junior Creditor shall exchange or set off any part of the Junior Creditor Debt or otherwise exercise any set off rights against any assets of Borrower or Parent now or hereafter in its possession; (d) no Junior Creditor shall hereafter give any subordination in respect of the Junior Creditor Debt or transfer or assign any of the Junior Creditor Debt or any Lien therefor to any Person other than Senior Creditors unless the transferee or assignee thereof first agrees in writing with Senior Agent to be bound by the terms of this Agreement; (e) Borrower and Parent shall not hereafter issue any instrument, security or other writing evidencing any part of the Junior Creditor Debt (other than the Junior Note, the Stock Purchase Agreement and the Junior Guaranty and the documents securing such obligations as of the date hereof, provided true and correct copies of such documents have been delivered to Senior Agent), and Junior Creditors will not receive any such writing, except upon the prior written approval of Senior Agent; (f) Borrower, Parent and Junior Creditors shall not amend, alter or modify any provision of the agreements evidencing the Junior Creditor Debt, without the prior written consent of Senior Agent except as may be permitted in the Parent Loan Agreement or the Subsidiary Loan Agreement, as applicable; (g) no Junior Creditor shall commence or join with any other creditors of Borrower or Parent in commencing any bankruptcy, reorganization, receivership or insolvency proceeding against Borrower or Parent; and (h) neither Borrower nor Parent nor any Junior Creditor shall otherwise take or permit any action prejudicial to or inconsistent with the priority position of the Senior Creditors over Junior Creditors that is created by this Agreement.

4. Duration and Termination. This Agreement shall constitute a continuing agreement of subordination, and shall remain in full force and effect until the Termination Date. This Agreement shall be applicable both before and after the filing of any petition by or against Borrower or Parent under the United States Bankruptcy Code and all converted or succeeding cases in respect thereof, and all references herein to Borrower or Parent shall be deemed to apply to a trustee for Borrower and Borrower as debtor-in-possession or Parent and Parent as debtor-in-possession, as applicable. The relative rights of the Senior Creditors and the Junior Creditors to repayment of the Senior Debt and the Junior Creditor Debt, respectively, and in or to any distributions from or in respect of Borrower, Parent or any Collateral or proceeds of Collateral, shall continue after the filing thereof on the same basis as prior to the date of the petition, subject to any court order approving the financing of, or use of cash collateral by, Borrower as debtor-in-possession or Parent as debtor-in-possession.

5. Warranties and Representations.

(a) Each Junior Creditor hereby represents and warrants that: (i) it has not relied nor will it rely on any representation or information of any nature made by or received from any Senior Creditor relative to Borrower or Parent in deciding to execute this Agreement; (ii) such Junior Creditor has not heretofore

assigned or transferred any of the Junior Creditor Debt, any interest therein or any Collateral or security pertaining thereto; (iii) such Junior Creditor has

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not heretofore given any subordination in respect to the Junior Creditor Debt; (iv) it has the power and authority to enter into this Agreement, and to do all acts and things as are required or contemplated hereunder to be done, observed and performed by such Junior Creditor; and (v) this Agreement has been validly executed and delivered, and constitutes the legal, valid and binding obligation of such Junior Creditor, enforceable against such Junior Creditor in accordance with its terms. Each Junior Creditor also represents and warrants to Senior Agent, on behalf of the Senior Creditors, that true and complete copies of the documents evidencing the Junior Creditor Debt have been or concurrently herewith are being furnished to Senior Agent, and that no part of the Junior Creditor Debt is evidenced by any other instrument, security or other writing which has not been or is not concurrently herewith being furnished to Senior Agent.

(b) Senior Agent hereby warrants and represents that (i) it has the power and authority to enter into this Agreement, and to do all acts and things as are required or contemplated hereunder to be done, observed and performed by it; and (ii) this Agreement has been validly executed and delivered, and constitutes the legal, valid and binding obligation of Senior Agent, enforceable against it in accordance with its terms. Senior Agent also represents and warrants to the Junior Creditors that true and complete copies of Subsidiary Loan Agreement, the Parent Loan Agreement, the Subsidiary Guarantee and the Parent Guarantee as in effect as of the date hereof have been or concurrently herewith are being furnished to Junior Creditors.

6. Junior Creditors' Waivers. Each Junior Creditor expressly waives all notices not specifically required pursuant to the terms of this Agreement whatsoever, and expressly consents to reliance by Senior Agent and Senior Creditors upon the subordination and other agreements as herein provided. Each Junior Creditor agrees that no Senior Creditor has made any warranties or representations with respect to the due execution, legality, validity, completeness or enforceability of the Senior Creditor Agreements or the collectibility of the obligations thereunder, that Senior Agent and the other Senior Creditors shall be entitled to manage and supervise the Senior Debt in accordance with applicable law and its or their usual practices, modified from time to time as it or they deem appropriate under the circumstances, without regard to the existence of any rights that any Junior Creditor may now or hereafter have in or to any of the Collateral, and that no Senior Creditor shall have any liability to any Junior Creditor for, and each Junior Creditor waives any claim which such Junior Creditor may now or hereafter have against any Senior Creditor arising out of, and each Junior Creditor waives any objection to, (a) any and all actions which any Senior Creditor may take or omit to take (including, without limitation, actions with respect to the creation, perfection or continuation of liens or security interests in the Collateral or the Lien therefor, actions with respect to the occurrence of an event of default under the Senior Creditor Agreements, actions with respect to the foreclosure upon, sale, release, or depreciation of, or failure to realize upon, the Collateral and actions with respect to the collection of any claim for all or any part of the obligations from any account debtor, guarantor or any other party) with

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respect to the Senior Debt, the Senior Creditor Agreements or to the collection of the Senior Debt or the valuation, use, protection or release of the Collateral and/or other security for the Senior Debt, (b) any motion for relief from the automatic stay brought by Senior Agent, (c) the procedures established for, or the terms of, any foreclosure on, or sale or other liquidation of the Collateral, (d) Senior Agent's election, on behalf of any Senior Creditors, in any proceeding instituted under the Bankruptcy Code, of the application of Section 1111 (b)(2) of the Bankruptcy Code, and/or (e) the use of cash collateral, or any borrowing or grant of a security interest under Section 364 of the Bankruptcy Code, by Borrower as debtor-in-possession or Parent as debtor-in-possession. Additionally, each Junior Creditor acknowledges that any right it may have to receive adequate protection or an administrative claim priority in connection with debtor-in-possession financing, use of cash collateral or otherwise under the Bankruptcy Code is junior and subordinate to the rights of Senior Creditors to receive adequate protection and administrative claim priority.

7. Turnover of Prohibited Transfers. If any payment, distribution or security, or the proceeds thereof, are received by any Junior Creditor on

account of or with respect to any of the Junior Creditor Debt other than as expressly permitted in Section 2(b) hereof, such Junior Creditor shall forthwith deliver same to Senior Agent in the form received (except for the addition of any endorsement or assignment necessary to effect a transfer of all rights therein to Senior Agent) for application to the Senior Debt or, at Senior Agent's option to the extent in the form of cash or cash equivalents, such Junior Creditor shall pay to Senior Agent the amount thereof on demand. Senior Agent is irrevocably authorized to supply any required endorsement or assignment which may have been omitted. Until so delivered, any such payment, distribution or security shall be held by such Junior Creditor in trust for Senior Agent, and shall not be commingled with other funds or property of such Junior Creditor.

8. Proceeds. The order of priority of liens set forth in Section 1 hereof shall apply to all proceeds of the Collateral, including, without limitation, any insurance proceeds payable in the event of loss of, or damage to, the Collateral.

9. Waiver of Marshaling. Each Junior Creditor agrees that no Senior Creditor shall have any obligation to marshal any part of the Collateral or any other property, instruments, documents, agreements or guaranties before enforcing its rights against any other Collateral. Accordingly, the parties hereto agree that Senior Agent and Senior Creditors may liquidate the Collateral in any order in its or their sole discretion.

10. Perfection and Release of Liens. Each Junior Creditor hereby agrees to execute and deliver such documents, instruments, lien releases, assignments and financing statements and do such acts as may be necessary in order for Senior Agent, on behalf of Senior Creditors, to establish and maintain a valid, prior and perfected security interest in the Collateral. In the event of any sale or other disposition of all or any part of the Collateral prior to payment in full of the Senior Debt, upon request by Senior Agent, each Junior Creditor shall execute releases, assignments, UCC terminations and other similar agreements that are requested by Senior Agent from time to time; provided, (a) Senior Agent also releases its Lien on such Collateral in connection with such sale or

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disposition, and (b) the Lien of the Junior Creditors shall continue in any proceeds of such Collateral subject to the provisions of this Agreement. Upon payment and satisfaction in full of the Junior Creditor Debt, each Junior Creditor shall cooperate fully in releasing the Liens therefor, if in existence at such time, promptly upon the request of Senior Agent. Senior Agent shall serve as bailee on behalf of Junior Creditors for purposes of perfection of the Junior Creditor Lien in the stock of Borrower pledged by Parent in favor of Junior Creditors. Senior Agent shall have no obligation to Junior Creditors in such capacity other than to hold the certificates evidencing such stock in accordance with its usual and customary procedures and subject to the Senior Lien. As of the Termination Date, Senior Agent shall continue to hold such stock as bailee and in trust for the Junior Creditors until Senior Agent delivers the share certificates representing the stock to Junior Creditors at the address for James F. Soffe set forth on the signature pages hereof. Parent and Junior Creditor agree that Senior Agent may deliver any stock pledged by Parent to any Junior Creditor after the Termination Date without further liability to Parent or Junior Creditor. Senior Agent agrees to deliver such stock to Junior Creditors at the above address promptly after the Termination Date, to the extent such stock has not been sold, disposed of or otherwise foreclosed upon by Senior Agent to repay the Senior Debt on or prior to the Termination Date.

11. No Contest of Security Interest. No Junior Creditor shall contest the validity, perfection, priority or enforceability of the Lien of Senior Agent granted by Borrower or Parent, or any payment on the Senior Debt or the allowance of the Senior Debt as a senior secured claim, and each Junior Creditor agrees to cooperate in the defense of any action contesting the validity, perfection, priority or enforceability of such liens or security interests or such payment or allowance. No Senior Creditor shall contest the validity, perfection, or enforceability of the Junior Creditor Lien granted by Borrower or Parent, or any payment on the Junior Debt to the extent expressly permitted hereunder or the allowance of the Junior Debt as a subordinated secured claim. Each Junior Creditor agrees that, as between the Senior Creditors and the Junior Creditors, the terms of this Agreement shall govern even if part or all of the Senior Debt or the Liens securing payment and performance thereof are avoided, disallowed, set aside or otherwise invalidated in any judicial proceeding or otherwise.

12. Subordination Not Affected, Etc. The Senior Creditors may, without

notice to any Junior Creditor, extend or continue or increase the amount of credit and make other financial accommodations to or for the account of Borrower or Parent in reliance upon this Agreement; provided that the aggregate principal amount of Senior Debt to which the Junior Debt is subordinate shall not exceed \$82,000,000 without the consent of Junior Creditors. Nothing in this Agreement shall be construed as affecting or in any way limiting the extension of any new or additional financial accommodation by any Senior Creditor to Borrower or Parent and the terms and conditions hereof shall apply to such new and additional financial accommodations. Notwithstanding the preceding sentence or anything contained in this Agreement to the contrary, none of the provisions of this Agreement shall be deemed or construed to constitute a commitment or an

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obligation on the part of any Senior Creditor to make any future loans, advances or other extensions of credit or financial accommodation to Borrower or Parent. Each Junior Creditor understands and agrees that all accrued interest, charges, expenses, attorneys' fees and other liabilities and obligations under the Senior Creditor Agreements shall constitute part of the Senior Debt, and nothing in this Agreement shall be construed as affecting or in any way limiting any indulgence granted by any Senior Creditors with respect to any existing financial accommodation to Borrower or Parent. The subordinations effected, and the rights created, hereby shall not be affected by (a) any amendment of or any addition of or supplement to the Senior Creditor Agreements or any other instrument, document or agreement relating to the Senior Debt, (b) any exercise or non-exercise of any right, power or remedy under or in respect of the Senior Debt or the Senior Creditor Agreements or any other instrument, document or agreement relating thereto, (c) the release, sale, exchange or surrender, in whole or in part, of any part of the Collateral or any additional collateral to which any Senior Creditors may become entitled, (d) any release of any guarantor of or pledgor securing the Senior Debt or any security for such pledge or guaranty, or (e) any waiver, consent, release, indulgence, extension, renewal, modification, delay or other action, inaction or omission in respect of the Senior Debt or the Senior Creditor Agreements or any other instrument, document or agreement relating thereto or any security therefor or pledge or guaranty thereof, whether or not such Junior Creditor shall have had notice or knowledge of any of the foregoing and regardless of whether such Junior Creditor shall have consented or objected thereto. Any provision of any document, instrument or agreement evidencing, securing or otherwise relating to the Junior Creditor Debt purporting to limit or restrict in any way Borrower's or Parent's ability to enter into any agreement with Senior Agent or any other Senior Creditors to amend or modify any document, instrument or agreement evidencing, securing or otherwise relating to the Senior Debt shall be deemed of no force or effect.

13. Legend. Junior Creditors will cause all agreements, notes, bonds, debentures or other instruments from time to time evidencing the Junior Creditor Debt or any part thereof to contain a specific statement thereon to the effect that the indebtedness evidenced thereby is subject to the provisions of this Agreement, and Borrower agrees to the foregoing.

14. Voided Payments. To the extent that any Senior Creditor receives any payment on behalf of the Senior Debt which, within twelve (12) months of the date of such payment, is subsequently invalidated, declared to be fraudulent, avoidable or preferential, set aside or is required to be repaid to a trustee, receiver, the estate of Borrower or any other party under any bankruptcy act, state or Federal law, common law or equitable cause (such payment being hereinafter referred to as a "Voided Payment"), then to the extent of such Voided Payment that portion of the Senior Debt which had been previously satisfied by such Voided Payment shall be revived and continue in full force and effect as if such Voided Payment had never been made, and the obligations of

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Junior Creditors under this Agreement shall continue to be effective, or be reinstated, as the case may be, all as though such Voided Payment had never been made.

15. Immediate Effect. This Agreement shall be effective immediately upon its execution by each of the parties hereto, and there are no conditions precedent or subsequent to the effectiveness of this Agreement.

16. Successors and Assigns. This Agreement is being entered into for the benefit of, and shall be binding upon, Senior Agent, each Junior Creditor, Borrower, Parent and their respective successors and assigns. The Parent Lenders and the Subsidiary Lenders are express third party beneficiaries of this

Agreement. Each Senior Creditor may assign or participate out to any other Person any portion of its interest under the Senior Debt and no such assignee or participant shall be required to become a signatory hereto. Junior Creditors, Borrower and Parent shall cause any assignee or transferee of any Junior Creditor to execute and deliver to the other parties hereto an agreement pursuant to which they will become parties hereto as fully as if they were signatories hereto and providing for the effectiveness of this Agreement as to such transferee or assignee and other parties. Additionally, each Junior Creditor agrees to execute and deliver an agreement containing terms substantially identical to those contained herein in favor of any third person who replaces or refinances all of the indebtedness under the Subsidiary Loan Agreement or guaranteed under the Subsidiary Guarantee, whether such replacement or refinancing occurs by transfer, "takeout" or any other means or vehicle.

17. Notification of Defaults. Junior Creditor shall give written notice to Senior Agent of a default or an event of default by Borrower or Parent under the Junior Creditor Debt. Junior Creditor acknowledges that any default by Borrower under the Junior Creditor Debt is, automatically, an Event of Default under the Senior Debt.

18. Notices. Any notices, consents, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to be given to any party or parties (a) upon delivery to the address of the party or parties set forth below if delivered in person or by courier or if sent by certified or registered mail (return receipt requested), or (b) upon dispatch between the hours of 8:00 a.m. and 5:00 p.m. (Atlanta, Georgia time) on any Business Day if transmitted by telecopy or other means of facsimile transmission, in any case to the party or parties at the telecopy numbers set forth below:

If to Borrower: M. J. SOFFE CO.
c/o Delta Apparel, Inc.
2750 Premiere Parkway, Suite 100
Duluth, Georgia 30097
Attention: Herb Mueller
Telecopy No.: (678) 775-6998

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With a copy to: WYCHE BURGESS FREEMAN & PARHAM, P.A.
44 E. Camperdown Way
Greenville, South Carolina 29601
Attention: Eric Amstutz
Telecopy No. 864-235-8900

If to any Junior Creditor, to its address set forth below its signature on the signature page hereto;

With a copy to: POYNER & SPRUILL LLP
3600 Glenwood Avenue
Raleigh, North Carolina 27612
Attention: James M. O'Brien, II, Esq.
Telecopy No.: (919) 723-1075

If to Senior Agent: Congress Financial Corporation (Southern)
200 Galleria Parkway, Suite 1500
Atlanta, Georgia 30339
Attention: Susan L. Miller
Telecopy No. (770) 956-1861

With a copy to: Paul, Hastings, Janofsky & Walker LLP
600 Peachtree Street, N.E., Suite 2400
Atlanta, Georgia 30308
Attention: Cindy J. K. Davis, Esq.
Telecopy No. (404) 815-2424

Any party hereto may designate any other address or telecopy number, as applicable, to which any notices or other communications shall be given by notice duly given hereunder; provided, however, that any such notice of other address or telecopy number shall be deemed to have been given hereunder only when actually received by the party to which it is addressed.

19. Amendments; Modifications. This Agreement may not be modified, altered or amended except by an agreement in writing executed by all of the parties hereto.

20. Cost and Expenses of Enforcement. Borrower agrees to pay all reasonable costs, legal expenses and attorneys' and paralegals' fees of every kind, actually paid or incurred by any Senior Creditor in enforcing its rights hereunder, including, but not limited to, litigation instituted in a State or

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Federal Court, as hereinafter provided (including proceedings under the United States Bankruptcy Code) or in so enforcing this Agreement, or in defending against any defense, cause of action, counterclaim, setoff or cross claim based on any act of commission or omission by any Senior Creditor with respect to the Senior Debt or the Collateral promptly on demand of Senior Agent.

21. JURISDICTION; SERVICE OF PROCESS. THE PARTIES HERETO HEREBY IRREVOCABLY AGREE THAT ALL ACTIONS ARISING DIRECTLY OR INDIRECTLY AS A RESULT OR IN CONSEQUENCE OF THIS AGREEMENT SHALL BE INSTITUTED AND LITIGATED ONLY IN COURTS HAVING SITUS IN FULTON COUNTY, GEORGIA (OR IN ANY UNITED STATES BANKRUPTCY COURT WHEREIN ANY CASE OF BORROWER OR PARENT UNDER THE BANKRUPTCY CODE IS THEN PENDING), AND HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT LOCATED AND HAVING ITS SITUS IN SAID CITY AND STATE (OR OF SUCH BANKRUPTCY COURT). THE PARTIES HERETO HEREBY WAIVE ANY OBJECTION BASED ON FORUM NONCONVENIENS, AND HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS. THE PARTIES CONSENT THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO SENIOR AGENT, BORROWER, PARENT OR ANY JUNIOR CREDITOR AT THE RESPECTIVE ADDRESSES SET FORTH HEREIN IN THE MANNER PROVIDED BY APPLICABLE STATUTE, LAW, RULE OF COURT, OR OTHERWISE.

22. WAIVER OF DEFENSES; JURY TRIAL. EACH JUNIOR CREDITOR WAIVES EVERY DEFENSE, CAUSE OF ACTION, COUNTERCLAIM OR SETOFF, WHICH SUCH JUNIOR CREDITOR MAY NOW HAVE, OR HEREAFTER MAY HAVE, TO ANY ACTION BY SENIOR AGENT IN ENFORCING THE TERMS AND PROVISIONS OF THIS AGREEMENT AND RATIFIES AND CONFIRMS WHATEVER SENIOR AGENT MAY DO PURSUANT TO THE TERMS HEREOF AND AGREES THAT SENIOR AGENT SHALL NOT BE LIABLE FOR ANY ERRORS OF JUDGMENT OR MISTAKE OF FACT OR LAW EXCEPT FOR WILLFUL MISCONDUCT OF SENIOR AGENT OR BREACH OF THIS AGREEMENT BY SENIOR AGENT. TO THE EXTENT PERMITTED BY LAW, SENIOR AGENT AND EACH JUNIOR CREDITOR, AND EACH ONE OF THEM, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE IRREVOCABLY, THE RIGHT EITHER ONE OF THEM OR ANY MAY HAVE TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith OR ANY COURSE OF CONDUCT OR COURSE OF DEALING HEREUNDER, IN WHICH SENIOR AGENT AND SUCH JUNIOR CREDITOR ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE CONSENT OF SENIOR CREDITORS TO THE JUNIOR CREDITOR LIEN.

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23. Governing Law; Benefit of Agreement. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Georgia. All of the understandings, agreements, covenants and representations contained herein are solely for the benefit of Senior Creditors and the Junior Creditors, and there are no other Persons who are intended to be benefited in any way whatsoever by this Agreement.

24. Severability. In the event any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

25. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement

26. Borrower's and Parent's Acknowledgment. Borrower and Parent each hereby consents to this Agreement, agrees to abide by the terms hereof, agrees to make no payments or distributions contrary to the terms and provisions hereof and to do every act and thing necessary to carry out such terms and provisions.

Borrower and Parent each agrees that should it make any payment in contravention of any provision of this Agreement the maturity of said Senior Debt may be accelerated in accordance with the terms of the Senior Creditor Agreements.

27. No Impairment. This Agreement defines the relative rights of the Junior Creditors as holders of the Junior Creditor Debt and the Senior Creditors as holders of the Senior Debt with respect to the Collateral. Nothing in this Agreement shall impair, as between Borrower or Parent and (a) the Junior Creditors as holders of the Junior Creditor Debt or (b) the Senior Creditors as holders of the Senior Debt, which in each case is absolute and unconditional, to pay principal and interest thereon and other amounts owed in respect thereof in accordance with their terms, subject to the provisions of this Agreement.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

JUNIOR CREDITORS:

By: /s/ James F. Soffe

James F. Soffe
Address: 1414 Lakeview Drive
Fayetteville, NC 28305

STATE OF _____)
)
COUNTY OF _____)

The foregoing instrument was acknowledged before me the ____ day of October, 2003 by _____.

Notary Public

Signature Page 1

By: /s/ John D. Soffe

John D. Soffe
Address: 309 Sylvan Road
Fayetteville, NC 28308

STATE OF _____)
)

Signature Page 3

SENIOR AGENT:

CONGRESS FINANCIAL CORPORATION
(SOUTHERN)

By: /s/ Susan L. Miller

Its: First Vice President

BORROWER:

MJS ACQUISITION COMPANY,
a North Carolina corporation

By: /s/ Herbert M. Mueller

Its: Vice President

PARENT:

DELTA APPAREL, INC., a Georgia corporation

By: /s/ Herbert M. Mueller

Its: Vice President and CFO

Signature Page 4

Schedule A - Employment Agreements

1. Employment and Non-Solicitation Agreement dated as of October 3, 2003, by and between James F. Soffe, Parent and M. J. Soffe Co.
2. Employment and Non-Solicitation Agreement dated as of October 3, 2003, by and between John D. Soffe, Parent and M. J. Soffe Co.
3. Employment and Non-Solicitation Agreement dated as of October 3, 2003, by and between Anthony M. Cimaglia, Parent and M. J. Soffe Co.

THE INDEBTEDNESS EVIDENCED BY THIS INSTRUMENT IS SUBORDINATED TO THE PRIOR PAYMENT IN FULL OF THE SENIOR DEBT (AS DEFINED IN THE SUBORDINATION AGREEMENT DEFINED BELOW) PURSUANT TO, AND TO THE EXTENT PROVIDED IN, THE SUBORDINATION AGREEMENT (DEFINED BELOW).

PROMISSORY NOTE

\$8,000,000.00

October 3, 2003

FOR VALUE RECEIVED, the undersigned, MJS Acquisition Company, a corporation organized under the laws of the State of North Carolina ("Maker"), hereby promises to pay to the order of James F. Soffe, John D. Soffe and Anthony M. Cimaglia (collectively, "Payee") the principal sum of EIGHT MILLION AND NO/100 DOLLARS (\$8,000,000.00), in lawful money of the United States of America, together with interest thereon from and after the date hereof at the rate and in the manner hereinafter stated. This promissory note ("Note") is the promissory note referred to in that certain Amended and Restated Stock Purchase Agreement (the "Purchase Agreement") of even date herewith, among Maker, Payee and certain other parties. Any capitalized terms that are not defined in this Note shall have the meanings ascribed to them in the Purchase Agreement.

1. Interest Rate.

(a) Rate of Accrual. Interest will accrue on the unpaid principal balance of the Note at the rate set forth in Section 1(b) until maturity of this Note, whether such maturity occurs by acceleration or on the Maturity Date, and will accrue on any due and unpaid interest before such maturity and on any unpaid balance owing under this Note, whether principal, interest and/or costs and expenses, after maturity at the rate set forth in Section 1(c).

(b) Pre-Default Rate. Subject to the provisions of Section 1(c) below, interest payable on this Note will accrue at eight percent (8%) per annum (the "Pre-Default Rate").

(c) Default Rate. Except as otherwise provided in this Section 1(c), upon the nonpayment when due of any payment of interest described herein, Payee, at its option and without accelerating this Note, may accrue interest on such due and unpaid interest at a rate per annum ("Default Rate") equal to two percent (2.0%) plus the interest rate otherwise applicable hereunder, as set forth in Section 1(b) above. Except as otherwise provided in this Section 1(c), after maturity of this Note, whether by acceleration or otherwise, interest will accrue on the unpaid principal of this Note, any accrued but unpaid interest, costs and expenses and/or other sums owing hereunder at the Default Rate until this Note is paid in full, whether this Note is paid in full pre-judgment or post-judgment. Notwithstanding the foregoing, during any period during which (i) Maker has not made a payment hereunder and Payee is prohibited from accepting such payment (the "Restricted Payment Amount") pursuant to the terms of the Subordination Agreement (as defined in Section 18); and (ii) James F. Soffe is serving as Chief Executive Officer of Maker, interest payable on such Restricted Payment Amount shall accrue at the Pre-Default Rate.

(d) Calculation of Interest.

(i) The rate at which interest accrues under this Note shall never exceed the maximum rate which may be charged to and collected from Maker under applicable law.

(ii) All interest payable under this Note shall be calculated on the basis of the actual number of calendar days elapsed but computed on a daily basis as if each year consisted of three hundred sixty (360) days. In computing the number of days during which interest accrues, the day on which the funds are repaid shall be included.

2. Payment Terms.

(a) Principal and Interest Payment Terms. Principal shall be payable in twenty (20) equal quarterly installments of \$400,000 each, plus accrued interest, commencing on January 1, 2004, and continuing on the first day of each calendar quarter thereafter until October 1, 2008 (hereinafter referred to as the "Maturity Date"), when one final payment of the entire balance of principal, interest, fees, premiums, charges and costs and expenses then outstanding on this Note shall be due and payable in full.

(b) Application of Prepayments. All prepayments made on this Note shall be applied first to payment of all costs and expenses due but unpaid under this Note, then to accrued but unpaid interest and finally to principal, in the inverse order of the payment dates therefor, unless Payee determines in its sole discretion to apply payments in a different order. The partial prepayment of this Note shall not result in a payment holiday or any other deferral of any regularly scheduled payments under this Note, all of which shall be made as and when the same are scheduled to be paid.

3. Security. This Note is secured by the security documents identified on Exhibit A attached hereto (the "Security Documents"). Payee shall not have any obligation or responsibility pursuant to this Note to protect or preserve the property ("collateral") encumbered by the Security Documents against the rights of prior third persons having an interest therein, if any; provided, however, that nothing contained in this Section 3 shall be deemed to limit any provisions or duties of Payee set forth in the Purchase Agreement or any employment agreement between the Maker and any Payee.

4. Events of Default and Remedies.

(a) Events of Default. Each of the following shall constitute an "Event of Default" under this Note: (i) the failure of Maker to make any payment described herein, whether of principal, interest or otherwise within three (3) business days after such payment first becomes due; (ii) the failure of Maker to make any payment of Additional Consideration under the Purchase Agreement within three (3) business days after such payment first becomes due; (iii) the failure of Maker to perform or comply with any of the other terms and conditions of this Note, provided that Payee gives notice to Maker of such failure, identifying such notice as a default notice given pursuant to this Note, and such failure remains uncured for 30 days after Maker's receipt of such notice (or, in the case of a failure that is not capable of being cured in such 30-day period, for such longer period as may be required for Maker to cure such failure acting with due diligence, but in no event exceeding 120 days), and provided further, however, that the foregoing notice and cure periods shall not apply if the failure is a result of an intentional breach by Maker (not attributable to any Payee); (iv) the occurrence of an event of default (other than a payment default) under any of the Security Documents (as such event of default is defined under the applicable Security Document); (v) the dissolution, liquidation, or termination of existence (except as a result of a merger or consolidation) of Maker (or Delta); (vi) the application for the appointment of a receiver for Maker (or Delta) or the filing of a petition under any provisions of the United States Bankruptcy Code or other state or federal insolvency proceeding by or against Maker (or Delta) or any assignment for the benefit of creditors by or against Maker (or Delta); or (vii) the termination of the Guaranty of even date herewith made by Delta Apparel, Inc. in favor of Payee, the Pledge Agreement or any other Security Document which applies to this Note. Notwithstanding the foregoing, the failure of Maker to make any payment hereunder shall not constitute an Event of Default to the extent that Payee is prohibited from accepting a Restricted Payment Amount pursuant to the terms of

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the Subordination Agreement (as defined in Section 18), and any Restricted Payment Amount shall not be considered due and payable under the terms of this Note until payment of the Restricted Payment Amount is permitted under the Subordination Agreement.

(b) Acceleration; Remedies Cumulative. Upon the occurrence of a Change of Control or upon the occurrence and during the continuance of an Event of Default, Payee may, at its option, declare the entire unpaid principal balance of this Note and all other amounts owing or to be owing under this Note immediately due and payable, without notice or demand. Failure to exercise the option to accelerate shall not constitute a waiver of the right to exercise same with respect to such default or in the event of any subsequent default. Further, upon the occurrence and during the continuance of an Event of Default, Payee may exercise each of its rights and remedies under this Note and under any of the documents (including without limitation the Security Documents) which evidence or relate to this Note and as otherwise may be provided at law or in equity. The remedies of Payee as provided herein and in any other documents given in connection with this Note shall be cumulative and concurrent, and may be pursued singularly, successively or together at the sole discretion of Payee, and may be exercised as often as occasion therefor shall occur, and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

5. Prepayment. Maker may voluntarily prepay the principal due under this Note, in whole or in part, without any penalty or premium whatsoever.

6. Expenses of Collection. Should the indebtedness evidenced by this Note or any part thereof be collected at law or in equity, or in bankruptcy, receivership or other court proceeding, or should this Note be placed in the hands of attorneys for collection upon an Event of Default, Maker agrees to pay, in addition to all other sums due hereunder, all costs of collecting this Note, including reasonable attorneys' fees and expenses.

7. Notices. Any notice, demand or other communication to any party hereto shall be effective if delivered by hand delivery or sent via telecopy, recognized overnight courier service or certified mail, return receipt requested, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by telecopy, (ii) on the next business day if sent by recognized overnight courier service and (iii) on the third business day following the date sent by certified mail, return receipt requested. Each such notice, demand or other communication shall be addressed to such party at the address set forth below (or at such other address as such party shall specify to the other parties hereto in writing):

If to Payee at:

1414 Lakeview Drive
Fayetteville, NC 28305
Attn.: James F. Soffe, as representative for the Payee

If to Maker at:

MJS Acquisition Company
100 West Pine Street
Maiden, NC 28650
Attn.: Robert W. Humphreys

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8. Waivers. Maker and any and all endorsers, sureties or guarantors hereby jointly and severally waive presentment for payment, demand, notice of demand, notice of dishonor, protest and notice of protest of this Note, and, except to the extent otherwise provided herein, all other notices in connection with the delivery, acceptance, performance or enforcement of the payment of this Note, and agree that liability hereunder shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee (except to the extent of any such indulgence, extension, renewal, waiver or modification).

9. Savings Clause. If any provision of this Note is held to be invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Note shall remain in full force and effect and shall be construed in order to effect the provisions of this Note. In no event shall the rate of interest payable under this Note exceed the maximum rate of interest permitted to be charged by applicable law, and any interest paid in excess of the permitted rate shall be refunded to Maker.

10. Payee's Waivers. Payee shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by Payee, and then only to the extent specifically set forth in the writing. A waiver of one event shall not be construed as continuing or as a bar to or waiver of any right or remedy with respect to a subsequent event.

11. Modification in Writing. No provision of this Note may be modified or discharged orally, but only by agreement in writing signed by the Maker and the Payee.

12. Successors and Assigns. Neither Maker nor Payee may assign or transfer this Note or any of its rights and obligations hereunder, and Maker may not be a party to any merger or consolidation (other than the Merger), without the written consent of the other parties hereto (which consent shall not be unreasonably withheld). This Note shall be binding on and inure to the benefits of the heirs and successors and assigns of Maker and Payee.

13. Governing Law. This Note shall be governed by and construed according to the laws of the State of North Carolina (excluding therefrom any provisions that would result in the application of the laws of another jurisdiction).

14. Number; Gender; Headings. Whenever used, the singular number shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders, and the words "Payee" and "Maker" shall be deemed to include the respective heirs and permitted successors and assigns of Payee and Maker. The headings of the various provisions of this Note are for convenience of reference only and shall not define or limit the terms hereof.

15. Consent to Jurisdiction. Each party hereby irrevocably submits to the exclusive jurisdiction of the United States District Court for the Western District of North Carolina and, if such court does not have jurisdiction, of the courts of the State of North Carolina in Mecklenburg County, for the purposes of any action arising out of this Note, or the subject matter hereof, brought by any other party. To the extent permitted by applicable law, each party hereby waives and agrees not to assert, by way of motion, as a defense or otherwise in any such action, any claim (i) that it is not subject to the jurisdiction of the above-named courts, (ii) that the action is brought in an inconvenient forum, (iii) that it is immune from any legal process with respect to itself or its property, (iv) that the venue of the suit, action or proceeding is improper or (v) that this Note, or the subject matter hereof, may not be enforced in or by such courts.

16. Setoff. Payment of this Note is subject to the right of setoff set forth in Section 10.9 of the Purchase Agreement.

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17. Maximum Rate. All agreements herein made are expressly limited so that in no event whatsoever, whether by reason of advancement of proceeds hereof, acceleration of maturity of the unpaid balance hereof or otherwise, shall the amount paid or agreed to be paid to Payee for the use of the money advanced or to be advanced hereunder exceed the maximum rate of interest allowed to be charged under applicable law (the "Maximum Legal Rate"). If, from any circumstances whatever, the fulfillment of any provision of this Note or any agreement or instrument now or hereafter evidencing, securing or in any way relating to the indebtedness evidence hereby shall involve the payment of interest in excess of the Maximum Legal Rate, then, ipso facto, the obligation to pay interest hereunder shall be reduced to the Maximum Legal Rate; and if from any circumstance whatsoever, Payee shall ever receive interest, the amount of which would exceed the amount collectible at the Maximum Legal Rate, such amount as would be excessive interest shall be applied to the reduction of the principal balance remaining unpaid hereunder and not to the payment of interest.

18. Subordination. THE OBLIGATIONS OF MAKER AND RIGHTS OF PAYEE UNDER THIS NOTE ARE SUBJECT TO THE SUBORDINATION AGREEMENT OF EVEN DATE HERewith AMONG MAKER, PAYEE AND CONGRESS FINANCIAL CORPORATION (SOUTHERN), AS AGENT FOR CERTAIN LENDERS, AND ITS SUCCESSORS AND ASSIGNS, AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME (the "Subordination Agreement").

19. Pro Rata Payments. Each payee named above shall be entitled to receive and shall be paid a pro rata portion of the amounts due under this Note. The pro rata portion that each such payee shall be paid or provided with shall be determined by multiplying the amount due hereunder (and the amount of each payment hereunder) by the percentage set forth opposite such payee's name on Exhibit A to the Purchase Agreement under the caption "Ownership Percentage."

20. Representative. Each Payee named herein has designated and appointed James F. Soffe and his successors (the "Representative") as his representative to act in the name of, for and on behalf of each such party with respect to any and all matters relating to this Note. Each and every act of Representative shall be in the name of, for and on behalf of such parties and shall bind each of the Payees. All notices to and consents of the Payees permitted or required hereunder shall be delivered to or obtained from the Representative and such notices and consents shall be deemed notices to and consents of each of the Payees.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

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IN WITNESS WHEREOF, Maker has caused this Note to be duly executed under seal as of the day and year first above written.

MJS ACQUISITION COMPANY

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: President and CEO

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EXHIBIT A

Security Documents

Security Agreement of even date herewith by and between MJS Acquisition Company, as grantor, and James F. Soffe, John D. Soffe and Anthony M. Cimaglia, as beneficiaries, and related UCC financing statements.

Pledge Agreement of even date herewith by and between Delta Apparel, Inc., as pledgor, and James F. Soffe, John D. Soffe and Anthony M. Cimaglia, as pledgees, together with the pledged stock and stock powers executed in blank.

Various Deeds of Trust, Assignment of Rents and Security Agreements recorded against the property and assets of MJS Acquisition Company, and its successors and assigns.

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THE INDEBTEDNESS EVIDENCED BY THIS AGREEMENT IS SUBORDINATE TO THE PRIOR PAYMENT IN FULL OF THE SENIOR DEBT (AS DEFINED IN THE SUBORDINATION AGREEMENT DEFINED BELOW) PURSUANT TO, AND TO THE EXTENT PROVIDED IN THE SUBORDINATION AGREEMENT (DEFINED BELOW).

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Security Agreement"), entered into as of the effective date as stated in the SECURITY AGREEMENT SUPPLEMENT & INFORMATION SCHEDULE ("Information Schedule") attached hereto, by the person identified in the INFORMATION SCHEDULE as the Grantor (whether one or more, "Grantor") to James F. Soffe, John D. Soffe and Anthony M. Cimaglia, all residents of North Carolina (the secured party; collectively, referred to herein as "Beneficiary").

Grantor desires to secure the payment of the Obligations, together with Grantor's covenants, agreements and obligations under this Security Agreement, by a grant of the security interests hereinafter described.

NOW, THEREFORE, in consideration of the premises and for the purposes aforesaid, and in further consideration of the sum of One Dollar (\$1.00) paid to Grantor by Beneficiary, receipt of which is hereby acknowledged, Grantor does hereby covenant and agree with Beneficiary as set forth in the following Articles of this Security Agreement.

Article I. Definitions.

Section 1.1. Definitions. The terms defined in ATTACHMENT 2 to this Security Agreement shall have the meanings in this Security Agreement ascribed to such terms in ATTACHMENT 2. Unless otherwise defined in this Security Agreement, all other capitalized terms used in this Security Agreement and defined in any of the Loan Documents shall have the meanings given to those terms in such Loan Documents and if the terms are not defined in any of the Loan Documents, then, the terms shall have the meanings given to them in the UCC.

Section 1.2. Use and Application of Terms. In using and applying the various terms, provisions and conditions in this Security Agreement, the following shall apply: (a) the terms "hereby", "hereof", "herein", "hereunder", and any similar words, refer to this Agreement; (b) words in the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular numbered meaning include the plural number, and vice versa; (c) words importing persons include firms, companies, associations, general partnerships, limited partnerships, limited liability partnerships, limited liability companies, limited liability partnership, trusts, business trusts, corporations and other legal organizations, including public and quasi-public bodies, as well as individuals; (d) the use of the terms "including" or "included in", or the use of examples generally, are not intended to be limiting, but shall mean, without limitation, the examples provided and others that are not listed, whether similar or dissimilar; (e) the phrase "costs and expenses", or variations thereof, shall include, without limitation, reasonable attorneys' fees and fees of legal assistants, and reasonable fees of accountants, engineers, surveyors, appraisers and other professionals or experts - - and all references to attorneys' fees or fees of legal assistants, or fees of accountants, engineers, surveyors, appraisers or other professionals or experts shall mean reasonable fees; (f) as the context requires, the word "and" may have a joint meaning or a several meaning and the word "or" may have an inclusive meaning or an exclusive meaning; (g) the Loan Documents shall be applied and construed in harmony with each other, and this Security Agreement shall not be applied, interpreted and construed more strictly against a person because that person or that person's attorney drafted this Security Agreement; (h) Beneficiary does not intend to and shall not reserve, charge or collect interest, fees or charges hereunder in excess of the maximum rates or amounts permitted by applicable law and if any interest, fees or charges are reserved, charged or collected in excess of the maximum rates or amounts, it shall be construed as a mutual mistake, appropriate adjustments shall be made by Beneficiary and to the extent paid, the excess shall be returned to the person

making such a payment; and (i) if any party hereto is not an individual, when any action is required or permitted to be taken, it is intended that the same will be undertaken through duly authorized employees or representatives of such party, or a partner, member, manager, officer, executive or director, and any action taken by any of the foregoing persons shall be presumed authorized, absent a clear and convincing showing that the person relying on such action had actual knowledge that the person acting was exceeding his authority.

Article II. Security Interest.

Section 2.1. Grant of Security Interest. To secure (1) the payment of the Obligations, and all extensions, renewals, modifications, amendments, substitutions and replacements thereof and therefor, in whole or in part, (2) the payment of all other amounts, with interest thereon as provided herein and in the Obligations, which are and may be in the future (A) incurred by Beneficiary, and incurred by other persons on behalf of Beneficiary, in connection with collection and enforcement of the Obligations, (B) advanced or expended by Beneficiary, and advanced or expended by other persons on behalf of Beneficiary, in accordance with the Obligations and herewith to protect and preserve all of, any part of and any interest in the Collateral and the security of this Security Agreement and (C) advanced or expended by Beneficiary, and advanced or expended by others on behalf of Beneficiary, to protect or enforce the rights and remedies of Beneficiary hereunder and under the Obligations, and (3) the performance by Grantor of the covenants and agreements contained herein and in the Obligations, GRANTOR HEREBY PLEDGES AND ASSIGNS TO BENEFICIARY AND GRANTS TO BENEFICIARY A CONTINUING SECURITY INTEREST IN AND LIEN UPON the personal property and other property rights and property interests described in ATTACHMENT 1 to this Security Agreement, together with all estate, right, title and interest of Grantor therein and thereunder, and the proceeds, products and as-extracted collateral thereof and any replacements, substitutions, additions and accessions thereto, in all of the foregoing instances, both now existing and hereafter created, acquired and arising; excluding, however, the rights and interests of Grantor under that certain Amended and Restated Stock Purchase Agreement dated as of the date hereof (the "Stock Purchase Agreement") among Grantor, Beneficiary, Delta Apparel, Inc., and M. J. Soffe Co. and under all other Related Agreements (as defined in the Stock Purchase Agreement) to which it is a party (collectively and severally, the "Collateral").

Section 2.2. Demographic Information. Grantor certifies to Beneficiary that the information contained in the INFORMATION SCHEDULE relative to its name, address, chief executive office, places of business, jurisdiction of organization, and trade names is true and accurate in all material respects and Grantor agrees to promptly inform Beneficiary in writing of any changes or inaccuracies in the foregoing information, the location of the Collateral and the identity of any real property to which some or all of the Collateral is affixed.

Article III. Representations, Warranties & Covenants.

Section 3.1. Representations and Warranties. Grantor represents and warrants to Beneficiary as follows, which representations and warranties shall be continuing representations and warranties:

(a) Grantor has the right, power and authority to grant to Beneficiary the security interests created by this Security Agreement; and

(b) Beneficiary has or upon the attachment of Beneficiary's security interest created hereunder will have a perfected security interest in all Collateral, subject only to the Permitted Liens.

Section 3.2. Covenants and Agreements. Grantor covenants and agrees with Beneficiary as follows:

(a) Grantor shall pay when due all amounts owing by it, and perform all other obligations required to be performed from time to time by it, under each and all of the Obligations, this Security Agreement and the other Loan Documents;

(b) subject to the rights of any holder of Permitted Liens, Grantor (1) shall perform and shall cause other persons to perform all acts that may be necessary, in the reasonable opinion of Beneficiary, to create, maintain, continue, preserve, protect and perfect the security interests and liens granted to Beneficiary in the Collateral and the priority of such liens as set forth in this Security Agreement, including, without limitation, (A) executing and delivering, and causing others to execute and deliver to Beneficiary such Control Agreements as Beneficiary may reasonably request from time to time, (B) causing third persons to deliver possession of Collateral (the perfection of which can only occur by

instructed by Beneficiary, and (C) placing a legend on and otherwise marking the Collateral (and parts thereof as may be identified by Beneficiary) to indicate Beneficiary has a security interest therein, such legend and marking to be in a form and content reasonably satisfactory to Beneficiary, in its discretion, and (2) shall provide Beneficiary with evidence of any necessary continuation of the perfection thereof 20 calendar days prior to any lapse in perfection;

(c) in the case of after-acquired Collateral, at the time Grantor acquires rights in the Collateral, none of the Collateral shall contain and otherwise be subject to a restriction and limitation which restricts, limits or prohibits the security interests and liens created hereby from automatically and immediately attaching thereto with lien priority therein (subject to Permitted Liens), as required hereunder;

(d) Grantor shall not, without 30 calendar days prior written notice to Beneficiary, do any of the following: (1) change Grantor's name, (2) change Grantor's chief executive office and (3) other than temporary relocation in the normal and ordinary course of Grantor's business, keep the Collateral at any location or locations other than those identified on the INFORMATION SCHEDULE as the location or locations of the Collateral;

(e) Grantor shall use the Collateral principally within the States listed on the INFORMATION SCHEDULE and shall not affix the Collateral to any real property (other than real property already identified on the INFORMATION SCHEDULE) unless the requisite information is supplied relating to the real property and the record owner thereof;

(f) subject to the rights of any holder of Permitted Liens, Grantor shall deliver promptly to Beneficiary all Collateral that Beneficiary must possess in order to have a perfected security interest therein, including originals of Collateral consisting of Instruments (to include Promissory Notes), Documents and Tangible Chattel Paper, and shall promptly deliver to Beneficiary all information and documentation relating to any and all of the Collateral as Beneficiary may from time to time reasonably request;

(g) Grantor shall use commercially reasonable efforts to appear in and defend, at its sole cost and expense and in a prompt and timely manner, any action and proceeding which may affect, either directly or indirectly, its title to or Beneficiary's interest in the Collateral;

(h) Beneficiary and its representatives, from time to time, shall be entitled to inspect the Collateral (other than Collateral in the possession of a holder of a Permitted Lien) and Grantor shall assist Beneficiary and its representatives in making any such inspection, and, in connection with such inspections, Grantor shall permit unhindered access to and upon the locations where the Collateral is situated and permit inspection of such locations by Beneficiary and Beneficiary's representatives;

(i) Grantor shall keep separate, accurate and complete books and records with respect to the Collateral and shall provide Beneficiary with such books and records and such other reports and information relating to the Collateral and Grantor's businesses related thereto as Beneficiary may reasonably request from time to time;

(j) Grantor shall not commit any waste to the Collateral and shall not permit any waste to be committed against the Collateral, and Grantor will maintain, preserve and protect the Collateral and in connection therewith, will keep the Collateral which consists of tangible property in as good order, repair and condition as it is now, reasonable wear and tear excepted;

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(k) Grantor shall not use and Grantor shall not permit any Collateral to be used for any illegal and improper purpose and in furtherance thereof, Grantor shall not use and permit any Collateral to be used in violation of (1) any provision of the Obligations, this Security Agreement and the other Loan Documents, (2) any Requirements of Law, and (3) any policy of insurance covering the Collateral; and

(l) Grantor shall comply with all Requirements of Law applicable to Grantor which relate to the production, possession, operation, maintenance, ownership and control of the Collateral and Grantor will promptly notify Beneficiary in writing of any notice received by Grantor respecting its

failure to so comply.

(m) Grantor shall not directly or indirectly, except as permitted by the Senior Lender,

(i) sell, assign, lease, license, transfer, abandon, surrender, lose possession of or otherwise dispose of any Collateral to any other person or entity, except for (i) sales of inventory in the ordinary course of business, (ii) the sale or other disposition of equipment (including worn-out or obsolete equipment or equipment no longer used or useful in the business of Grantor) so long as such sales or other dispositions do not involve equipment having an aggregate fair market value in excess of \$100,000 for all such equipment disposed of in any fiscal year of Grantor; (iii) the assignment of certain accounts receivables to Sellers in accordance with the Stock Purchase Agreement; and (iv) the IRC Section 1031 exchange of certain real property between Grantor and Middle Road Properties LLC, as described in the Stock Purchase Agreement;

(ii) wind up, liquidate or dissolve; or

(iii) agree to do any of the foregoing.

(n) Grantor shall not 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, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any security interest or lien with respect to any such assets or properties, except as permitted by the Senior Lender and except:

(i) the security interests and liens of the Permitted Liens;

(ii) liens securing the payment of taxes, assessments or other governmental charges or levies either not yet overdue or the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Grantor and with respect to which adequate reserves have been set aside on its books;

(iii) non-consensual statutory liens (other than liens securing the payment of taxes) arising in the ordinary course of Grantor'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 Grantor, 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;

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

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(v) purchase money security interests in equipment (including capital leases) and purchase money mortgages on Real Property.

(o) Grantor shall not, directly or indirectly, declare or pay any dividends on account of any shares of any capital stock of Grantor ("Capital Stock") now or hereafter outstanding, or redeem, retire, purchase or otherwise acquire any shares of any class of Capital Stock for any consideration, 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 in the form of shares of Capital Stock consisting of common stock, and Grantor shall not make any loan to any Affiliate (as defined in the Stock Purchase Agreement) or make any extraordinary payment for any management fee or administrative or overhead charges to or on behalf of an Affiliate, except that, notwithstanding the foregoing, the following are permitted:

(i) payments for goods in the ordinary course of business;

(ii) payments by Grantor to any Affiliate for actual and necessary reasonable out-of-pocket legal and accounting, insurance, marketing, payroll, information systems and similar types of services paid for by Grantor or any Affiliate on behalf of Grantor, in the ordinary course of their respective businesses or as the same may be directly attributable to Grantor; provided that such payments are approved by James F. Soffe (or, in the event of his death or incapacity, Anthony M. Cimaglia, or, in the event of the death or incapacity of James F. Soffe and Anthony M. Cimaglia, John D. Soffe), which approval shall not be unreasonably withheld;

(iii) dividends or other distributions by Grantor to Delta with respect to the Capital Stock that in the aggregate after the date of this Agreement do not exceed ten percent (10%) of Grantor's cumulative net after tax income from the date of this Agreement to the end of the fiscal month ending on or immediately prior to the applicable dividend or distribution payment date (provided, however, that no such dividend or distribution may be paid if at such time any payment of principal of or interest on the Note or any payment of Additional Consideration has become due and for any reason (including, without limitation, by reason of the Subordination Agreement) such payment has not been made to the Beneficiary or the next scheduled payment of principal of or interest on the Note or any payment of Additional Consideration would be prohibited by reason of the Subordination Agreement as a result of the payment of such dividend or distribution); provided, however, that in any event the payment by Grantor to Delta of the \$370,000 per annum management fee described in the Stock Purchase Agreement is permitted; and

(iv) Grantor may pay (by dividend or otherwise) to Delta the amount of Federal and state taxes that are attributable to the income or assets of Grantor (after giving effect to any "carry forward losses" or other net losses to which Grantor may be entitled).

Section 3.3. Additional Covenants and Agreements: Taxes, Insurance, Authorized Acts.

3.3.1. Payment of Taxes, etc. Grantor covenants and agrees that it will pay, when due, all taxes, assessments, levies and charges upon and against the Collateral, of every nature and character, which are now due and which may hereafter become due.

3.3.2. Insurance. Subject to the rights of any holder of Permitted Liens, Grantor covenants and agrees that it will keep the Collateral, or so much thereof as Beneficiary may reasonably direct from time to time, insured against

loss, damage and such other hazards, events and circumstances as Beneficiary may reasonably require in amounts reasonably satisfactory to Beneficiary, plus an amount sufficient to prevent any co-insurance liability of the owner of the Collateral and Beneficiary, for the benefit of Beneficiary, loss, if any, to be made payable in the policy or policies of insurance to Beneficiary as its interest may appear, the loss payable clauses to be in such form as Beneficiary may require. Subject to the rights of any holder of Permitted Liens, all insurance shall be in companies to which Beneficiary does not have a reasonable objection, the policies and renewals thereof shall, when issued, be immediately delivered to Beneficiary to be held by it, and all insurance policies shall provide for at least 30 calendar days prior written notice of cancellation to Beneficiary. Grantor will pay all premiums for such insurance when due. In the event of a material loss, Grantor will give prompt notice to Beneficiary and Beneficiary may make proof of loss if not made promptly by Grantor, subject to the rights of the Senior Lender. The proceeds of any insurance with respect to the Collateral shall be Collateral and, if no Event of Default has occurred and is continuing, and subject to the rights of any holder of Permitted Liens, the proceeds of any insurance, and any part thereof, with respect to the Collateral may be applied by Grantor, at its option, either to the reduction of the Obligations hereby secured or to the repair or replacement of the lost or damaged Collateral - unless a Requirement of Law mandates otherwise.

3.3.3. Further Acts by Grantor. Without limiting any of Grantor's covenants in this Security Agreement, but in addition thereto, Grantor shall, at the cost

and expense of Grantor, do and undertake such further acts and execute, acknowledge and deliver such further security agreements, pledges, mortgages, assignments, notices of assignments, endorsements, statements, agreements, assurances and undertakings as Beneficiary shall reasonably require, from time to time, (1) for the better assuring and confirming unto Beneficiary its security interest in the Collateral and its rights hereby granted, and intended both now and hereafter so to be, and (2) carrying out the intention and facilitating the performance of the terms of this Security Agreement and for filing, registering and recording this Security Agreement or notice of same (e.g., Financing Statements, Control Agreements, securities filings), or for complying with all applicable Requirements of Law.

3.3.4. Authorized Actions by Beneficiary. Grantor hereby irrevocably appoints Beneficiary as its attorney-in-fact (coupled with an interest) to (i) prior to or after the occurrence of an Event of Default, execute, deliver, and file Financing Statements covering the Collateral; and (ii) upon the occurrence of an Event of Default and during the continuance of such Event of Default, in either or both its own name or as "attorney-in-fact for Grantor" and without prior notice to and prior demand on Grantor, perform (but Beneficiary shall not be obligated to and shall incur no liability to Grantor and any third party for failure to do so) any act which Grantor is obligated by this Security Agreement to perform and any other acts which the Beneficiary deems appropriate to perfect and continue the security interests in the Collateral, unless such action is prohibited by the Subordination Agreement or by the UCC.

Article IV. Default and Remedies.

Section 4.1. Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default" hereunder:

(a) the failure of Grantor to make any payment due under any or all of the Obligations within three (3) business days after such payment first becomes due;

(b) the occurrence of an event of default (other than a payment default) under any or all of the Obligations (as such event of default is defined in the document evidencing the applicable Obligation);

(c) Grantor's breach of any of the material terms, conditions or covenants contained in this Security Agreement or the occurrence of some other material default under this Security Agreement; provided that Beneficiary gives notice to Grantor of such failure, identifying such notice as a default notice given pursuant to this Security Agreement, and such failure remains uncured for 30 days after Grantor's receipt of such notice (or, in the case of a failure that is not capable of being cured in such 30-day period, for such longer period as may be required for Grantor to cure such failure acting with due diligence, but in no event exceeding

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120 days), and provided further, however, that the foregoing notice and cure periods shall not apply if the breach or default is a result of any intentional breach by Grantor;

(d) the Collateral, or any material part thereof or interest therein, is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within 30 calendar days, or if Grantor is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon all or any material part of the Collateral or any interest therein, or if a notice of lien, levy or assessment is filed of record with respect to the Collateral, or any material part thereof or interest therein, by any person, and the same is not paid within 30 calendar days after Grantor receives notice thereof, provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Grantor;

(e) the insolvency of Grantor or any other person obligated on any of the Obligations, or the appointment of a receiver for, or the filing of a petition of bankruptcy by or against Grantor or any other person obligated on any of the Obligations;

(f) the execution or foreclosure on, or the giving of any notice relative to the planned execution or foreclosure on any security interest in or lien upon all or any of the Collateral, or any interest therein, to which the security interest and lien of this Security Agreement is subordinate; or

(g) default by Grantor, or any other person obligated thereon (other than Beneficiary), in keeping, performing or observing any term, covenant, agreement or condition of any Loan Document executed or delivered by or on behalf of Grantor, or such other person, to or in favor of Beneficiary in connection with any of the Obligations.

Notwithstanding the foregoing, the failure of Grantor to make any payment under any or all of the Obligations shall not constitute an Event of Default to the extent that Beneficiary is prohibited from accepting such payment (the "Restricted Payment Amount") pursuant to the terms of the Subordination Agreement dated as of the date hereof among Grantor, Beneficiary, and the Senior Lender.

Section 4.2. Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default under SECTION 4.1. or any other event defined in this Security Agreement as an "Event of Default", Beneficiary shall have the right to exercise the rights and remedies set forth in Sections 4.2.1. through 4.2.3., in addition to its other rights and remedies set forth in this Security Agreement and the other Loan Documents.

4.2.1. Accelerate Obligations. Beneficiary shall have the right, at its option, to declare all amounts payable under the Obligations to be immediately due and payable, whereupon the same shall become immediately due and payable, regardless of the maturity date thereof; and, if there is more than one Obligation secured by this Security Agreement, Beneficiary may, at its option, accelerate and declare immediately due and payable all of the Obligations - as provided aforesaid, or Beneficiary may from time to time and at any number of times accelerate and declare immediately due and payable any one or more of the Obligations as Beneficiary in its discretion elects to accelerate. Also, Beneficiary shall have the right, at its option, to declare due and payable any of and all of the other indebtedness and obligations owing under this Security Agreement that are not already due hereunder.

4.2.2. UCC Remedies. Beneficiary shall have all of the rights and remedies provided in the UCC and all of the rights and remedies otherwise provided at law and in equity, and may, without limiting and waiving in any way the foregoing, exercise any one or more of the following rights and remedies: (a) foreclose and otherwise enforce Beneficiary's security interests in any and all of the Collateral in any manner permitted by applicable Requirements of Law or this Security Agreement or under the Obligations; (b) sell and otherwise dispose of any and all Collateral at one or more public sales and at one or more private sales, whether or not such Collateral is present at the place of sale, for cash or credit, on such terms and in such manner as Beneficiary may determine; (c)

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require Grantor to assemble the Collateral and make it available to Beneficiary at a place to be designated by Beneficiary; (d) enter onto any land and other property where any Collateral is located and take possession of such Collateral with or without judicial process; and (e) prior to the disposition of the Collateral, store, process, repair or recondition any Collateral consisting of Goods, or otherwise prepare or preserve Collateral for disposition in any manner and to the extent Beneficiary deems appropriate.

In furtherance of Beneficiary's rights and remedies hereunder, Grantor hereby grants to Beneficiary an irrevocable, non-exclusive license (exercisable without royalty or other payment by Beneficiary) to use, license and sublicense any patent, trademark, trade name, copyright, software and other intellectual property in which Grantor now has any right, title and interest and any property in which it may in the future have any right, title and interest, together with the right of access to all tangible and electronic media in which any of the foregoing may be recorded or stored. Grantor hereby agrees: (a) that ten (10) calendar days notice of any intended sale and disposition of any Collateral is commercially reasonable; (b) that a shorter period of notice will be commercially reasonable if Beneficiary, in its opinion, deems it necessary to move more expeditiously with disposition of the Collateral and any part thereof; and (c) that the foregoing shall not require a notice if no notice is required under the UCC.

4.2.3. Proceeds of Sale. The proceeds of any sale of, and other realization upon, all and any part of the Collateral pursuant to SECTION 4.2.2. shall be applied by Beneficiary in the following order of priorities, unless Beneficiary determines in its sole discretion to apply payments in a different order or applicable Requirements of Law require a different application of payments: first, to payment of the costs and expenses of such sale and other realization, and all expenses, liabilities and advances incurred and made by Beneficiary in connection therewith, and any other unreimbursed costs and expenses for which Beneficiary is to be reimbursed pursuant to this Security Agreement or under the Obligations; second, to the payment of unpaid principal of the Obligations; third, to the payment of accrued but unpaid interest on the Obligations; fourth, to the payment of all other amounts owing and outstanding by Grantor, and any other person obligated on any of the Obligations, under the Obligations or this Security Agreement to Beneficiary as provided herein and therein, until all the foregoing shall have been paid in full; and finally, to payment to Grantor and its successors and assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

4.2.4. Discontinuance of Proceedings; Position of Parties Restored. If Beneficiary shall have proceeded to enforce any right and remedy under this Security Agreement by foreclosure, entry and otherwise and such proceedings shall have been discontinued or abandoned for any reason, or such proceedings shall have resulted in a final determination adverse to Beneficiary, then and in every such case Grantor and Beneficiary shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of Beneficiary shall continue as if no such proceedings had occurred or had been taken.

Article V. Miscellaneous.

Section 5.1. Incorporation of Exhibits and Recitals; Customer and Loan Numbers. All exhibits, schedules, addenda and other attachments to this Security Agreement are by this reference incorporated herein and made a part hereof as if fully set forth in the body of this Security Agreement. The recitals set forth in this Security Agreement are also a part of this Security Agreement. The Customer and Loan Numbers, if any, stated in this Security Agreement are for Beneficiary's internal business use and reference only and do not and shall not limit the scope and extent of Beneficiary's security interest or the Indebtedness secured hereby. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Security Agreement nor the intent of any provision hereof.

Section 5.2. Maintenance of Records by Beneficiary. Beneficiary is authorized to maintain, store and otherwise retain this Security Agreement in its original, inscribed tangible form or a record thereof in an electronic medium or other non-tangible medium which permits such record to be retrieved in a perceivable form; and that an accurate record of this Security Agreement in a non-tangible medium which is retrievable in a perceivable form shall be the agreement of Grantor to the same extent as if this Security Agreement was in its original, inscribed tangible medium and such a record shall be binding on and enforceable against Grantor notwithstanding the same is in a non-tangible form and

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notwithstanding the signatures of the signatories hereof are electronic, typed, printed, computer generated, facsimiles or other reproductions, representations or forms.

Section 5.3. Control Agreements; Etc. Except as set forth in the Subordination Agreement, Beneficiary shall not have any obligation or responsibility to do any of the following pursuant to this Security Agreement: (a) protect or preserve the Collateral against the rights of third persons having an interest therein; (b) subordinate its security interest in the Collateral to the interests of any third persons; or (c) enter into Control Agreements relative to the Collateral; provided, however, that nothing contained in this Section 5.3 shall be deemed to limit any provisions or duties of the Beneficiary set forth in the Stock Purchase Agreement or any employment agreement between the Grantor and any Beneficiary.

Section 5.4. No Deductions for Taxes or Withholdings; Documentary Taxes. All payments made by Grantor under this Security Agreement shall be made by Grantor free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings. In addition, to the extent not prohibited by law and notwithstanding who is liable for payment of the taxes

and fees, Grantor shall pay upon demand any intangible tax, documentary tax, stamp tax or other taxes, levies and charges of any jurisdiction with respect to the execution, delivery, registration, performance and enforcement of this Security Agreement. Upon the reasonable request by Beneficiary, Grantor shall furnish evidence satisfactory to Beneficiary that all requisite authorizations and approvals by, and notices to and filings with, governmental authorities and regulatory bodies have been obtained and made and that all requisite taxes, levies and charges have been paid.

Section 5.5. Marshalling of Assets. Grantor hereby waives, to the extent permitted by law, the benefit of all homestead, appraisal, valuation, stay, extension, reinstatement and redemption laws which are now in force and which may arise in the future and be in force, and all rights of marshalling in the event of any sale hereunder of the Collateral and any part or any interest therein. Further, Grantor hereby expressly waives on behalf of Grantor, and on behalf of each and every person acquiring any interest in and title to the Collateral subsequent to the effective date of this Security Agreement and on behalf of all other persons to the extent permitted by law, any and all rights of redemption from sale under any order or decree of foreclosure of this Security Agreement.

Section 5.6. Waiver of Statutory Rights. Grantor waives any right to require Beneficiary to bring any action against any other person and to require that resort be had to any security and to any balances of any deposit or other accounts on the books of Beneficiary in favor of any other person; and, without limiting the foregoing, but in furtherance thereof, Grantor waives any rights Grantor otherwise might have or may have in the future under the statutory provisions identified in the INFORMATION SCHEDULE (by referencing this Section), and any other laws that require or may require Beneficiary to recover against some other person, or to realize upon any security which Beneficiary holds for the Obligations.

Section 5.7. Jury; Venue; Jurisdiction. This Security Agreement shall be deemed to have been executed and delivered in the jurisdiction listed on the INFORMATION SCHEDULE as the jurisdiction whose laws govern this Security Agreement, regardless of where the signatories may be located at the time of execution, and this Security Agreement and the other Loan Documents shall be governed by and construed in accordance with the substantive laws of such jurisdiction, excluding, however, the conflict of law and choice of law provisions thereof. Notwithstanding the foregoing, to the extent any of the Collateral is located in another jurisdiction or other jurisdictions, the laws of the jurisdictions in which the Collateral is located shall govern with respect to Beneficiary's and Grantor's rights in and to Collateral located in such other jurisdictions and Beneficiary's remedies relative thereto. To the extent permitted by applicable law, each party hereby waives and agrees not to assert, by way of motion, as a defense or otherwise in any such action, any claim (i) that it is not subject to the jurisdiction of the above-named courts, (ii) that the action is brought in an inconvenient forum, (iii) that it is immune from any legal process with respect to itself or its property, (iv) that the venue of the suit, action or proceeding is improper or (v) that this Security Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 5.8. Cumulative Rights, etc. The rights, powers and remedies of Beneficiary under this Security Agreement shall be in addition to all rights, powers and remedies given to Beneficiary by virtue of any applicable laws and regulations, the other Loan Documents and any other agreement, all of which

rights, powers and remedies shall be cumulative and may be exercised by Beneficiary from time to time and at any number of times successively, concurrently and alternatively without impairing Beneficiary's rights under this Security Agreement.

Section 5.9. No Waiver; No Course of Dealing; No Invalidity. No delay and forbearance by Beneficiary in exercising any and all of its rights and remedies hereunder and rights and remedies otherwise afforded by law and in equity shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any Event of Default as set forth herein or in the event of any subsequent Event of Default hereunder. Also, no act or inaction of Beneficiary under this Security Agreement shall be deemed to constitute or establish a "course of performance or dealing" that would require Beneficiary to so act or refrain from acting in any particular manner at a later time under similar and dissimilar circumstances. Wherever possible each provision of this Security

Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Security Agreement.

Section 5.10. No Oral Change. This Security Agreement may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Grantor or Beneficiary, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 5.11. Payment of Expenses. Without limiting any other provision of this Security Agreement relating to Grantor's payment of costs and expenses incurred by and on behalf of Beneficiary, but in addition thereto, Grantor shall pay to Beneficiary on demand any and all costs and expenses incurred or paid by Beneficiary and incurred or paid on behalf of Beneficiary in doing any one or more of protecting its interest in the Collateral, collecting any amount payable hereunder and secured hereby and in enforcing its rights hereunder with respect to the Collateral (including commencing any foreclosure action and prosecuting or defending any legal proceeding and equitable proceeding), together with interest thereon at the Contract Rate from the date paid or incurred by Beneficiary and paid or incurred on behalf of Beneficiary until such costs and expenses are paid by Grantor. All sums so paid and expended by Beneficiary, and the interest thereon, shall be included in the Obligations and be secured by the security interest and lien of this Security Agreement.

Section 5.12. Relationship of Parties; Successors and Assigns. The Beneficiary has no fiduciary, trust, guardian, representative, partnership, joint venturer and other similar relationship to and with Grantor pursuant to this Security Agreement, and no such relationship shall be drawn and implied from this Security Agreement or any of Beneficiary's actions or inactions hereunder and with respect hereto, and Beneficiary has no obligation to Grantor and any other person relative to administration of any of the Obligations and the Collateral, and any part or parts thereof, pursuant to this Security Agreement; provided, however, that nothing contained in this Section 5.12 shall be deemed to limit any provisions or duties of the Beneficiary set forth in the Stock Purchase Agreement or any employment agreement between the Grantor and any Beneficiary. The covenants, terms and conditions herein contained shall bind, and the benefits and powers shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties hereto, as well as any persons who become bound hereto as a debtor.

Section 5.13. Notices. All notices, certificates, requests for information and other communications hereunder shall be deemed given when given in the manner provided in the Note.

Section 5.14 Cancellation of Security Agreement. If at any time during the period of this Security Agreement there are no Obligations outstanding and all obligations and other sums due and owing under this Security Agreement by Grantor have been paid and satisfied in full, Beneficiary will, upon written request of Grantor and at Grantor's costs and expense, execute and deliver to Grantor a reconveyance or satisfaction of this Security Agreement.

Section 5.15 Representative. Each Beneficiary named herein has designated and appointed James F. Soffe and his successors (the "Representative") as his representative to act in the name of, for and on behalf of each such party with

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respect to any and all matters relating to this Security Agreement. Each and every act of Representative shall be in the name of, for and on behalf of such parties and shall bind each of the Beneficiaries. All notices to and consents of the Beneficiaries permitted or required hereunder shall be delivered to or obtained from the Representative and such notices and consents shall be deemed notices to and consents of each of the Beneficiaries.

(SIGNATURES BEGIN ON THE NEXT PAGE, FOLLOWED BY INFORMATION SCHEDULE,
ATTACHMENTS, ETC.)

The undersigned has executed this Security Agreement as of the effective date set forth in the INFORMATION SCHEDULE.

MJS Acquisition Company

Witness:

By: /s/ Robert W. Humphreys

/s/ Melinda Davis-Lux

Print Name: Robert W. Humphreys
Title: President and CEO

Print Name: Melinda Davis-Lux

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SECURITY AGREEMENT SUPPLEMENT
& INFORMATION SCHEDULE

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Subject

Information

EFFECTIVE DATE OF
SECURITY AGREEMENT

DATE: OCTOBER 3, 2003

Grantor:

Full Legal Name:

MJS Acquisition Company

Street Address:

100 West Pine Street

P.O. Box:

City: Maiden

State: NC

Zip Code: 28650

Type of Organization: Corporation

State of Organization: North Carolina

Identification No.
(Tax or SS#):

Chief Executive Office:

Places of Business 1.

Trade Names: 1.

Contact Person:

Telephone Number:

Facsimile Number:

Email Address:

Chief Executive Office:

Places of Business: 1.

Trade Names: 1.

Beneficiaries: Full Name: James F. Soffe

Street Address: 1414 Lakeview Drive

P.O. Box:

City: Fayetteville

State: NC

Zip Code: 28305

Full Name: John D. Soffe

Street Address: 309 Sylvan Road

P.O. Box:

City: Fayetteville

State: NC

Zip Code: 28305

Full Name: Anthony M. Cimaglia

Street Address: 600 Forest Lake Road

P.O. Box:

City: Fayetteville

State: North Carolina

Zip Code: 28305

Contact Person:

Telephone Number:

Facsimile Number:

Email Address:

OBLIGATIONS:
shall mean,
performance of,
herein, each
evidenced by the
Grantor to
amendments,
in whole and
Additional
Restated Stock
hereof between
Purchase
under the Deed
dated of even
Trust").

In this Security Agreement, the term "Obligations"
and this Security Agreement secures payment and
among other indebtedness and obligations as provided
and all of the following: (1) the indebtedness
promissory note dated as of the date hereof from
Beneficiary, and extensions, renewals, modifications,
substitutions and replacements therefor and thereof,
in part, (2) the obligation of Grantor to pay the
Consideration (as defined in the Amended and
Purchase Agreement dated as of the date
Beneficiary, Grantor and other parties ("Stock
Agreement") to Beneficiary and (3) the obligations
of Trust (whether one or more) executed by Grantor
date herewith in favor of Beneficiary ("Deeds of

Collateral:

Type (see ATTACHMENT 1
for more particular
description):

Non-Consumer Goods

Accounts

General Intangibles

Instruments, Chattel Paper or Documents

Investment Property and Financial Assets

Deposit Accounts

Letter of Credit Rights

Letters of Credit or

All Personal Property

of property in Grantor's constructive possession and control, property in the Grantor's actual possession and control and property in the possession and control of a third person for and on behalf of Grantor; excluding, however, the rights and interests of Grantor under that certain Amended and Restated Stock Purchase Agreement dated as of the date hereof (the "Stock Purchase Agreement") among Grantor, Beneficiary, Delta Apparel, Inc., and M. J. Soffe Co. and under all other Related Agreements (as defined in the Stock Purchase Agreement) to which it is a party, and, without limiting the foregoing but in furtherance thereof, the following now existing and hereafter acquired and arising property and property rights and benefits, together with all replacements, substitutions, additions, accessions, products and proceeds thereof and of anything described herein:

(a) all Accounts (which shall include all present and future rights of Grantor to payment of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a secondary obligation incurred or to be incurred, or (d) arising out of the use of a credit or charge card or information contained on or for use with the card);

(b) all general intangibles, including, without limitation, all Intellectual Property (which shall include Grantor's now owned and hereafter arising or acquired: patents, patent rights, patent applications, copyrights,

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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 (including any goodwill associated with any trademark or the license of any trademark); customer and other lists in whatever form maintained; and trade secret rights, copyright rights, rights in works of authorship, domain names and domain name registrations; software and contract rights relating to computer software programs, in whatever form created or maintained);

(c) all goods, including, without limitation, Inventory (which shall include mean all of Grantor's now owned and hereafter existing or acquired goods, wherever located, which (a) are leased by Grantor as lessor; (b) are held by Grantor for sale or lease or to be furnished under a contract of service; (c) are furnished by Grantor under a contract of service; or (d) consist of raw materials, work in process, finished goods or materials used or consumed in its business) and Equipment (which shall mean shall mean all of Grantor's now owned and hereafter acquired equipment, wherever located, including machinery, data processing and computer equipment and computer hardware and software (whether owned or licensed, and including embedded software), 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;

(d) all Real Property (all now owned and hereafter acquired real property of Grantor, 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) and fixtures;

(e) all chattel paper including, without limitation, all tangible and electronic chattel paper;

(f) all instruments including, without limitation, all promissory notes;

(g) all documents;

(h) all deposit accounts;

(i) all letters of credit, banker's acceptances and similar instruments and including all letter-of-credit rights;

(j) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of

Receivables (which shall mean all of the following now owned or hereafter arising or acquired property of Grantor: (a) all Accounts; (b) all amounts at any time payable to Grantor in respect of the sale or other disposition by Grantor 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 payment intangibles of Grantor, letters of credit, indemnities, guarantees, security or other deposits and proceeds thereof issued payable to Grantor or otherwise in favor of or delivered to Grantor in connection with any Account; or (e) all other accounts, contract rights, chattel paper, instruments, notes, general intangibles and other forms of obligations owing to Grantor, 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 Grantor or to or for the benefit of any third person (including loans or advances to any affiliates or subsidiaries of Grantor) or otherwise associated with any Accounts, Inventory or general intangibles of Grantor (including, without limitation, choices in action, causes of action, tax refunds, tax refund claims, any funds which may become payable to Grantor in connection with the termination of any employee benefit plan ("Plan") and any other amounts payable to Grantor 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 lives of employees on which Grantor is a beneficiary) and

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other Collateral, including (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Receivables or other Collateral, including returned, repossessed and reclaimed goods, and (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors;

(k) all (i) investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts) and (ii) monies, credit balances, deposits and other property of Grantor now or hereafter held or received by or in transit to Beneficiary or at any depository or other institution from or for the account of Grantor, whether for safekeeping, pledge, custody, transmission, collection or otherwise;

(l) all commercial tort claims;

(m) to the extent not otherwise described above, all Receivables;

(n) all Records (which shall mean all of Grantor'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 Grantor with respect to the foregoing maintained with or by any other person); and

(o) 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 or other involuntary conversion of any kind or nature of any or all of the other Collateral.

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(DEFINITIONS)

IN THIS SECURITY AGREEMENT, THE TERMS DEFINED BELOW SHALL HAVE THE MEANINGS ASCRIBED THERETO AS SET FORTH BELOW:

(a) "Accounts" shall have the meaning given to that term in ATTACHMENT 1 to this Security Agreement, if defined therein, otherwise the meaning given to that term in the UCC;

(b) "Collateral" shall have the meaning given to that term in SECTION 2.1. of this Security Agreement and shall include, without limitation, proceeds, products and as-extracted collateral thereof and any additions and accessions thereto;

(c) "Contract Rate" shall mean the contract rate at which interest accrues from time to time on the Obligations hereby secured;

(d) "Control Agreement" shall have the meaning given to that term in ATTACHMENT 1 to this Security Agreement, if defined therein, otherwise the meaning given to that term in the UCC;

(e) "Deposit Account" shall have the meaning given to that term in ATTACHMENT 1 to this Security Agreement, if defined therein, otherwise the meaning given to that term in the UCC;

(f) "Equipment" shall have the meaning given to that term in ATTACHMENT 1 to this Security Agreement, if defined therein, otherwise the meaning given to that term in the UCC;

(g) "Financial Assets" shall have the meaning given to that term in ATTACHMENT 1 to this Security Agreement, if defined therein, otherwise the meaning given to that term in the UCC;

(h) "Financing Statement" shall have the meaning given to such term under the UCC and shall include original (or initial), continuation, amendment, release, termination and other forms or types of statements permitted to be filed or recorded pursuant to the UCC;

(i) "General Intangibles" shall have the meaning given to that term in ATTACHMENT 1 to this Security Agreement, if defined therein, otherwise the meaning given to that term in the UCC;

(j) "Grantor" shall have the meaning given to that term in the introductory paragraph of this Security Agreement and shall include successors and permitted assigns. The identity of Grantor as of the effective date of this Security Agreement is more particularly set forth on the INFORMATION SCHEDULE annexed to this Security Agreement;

(k) "Guaranty" shall mean that certain Guaranty executed by Delta Apparel, Inc. in favor of James F. Soffe, John D. Soffe and Anthony M. Cimaglia dated as of October 3, 2003.

(l) "Information Schedule" shall mean the "Security Agreement Supplement & Information Schedule" annexed to this Security Agreement;

(m) "Inventory" shall have the meaning given to that term in ATTACHMENT 1 to this Security Agreement, if defined therein, otherwise the meaning given to that term in the UCC;

(n) "Investment Property" shall have the meaning given to that term in ATTACHMENT 1 to this Security Agreement, if defined therein, otherwise the meaning given to that term in the UCC;

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(o) "Letter of Credit" shall have the meaning given to that term in ATTACHMENT 1 to this Security Agreement, if defined therein, otherwise the meaning given to that term in the UCC;

(p) "Loan Documents" shall mean this Security Agreement, the Note, the Pledge Agreement, the Guaranty with respect to, and to the extent related to, the Note and the Additional Consideration, and the Deeds of Trust, all schedules and exhibits to the foregoing, and all Financing Statements related to the foregoing.

(q) "Note" shall mean the promissory note dated October 3, 2003 from MJS Acquisition Company to Beneficiary, and extensions, renewals, modifications, amendments, substitutions and replacements therefor and thereof.

(r) "Obligations" shall have the meaning given to that term in the INFORMATION SCHEDULE;

(s) "Permitted Liens" shall mean liens so designated on the INFORMATION SCHEDULE;

(t) "Pledge Agreement" shall mean that certain Pledge Agreement by and between Delta Apparel, Inc. in favor of James F. Soffe, John D. Soffe and Anthony M. Cimaglia dated October 3, 2003;

(u) "Real Property" shall mean the parcels of land described on the INFORMATION SCHEDULE;

(v) "Requirement of Law" shall mean as to any person, the certificate of incorporation and by-laws or other organizational or governing documents of such person, and any law, treaty, rule and regulation, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such person or any of its properties or to which such person or any of its properties is subject, whether individually or jointly with another person or persons;

(w) "Security Agreement" means this Security Agreement, as renewed, extended, amended, modified, supplemented and restated from time to time;

(x) "Senior Indebtedness" means the indebtedness and availability of Delta Apparel, Inc. or Grantor as of the date hereof (plus, with respect to the availability of Grantor, an additional \$2,500,000 that may become available under Grantor's credit facility at the option of Grantor) with respect to borrowed money under credit facilities with banks or other financial institutions that bear either a fixed or variable rate of interest and are secured by a first lien on the assets of Delta Apparel, Inc. (the term loan portion of which shall not exceed \$10,000,000 in the aggregate) or Grantor, and renewals, extensions, refinancings and replacements thereof (the term loan portion of which, with respect to Delta Apparel, Inc., shall not exceed \$10,000,000 in the aggregate).

(y) "Senior Lender" means the lender or lenders providing the Senior Indebtedness and any agent acting on behalf of all or any of the foregoing.

(z) "State" shall mean or reference one or more of the fifty (50) States that make up the United States of America, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States of America;

(aa) "UCC" shall mean the Uniform Commercial Code as in effect, from time to time, in the State whose laws govern this Security Agreement.

SPACE ABOVE LINE FOR PROCESSING DATA

RETURN TO:
Peggy H. Hey, Esq.
POYNER & SPRUILL LLP
301 South College Street, Suite 2300
Charlotte, NC 28202

PREPARED BY:
Peggy H. Hey, Esq.
POYNER & SPRUILL LLP
301 South College Street
Suite 2300
Charlotte, NC 28202

State of North Carolina

County of Robeson

DEED OF TRUST, ASSIGNMENT OF RENTS AND
SECURITY AGREEMENT

This record, in addition to covering other property: covers timber to be cut; covers as-extracted collateral; is filed as a fixture filing and covers goods that are or are to become fixtures. The real property to which the foregoing is related is described hereinbelow. The "Secured Party" is the Beneficiary identified below and the "Debtor" is the Grantor identified below. The record owner is: Grantor. This document serves as a fixture filing under the North Carolina Uniform Commercial Code (N.C.G.S ss.25-9-502).

NOTICE: THE DEBT SECURED HEREBY IS SUBJECT TO CALL IN FULL OR THE TERMS THEREOF BEING MODIFIED IN THE EVENT OF SALE OR CONVEYANCE OF THE PROPERTY CONVEYED.

THIS DEED OF TRUST, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT ("Deed of Trust"), entered into as of the effective date as stated in the DEED OF TRUST SUPPLEMENT & INFORMATION SCHEDULE ("Information Schedule") attached to this Deed of Trust, by M. J. SOFFE CO. (whether one or more, "Grantor") with a mailing address of One Soffe Drive, Fayetteville, North Carolina 28302 to SPRUILLCO, LTD. ("Trustee"), with a mailing address of 3600 Glenwood Avenue, Raleigh, North Carolina 27612, for the benefit of JAMES F. SOFFE, JOHN D. SOFFE and ANTHONY M. CIMAGLIA (collectively, the "Beneficiary"), with a mailing address of 822 Shannon Drive, Fayetteville, NC 28302, which address is the place to which all notices and communications should be sent to Beneficiary regarding this Deed of Trust.

A. Grantor desires to secure (1) the payment of the Obligations (as defined in the INFORMATION SCHEDULE), with interest thereon, and all extensions, renewals, modifications, amendments, substitutions and replacements thereof and therefor, in whole or in part, (2) the payment of all other sums, with interest thereon, advanced in accordance with the Obligations or herewith to protect the security

of this Deed of Trust, or advanced to protect the rights of Beneficiary hereunder or under the Obligations, (3) the performance of the covenants and agreements contained herein and (4) the performance of the covenants and agreements contained in the Obligations and those in all documents evidencing or securing the Obligations, by a conveyance of Grantor's interest in the lands and improvements and a grant of the security interests hereinafter described.

B. The maximum principal amount of the Obligations that may be secured by this Deed of Trust at any one time is an amount up to Twenty Million Dollars (\$20,000,000.00). The current principal amount of the Obligations outstanding which are secured by this Deed of Trust as of the date hereof (including any amounts which have been advanced prior to the date hereof) is Twenty Million Dollars (\$20,000,000).

C. The Obligations shall be evidenced by one or more instruments (to include promissory notes), supporting obligations (to include guarantees), and other evidences of an indebtedness or other obligation owing to Beneficiary by the person identified on the INFORMATION SCHEDULE under the heading "Obligations" as the obligor, such evidences of indebtedness or other obligation and all extensions, renewals, modifications, amendments, substitutions and replacements

thereof and therefor to be in a written form, the terms and conditions (including the maturity dates of the Obligations) of which are incorporated herein by reference, and which Obligations may contain provisions for the adjustment of the interest rate or rates, adjustments in payments, extension or renewal of the term or terms, among other things.

NOW, THEREFORE, in consideration of the premises and for the purpose of securing the Obligations and the other indebtedness and obligations as aforesaid, and in further consideration of the sum of Ten Dollars (\$10) paid to Grantor by Trustee, receipt of which is hereby acknowledged, Grantor has given, granted, bargained, sold and conveyed, and by these presents does give, grant, bargain, sell and convey unto Trustee, his heirs, successors and assigns, with power of sale, for the benefit of Beneficiary and upon the representations, warranties, covenants, terms and conditions set forth in this Deed of Trust, all of Grantor's right, title and interest in and to (1) the parcels of land described on EXHIBIT A, (2) the rights and benefits appurtenant to said parcels of land and (3) the buildings and other improvements (to include manufactured homes) now located thereon and thereunder and those which in the future may be or may come to be located thereon and thereunder (collectively, the "Property"), together with all equipment, fixtures, standing timber, crops grown, growing and to be grown on the Property (to include crops that are produced on trees, vines and bushes, and aquatic goods) and other farm products (to include livestock - born and unborn, supplies and products of crops and livestock), oil, gas and other minerals and as-extracted collateral owned by Grantor and that in which the Grantor has any rights and interests, both now existing and located in, on, over and under the Property and that which may be hereafter acquired and located as aforesaid, whether used in connection with the ownership, possession, operation and maintenance of the Property, or otherwise (collectively, the "Collateral" and the Collateral includes any and all of the proceeds and products thereof, including insurance and condemnation proceeds, accessions and additions thereto, and replacements and substitutions therefor).

TO HAVE AND TO HOLD the Property and Collateral, with all the rights, privileges and appurtenances thereunto belonging or appertaining to Trustee, his heirs, successors and assigns, forever, upon the trusts and for the uses and purposes herein set out.

Grantor covenants with Trustee that it is seized of the Property in fee, that it is seized of the Collateral in fee, and has the right to convey its interest in the Property and Collateral as provided herein; that title is marketable and free and clear of all encumbrances; and that it will warrant and defend the title to the Property and Collateral against the lawful claims of all persons whomsoever that arise from and after the date of the stock purchase as set forth in the Stock Purchase Agreement (defined herein), except (with respect to all of this paragraph) for all of the exceptions set forth in the INFORMATION SCHEDULE under the heading "Permitted Liens", or such other exhibit or schedule, if any, attached to this Deed of Trust.

Grantor represents, warrants, covenants and agrees with Trustee and Beneficiary as set forth above and in the Sections set forth hereinbelow:

Section 1. Payment of Amounts Due under the Obligations. Grantor shall pay when due all amounts owing by it, and perform all other obligations required to be performed from time to time by it, under each and all of the Obligations and this Deed of Trust.

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Section 2. Payment of Taxes, Assessments and other Amounts; Maintenance of Insurance.

2.1 Payment of Taxes, etc. Grantor covenants and agrees that it will pay when due, all taxes, assessments, levies and charges upon or against the Property and upon or against the Collateral, of every character which are now liens thereon and any which may hereafter become liens thereon; and upon Beneficiary's request, immediately deliver to Beneficiary official receipts therefor. To the extent Grantor does not so pay, Beneficiary may, at its option, pay any such taxes, assessments, levies and charges against the Property and those against the Collateral, and the official receipts therefor shall be conclusive evidence of payment, the amount due and validity thereof. Any amounts so expended shall immediately become debts due by Grantor payable on demand, shall bear interest at the Contract Rate, and their payment shall be secured by this Deed of Trust.

2.2 Insurance. Grantor covenants and agrees that it will keep the Property

and Collateral insured against loss and damage by fire, tornado and windstorm, and against such other hazards, events and circumstances as Beneficiary may reasonably require, in reasonable amounts, for the benefit of Beneficiary, loss, if any, to be made payable in the policy or policies of insurance to Beneficiary as its interest may appear, the loss payable clauses to be in such form as Beneficiary may reasonably require. All insurance shall be in companies reasonably approved by Beneficiary copies of the policies and renewals thereof shall, when issued, be immediately delivered to Beneficiary to be held by it, and all insurance policies shall provide for at least thirty (30) days prior written notice of cancellation to Beneficiary. Grantor will pay all premiums for such insurance when due and if requested of Beneficiary, deliver to Beneficiary official receipts therefor. To the extent Grantor does not so pay, Beneficiary may, at its option, pay the same and any amounts so expended shall immediately become debts due by Grantor payable on demand, shall bear interest at the Contract Rate, and their payment shall be secured by this Deed of Trust. In the event of loss, Grantor will give immediate notice by mail to Beneficiary, who may make proof of loss if not made promptly by Grantor. The proceeds of any insurance, or any part thereof, may be applied by Grantor, at its option, either to the reduction of the indebtedness hereby secured in such order as Grantor so determines in its discretion, or to the restoration or repair of the Property and the Collateral - unless applicable law prohibits Grantor from electing between those two options, in which event the proceeds shall be applied as applicable law mandates.

2.3 Escrow Accounts. After Grantor's failure to pay and, if Beneficiary requires and the Property or Collateral is not subject to a superior deed of trust for which the Beneficiary of such has not paid, then Grantor agrees to pay and shall pay on the first day of each month or such other day as Beneficiary may direct, to Beneficiary or to its duly authorized representative, a sum equal to one-twelfth of the known or estimated (by Beneficiary) yearly taxes, assessments and insurance premiums on or against the Property and the Collateral. Beneficiary shall be under no obligation to pay interest on such payments, unless payment of interest is mandated under applicable law and then only the minimum amount required under applicable law. Beneficiary shall hold and apply such payments to the payment of taxes, assessments and insurance premiums as and when due. If the total of such monthly payments shall exceed the amount needed, the excess shall be held for future needs, unless a different application is mandated under applicable law; but, should such monthly payments at any time fail to provide sufficient funds to pay taxes, assessments and insurance premiums when due, then Grantor shall, upon written demand, pay to Beneficiary, within ten (10) days of receipt of such demand, the amount necessary to cover the deficiency. In the event of a foreclosure sale or deed-in-lieu thereof, Beneficiary may apply any balance remaining of the funds accumulated for the above purposes to the payment of the indebtedness secured by this Deed of Trust, unless such application is prohibited under applicable law.

Section 3. Maintenance of the Property. Grantor covenants and agrees that (1) it will not commit or permit any waste to the Property and the Collateral, and will keep the Property and Collateral in as good order, repair and condition as it is now, reasonable wear and tear excepted, and (2) it will do and cause to be done - - and refrain from doing and causing to be done - such acts relating to the Property and the Collateral as Beneficiary may, from time to time, reasonably request. Beneficiary shall have the right to inspect, at all reasonable times, the Property and Collateral.

Section 4. Assignment of Rents, Leases and Profits; Management of Property; Appointment of Receiver. As further security for the payment of the Obligations and the other indebtedness and obligations secured by this Deed of Trust, if and when the Property or Collateral is not subject to a superior deed of trust, Grantor will assign to Trustee and Beneficiary all rents, profits, revenues,

royalties, accounts, moneys, contract rights, leases, intangible rights and other benefits arising from, related to and otherwise connected to or flowing from the Property and the Collateral, all of which are a part of and included as a subset within the terms "Property" and "Collateral" (the rents, profits, etc. are collectively, the "Rents and Profits"); and Beneficiary shall have the absolute and unconditional right, upon and during the continuance of an Event of Default hereunder, either by entering upon and taking possession of either or both the Property and the Collateral, or otherwise, to rent or continue renting the same, at any reasonable rate of rent determined by Beneficiary and to otherwise manage and operate the Property and the Collateral in such manner as it deems necessary or appropriate, to collect the Rents and Profits, and, after deducting from any Rents and Profits actually collected from the management and

operation of the Property and the Collateral the costs and expenses thereof (including, without limitation, payment of all expenses related to the Property and the Collateral as may be required or permitted under this Deed of Trust or which may be necessary to protect the security of this Deed of Trust, as Beneficiary in its reasonable discretion deems appropriate), to apply the remainder to payment of the Obligations secured hereby and any other indebtedness and obligations secured hereby, in such order as Beneficiary may determine, unless a specific order of application is mandated under applicable law. Also, if and when the Property or Collateral is not subject to a prior deed of trust and upon and during the continuance of an Event of Default, Beneficiary shall have the absolute and unconditional right to apply for and to obtain the appointment of a receiver or similar official for all or a portion of the Property and the Collateral, to, among other things, manage and operate the Property and the Collateral, or any part thereof or interest therein, and to collect and apply the Rents and Profits as provided above. In the event of such application, Grantor consents to the appointment of such receiver or similar official and agrees that such receiver or similar official may be appointed without notice to Grantor (unless notice is mandated under applicable law and then with only such minimum notice as may be mandated under applicable law), without regard to the adequacy of any security for the indebtedness secured hereby and without regard to the solvency of Grantor or any other person who may be liable for the payment of the Obligations or any other indebtedness or obligations secured hereunder - unless thresholds for adequacy of security or solvency are mandated by applicable law and then with only the minimum thresholds so mandated. All expenses related to the appointment of a receiver or other similar official hereunder shall be the responsibility of Grantor, but if paid by Beneficiary, Grantor hereby agrees to pay to Beneficiary, immediately and without demand, all such expenses, together with interest thereon from the date of payment of the same at the Contract Rate. All sums so paid by Beneficiary, and the interest thereon, shall be added to and be secured by the lien of this Deed of Trust. This provision is subordinate to the collateral assignment contained in the Congress Deed of Trust and any collateral assignment executed pursuant to the Congress Deed of Trust or concerning the indebtedness secured by the Congress Deed of Trust.

Section 5. Condemnation. Subject to the rights of any superior holder of a deed of trust on the Property or Collateral, unless otherwise prohibited by applicable law, Grantor covenants and agrees that in the event of a condemnation, or other taking by eminent domain or other proceeding, of the Property and the Collateral, or any part of or interest, right or estate in either or both. Grantor shall have the right to apply the proceeds to the Obligations or to acquire additional property to replace the Property and the Collateral.

Section 6. Sale or Transfer of Property; Junior Liens. Except as provided in the INFORMATION SCHEDULE under the heading "Jurisdiction Specific Provisions", Grantor covenants and agrees that the sale, conveyance-in-lieu-of-condemnation, lease, demise, further encumbrance (including, without limitation, by way of mortgage, deed of trust, security deed, deed to secure debt, declaration of trust, assignment, pledge or security agreement), transfer or other disposition by Grantor, either directly or indirectly, voluntarily or involuntarily, of all or any material part of the Property or the Collateral, or any material interest, right or estate in either or both, without Beneficiary's prior written consent, which may not be withheld unreasonably, shall be an Event of Default under this Deed of Trust and shall entitle Beneficiary to exercise, at its option, any and all rights and remedies provided to Beneficiary under this Deed of Trust upon and during the continuance of an Event of Default; provided, however, if Grantor has the written consent of the holder of the Congress Deed of Trust to do such act then it shall not need the consent of Beneficiary.

Section 7. Security Agreement; Harmonization of Conflicts. Grantor hereby grants to Beneficiary a security interest in the Collateral and any of the Property constituting personal property for the purpose of securing the payment of the Obligations, with interest thereon, and extensions, renewals, modifications and amendments thereof, or substitutions and replacements therefor, in whole or in part, the payment of all other sums, with interest thereon, at the Contract Rate, advanced in accordance with the Obligations or hereunder to protect the security of this Deed of Trust, or advanced to protect the rights of Beneficiary

hereunder or under the Obligations, and to secure the performance of the covenants and agreements contained herein and in the Obligations. This Deed of Trust constitutes a "security agreement" with respect to the Collateral and the Property constituting personal property as that term is now or hereafter used in

the Uniform Commercial Code as enacted in the jurisdiction whose laws govern this Deed of Trust, and Beneficiary shall have all of the rights and remedies provided to a secured party now or hereafter under the Uniform Commercial Code as enacted in such jurisdiction, including, without limitation, the right to proceed against the Collateral and the Property constituting personal property in accordance with the provisions of the Uniform Commercial Code relating to default and enforcement of a security interest by a secured party, or to instruct the Trustee to proceed as to the Collateral and the Property, including, without limitation, that which constitutes personal property, in accordance with laws applicable to foreclosure of real estate interests in the jurisdiction whose laws govern this Deed of Trust, as provided herein. If Grantor has executed and delivered to Beneficiary a separate security agreement or agreements in connection with any or all of the Obligations, that security agreement or those security agreements and the security interests created therein shall be in addition to and not in substitution of this Deed of Trust and the liens and security interests created hereby and this Deed of Trust shall be in addition to and not in substitution of the other security agreement or agreements and the security interests created thereby. In all cases this Deed of Trust and the aforesaid security agreement or agreements, shall be applied and enforced in harmony with and in conjunction with each other to the end that Beneficiary realizes fully upon its rights and remedies in each and the liens and security interests created by each; and, to the extent conflicts exist between this Deed of Trust and the other security agreements or records, they shall be resolved in favor of Beneficiary for the purpose of achieving the full realization of Beneficiary's rights and remedies and the liens and security interests as aforesaid.

Section 8. Third Party Grantors. Any Grantor who executes this Deed of Trust but is not a party to or obligated on any of the Indebtedness included in the Obligations, is executing this Deed of Trust to mortgage, grant and convey Grantor's interest in the Property and the Collateral under the terms of this Deed of Trust and, except as otherwise provided in this Deed of Trust with respect to obligations of Grantor hereunder or referred to in this Deed of Trust, is not personally obligated to pay the sums secured by this Deed of Trust over and above the value of the Property and the Collateral and the loss such Grantor will incur from a foreclosure thereon or from delivery of a deed-in-lieu of foreclosure.

Section 9. Legal Matters.

9.1 Compliance with Laws. Grantor represents and warrants to Beneficiary, after due inquiry and investigation, that while Beneficiary has any interest in or lien upon the Property, the Property and Collateral at all times hereafter will continue to be in substantially full compliance with all applicable federal, state and local laws, regulations, ordinances, directives, orders, guidelines and advisory opinions, including, without limitation, (i) environmental laws, regulations, ordinances, directives, orders, guidelines and advisory opinions, (ii) laws, regulations, ordinances, directives, orders, guidelines and advisory opinions relating to access to, from, in, around and over the Property by persons with physical or other disabilities (e.g. Americans With Disabilities Act of 1990 (42 U.S.C. ss.12101 et seq.) and regulations and guidelines promulgated thereunder and any similarly motivated state and local laws and regulations) and (iii) other laws, regulations, ordinances, directives, orders, guidelines and advisory opinions relating to public health, welfare and safety. Grantor will constantly maintain all licenses, permits and approvals required with respect thereto, and will remain in substantially full compliance with all of the terms, conditions and requirements of such licenses, permits and approvals.

9.2 Notices. Grantor represents and warrants to Beneficiary that it will promptly notify Beneficiary of any change in the nature or extent of any hazardous substances located or maintained on, in or under the Property or used in connection with the Property or Collateral. Grantor covenants and agrees to immediately transmit to Beneficiary copies of any regulatory notices received with respect to any hazardous substances affecting the Property or Collateral.

9.3 Indemnification. Grantor shall indemnify and hold Beneficiary and Trustee harmless from and against any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including, without limitation, clean-up costs), judgments and expenses (including, without limitation, reasonable attorneys', consultants' and experts' fees and expenses) of every kind and

indirect result of: (1) any breach by Grantor of a covenant or agreement in this SECTION 9; or (2) any requirement under any federal, state or local law, regulation, ordinance, directive, order, guideline or advisory opinion which requires the elimination, removal, containment or control of any hazardous substances that are brought onto the Property after the date hereof but not including any damages, penalties, fines, claims, liens, suits, liabilities, costs, judgments and expenses that are caused by any Beneficiary's negligent acts or omissions in his capacity as an employee of Grantor after the date hereof. Grantor's obligations hereunder to Beneficiary shall not be limited by the term of the Obligations secured hereby, and, as to any act or event occurring prior to payment in full and satisfaction of the Obligations but after the stock purchase as evidenced by the Stock Purchase Agreement and all other indebtedness and obligations under this Deed of Trust, Grantor's obligations hereunder shall continue, survive and remain in full force and effect notwithstanding payment in full and satisfaction of the Obligations and this Deed of Trust or foreclosure under this Deed of Trust or delivery of a deed-in-lieu of foreclosure.

Section 10. Events of Default. Remedies Upon Default.

10.1 Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default" hereunder: (1) the failure of Grantor to make any payment due under any or all of the Obligations within three (3) business days after such payment first becomes due; (2) the occurrence of an event of default (other than a payment default) under any or all of the Obligations (as such event of default is defined in the document evidencing the applicable Obligation); (3) Grantor's breach of any of the terms or covenants contained in this Deed of Trust or the occurrence of some other default under this Deed of Trust; provided that Beneficiary gives notice to Grantor of such failure identifying such notice as a default notice given pursuant to this Deed of Trust, and such failure remains uncured for 30 days after Grantor's receipt of such notice (or, in the case of a failure that is not capable of being cured in such 30-day period, for such longer period as may be required for Grantor to cure such failure acting with due diligence, but in no event exceeding 120 days); (4) the actual or threatened uninsured demolition, injury or waste to the Property, the Collateral, or any material part of either or both, which, in the reasonable opinion of Beneficiary, may materially impair its value; (5) the Property, the Collateral, or any material part of either or both, or interest therein, is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within thirty (30) days, or if Grantor is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon all or any material part of the Property or Collateral or any interest therein, or if a notice of lien, levy or assessment is filed of record with respect to the Property or Collateral, or any material part thereof or interest therein, by any person, and the same is not paid within thirty (30) days after Grantor receives notice thereof, provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Grantor; (6) the insolvency of Grantor, or the appointment of a receiver for, or the filing of a petition of bankruptcy by or against Grantor; or (7) the execution or foreclosure on, or the giving of any notice relative to the planned execution or foreclosure on any security interest in or lien upon the Property or the Collateral, or any material part thereof, or any interest therein, to which the security interest and lien of this Deed of Trust is subordinate to. Notwithstanding the foregoing, the failure of Grantor to make any payment under any or all of the Obligations shall not constitute an Event of Default to the extent that Beneficiary is prohibited from accepting such payment (the "Restricted Payment Amount") pursuant to the terms of the Subordination Agreement dated as of the date hereof among Grantor, Beneficiary, and the Senior Lender.

10.2 Rights and Remedies. Upon and during the continuance of an Event of Default under SECTION 10.1 or any other event defined in this Deed of Trust as an "Event of Default", Beneficiary and Trustee shall have the rights and remedies set forth in SECTIONS 10.2.1 THROUGH 10.2.4., in addition to their other rights and remedies set forth in this Deed of Trust.

10.2.1 Accelerate Obligations. Beneficiary shall have the right, at its option, to declare all amounts payable under any or all of the Obligations, as well as any or all of the other indebtedness and obligations secured hereby that are not already due hereunder, to be immediately due and payable without demand or any notice (unless notice is

required under any of the Obligations or by law, then such notice as may be

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required under the Obligations or by law), whereupon the same shall become immediately due and payable, regardless of the maturity date thereof.

10.2.2 Protection of Security. Beneficiary, without any obligation on its part to determine the validity or necessity thereof, may do and cause to be done any one or more of the following: (1) pay the sums for which Grantor is obligated, (2) perform or cause to be performed the obligations of Grantor or (3) take such other actions as Beneficiary deems necessary to maintain, protect, repair, restore and preserve the Property and the Collateral, and the lien created by this Deed of Trust, and, in connection therewith, Beneficiary may advance, pay or expend such sums as may be proper or necessary for the maintenance, protection, repair, restoration and preservation of the Property and the Collateral, to maintain insurance (including, without limitation, title insurance), to provide security guards and systems to protect the Property and the Collateral and intervene in any condemnation, foreclosure and other proceedings or disputes affecting the Property or the Collateral. Grantor hereby agrees to pay to Beneficiary, immediately and without demand, all such sums so advanced, paid or expended, together with interest thereon from the date of each payment at the Contract Rate. All sums so advanced, paid or expended by Beneficiary, and the interest thereon, shall be added to and be secured by the lien of this Deed of Trust. Any amounts advanced, paid or expended shall be at Beneficiary's sole option and shall not constitute a waiver of any Event of Default or right arising from the occurrence of an Event of Default.

10.2.3 Foreclosure. Beneficiary shall have the right, at its option, to exercise the rights and remedies set forth in the INFORMATION SCHEDULE under the heading "Jurisdiction Specific Provisions". In any foreclosure sale or sales, the Beneficiary shall have the right to sell or cause to be sold either or both the Property and the Collateral, or parts thereof or interests therein, subject to any liens, security interests and other encumbrances and rights which are subordinate to the lien and security interest hereof, including without limitation, any leases which may be subordinate hereto; and any such sale or sales shall not release Grantor or any other person obligated on the Obligations or the other indebtedness and obligations secured hereby, and shall not provide to them any claim or defense in any action or proceeding brought hereunder by Beneficiary or otherwise brought by Beneficiary to collect full payment of the indebtedness and other obligations secured hereby.

10.2.4 Discontinuance of Proceedings; Position of Parties Restored. If Beneficiary shall have proceeded to enforce any right or remedy under this Deed of Trust by foreclosure, entry or otherwise and such proceedings shall have been discontinued or abandoned for any reason, or such proceedings shall have resulted in a final determination adverse to Beneficiary, then and in every such case Grantor and Beneficiary shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of Beneficiary shall continue as if no such proceedings had occurred or had been taken.

Section 11. Miscellaneous.

11.1 Incorporation of Exhibits. All exhibits, supplements, schedules, addenda and other attachments to this Deed of Trust are by this reference incorporated herein and made a part hereof as if fully set forth in the body of this Deed of Trust. The recitals set forth in this Deed of Trust are also a part of this Deed of Trust.

11.2 Maintenance of Records by Beneficiary. Beneficiary is authorized to maintain, store and otherwise retain evidences of the Obligations, this Deed of Trust, any separate security agreements and other agreements executed or delivered or to be executed or delivered by Grantor or others on Grantor's behalf to Trustee or Beneficiary in their original, inscribed tangible form or a record thereof in an electronic medium or other non-tangible medium which permits such record to be retrieved in a perceivable form.

11.3 Accuracy of Information Regarding Grantor. Grantor represents to Beneficiary the information contained in this Deed of Trust and other information provided to Beneficiary by or on behalf of Grantor is true, accurate and correct in all material respects and Grantor agrees to promptly inform

Beneficiary in writing of any material changes therein or any inaccuracies thereto, such notices to be addressed to Beneficiary and mailed, postage prepaid, to Beneficiary's address set forth herein.

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11.4 No Deductions for Taxes or Withholdings; Documentary Taxes. All payments made by Grantor under this Deed of Trust shall be made by Grantor free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings. In addition, to the extent not prohibited by applicable law and notwithstanding who is liable for payment of the taxes or fees, Grantor shall pay upon demand any stamp tax, documentary tax, intangible tax and other taxes, levies and charges of any jurisdiction with respect to the execution, delivery, registration, performance and enforcement of this Deed of Trust.

11.5 Marshalling of Assets. Grantor hereby waives, to the extent permitted by law, the benefit of all homestead, appraisal, valuation, stay, extension, reinstatement and redemption laws now in force and any hereafter arising and in force and all rights of marshalling in the event of any sale hereunder of the Property, the Collateral or any part or any interest in either or both.

11.6 Waiver of Statutory Rights. Grantor waives any right to require Beneficiary to bring any action against any other person or to require that resort be had to any security or to any balances of any deposit or other accounts on the books of Beneficiary in favor of any other person; and, without limiting the foregoing, but in furtherance thereof, Grantor waives any rights Grantor otherwise might have or have had under the statutory provisions identified in the INFORMATION SCHEDULE under the heading "Jurisdiction Specific Provisions", or any other laws that require or may require Beneficiary to recover against some other person, or to realize upon any security which Beneficiary holds for the Obligations.

11.7 Jury; Venue; Jurisdiction. This Deed of Trust shall be deemed to have been executed and delivered in the jurisdiction listed on the INFORMATION SCHEDULE as the jurisdiction whose laws govern this Deed of Trust, regardless of where the signatories may be located at the time of execution and shall be governed by and construed in accordance with the substantive laws of such jurisdiction, excluding, however, the conflict of law and choice of law provisions thereof. BENEFICIARY AND GRANTOR, TO THE EXTENT PERMITTED BY LAW, WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION ARISING FROM OR RELATED TO THIS DEED OF TRUST.

11.8 Cumulative Rights, etc. The rights, powers and remedies of Beneficiary under this Deed of Trust shall be in addition to all rights, powers and remedies given to Beneficiary at law and in equity, and in any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised by Beneficiary from time to time and at any number of times successively, concurrently and alternatively without impairing Beneficiary's rights under this Deed of Trust.

11.9 No Waiver; No Invalidity. No delay or forbearance by Beneficiary in exercising any or all of its rights and remedies hereunder or rights and remedies otherwise afforded by law or in equity shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any Event of Default as set forth herein or in the event of any subsequent Event of Default hereunder. Also, no act or inaction of Beneficiary under this Deed of Trust shall be deemed to constitute or establish a "course of performance or dealing" that would require Beneficiary to so act or refrain from acting in any particular manner at a later time under similar or dissimilar circumstances. Wherever possible, each provision of this Deed of Trust shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Deed of Trust shall be prohibited or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Deed of Trust.

11.10 No Oral Change. Subject to the exercise by Beneficiary of its rights and remedies as set forth in this Deed of Trust and without limiting any of such rights and remedies, this Deed of Trust, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Grantor or Beneficiary, but only by an agreement in writing, signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

11.11 No Usury. Beneficiary does not intend to and shall not reserve, charge or collect interest, fees or charges hereunder in excess of the maximum rates or amounts permitted by applicable law. If any interest, fees or charges are reserved, charged or collected in excess of the maximum rates or amounts, it shall be construed as a mutual mistake by Beneficiary, Grantor and the person making the payment if different from Grantor, and appropriate adjustments shall

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be made by Beneficiary and to the extent paid, the excess shall be returned to the person making such a payment.

11.12 Power of Attorney; Financing Statements. Grantor does hereby irrevocably constitute and appoint Beneficiary its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to execute, deliver or file such agreements, documents, notices, financing statements and records as Beneficiary, in its reasonable discretion, deems necessary to effect the terms and conditions of this Deed of Trust and to otherwise protect the security of the liens and security interests created by this Deed of Trust; and, to the extent Beneficiary reasonably deems necessary, to make public in financing statements or other public filings such information regarding Grantor as Beneficiary reasonably deems necessary, including, without limitation, federal tax identification numbers, social security numbers and other identifying information. The foregoing appointment is and the same shall be coupled with an interest in favor of Beneficiary.

11.13 Payment of Expenses. Without limiting any other provision of this Deed of Trust relating to Grantor's payment of costs and expenses incurred by Beneficiary and those incurred on behalf of Beneficiary, but in addition thereto, Grantor shall pay to Beneficiary, on demand, any and all costs and expenses, including, without limitation, reasonable legal expenses and reasonable attorneys' fees, fees of legal assistants and fees and expenses of other professionals and service providers, incurred or paid by Beneficiary and those incurred or paid on behalf of Beneficiary in doing any one or more of reasonably protecting its interest in the Property and the Collateral, reasonably collecting any amount payable hereunder or secured hereby and reasonably enforcing its rights hereunder with respect to the Property and the Collateral (including, without limitation, commencing any foreclosure action or prosecuting or defending any legal or equitable proceeding), together with interest thereon at the Contract Rate from the date paid or incurred by or on behalf of Beneficiary until such costs and expenses are paid by Grantor. All sums so paid or expended by Beneficiary, and the interest thereon, shall be added to and be secured by the lien of this Deed of Trust.

11.14 Successors and Assigns. The covenants, terms and conditions herein contained shall bind, and the benefits and powers shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties hereto, as well as any persons who become bound to this Deed of Trust as a debtor, but nothing herein contained shall alter or negate the provisions of SECTION 6. The term "Beneficiary" shall include any payee of the Obligations or other indebtedness or obligations hereby secured and any permitted transferee (as determined by the Stock Pledge Agreement between and among Beneficiary, Grantor and other parties dated of even date herewith ("STOCK PURCHASE AGREEMENT") or assignee thereof, whether by operation of law or otherwise.

11.15 Notices. All notices, certificates, requests for information and other communications hereunder shall be deemed given when mailed by registered or certified mail, postage prepaid, return receipt requested, addressed to the addresses of the parties as set forth in this Deed of Trust. Grantor, Trustee and the Beneficiary may, by written notice given hereunder, designate a different address where communications should be sent.

11.16 Use and Application of Terms. In using and applying the various terms, provisions and conditions in this Deed of Trust, the following shall apply: (1) the terms "hereby", "hereof", "herein", "hereunder", and any similar words, refer to this Deed of Trust; (2) words in the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular numbered meaning include the plural number, and vice versa; (3) words importing persons include firms, companies, associations, general partnerships, limited partnerships, limited liability partnerships, limited liability limited partnerships, limited liability companies, trusts, business trusts, corporations and other legal organizations, including public and quasi-public bodies, as well as individuals; (4) the use of the terms "including" or "included in", or the use of examples generally, are not intended

to be limiting, but shall mean, without limitation, the examples provided and others that are not listed, whether similar or dissimilar; (5) the phrase "costs and expenses", or variations thereof, shall include, without limitation, reasonable attorneys' fees and fees of legal assistants, and reasonable fees of accountants, engineers, surveyors, appraisers and other professionals or experts - - and all references to attorneys' fees or fees of legal assistants, or fees of accountants, engineers, surveyors, appraisers or other professionals or experts shall mean reasonable fees; (6) as the context requires, the word "and" may have a joint meaning or a several meaning and the word "or" may have an inclusive meaning or an exclusive meaning; (7) the term "subsidiary" means any registered organization or other organization (i) the majority (by number of votes) of the outstanding voting interests of which is at the time owned or controlled by Grantor, or by one or more subsidiaries of Grantor, or Grantor and one or more

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subsidiaries of Grantor, or (ii) otherwise controlled by or within the control of Grantor or any subsidiary; (8) all terms used in this Deed of Trust that are not defined in this Deed of Trust or in the Obligations secured hereby, but are defined in the Uniform Commercial Code in effect in the jurisdiction whose laws govern this Deed of Trust, shall have the meaning ascribed to such terms from time to time in said Uniform Commercial Code; (9) any reference contained in this Deed of Trust to specific statutes or laws shall include any successor statutes or laws, as the case may be; (10) headings and captions used in this Deed of Trust are for convenience only, and shall not be used to interpret, construe, define, limit or expand the terms and conditions of this Deed of Trust; (11) this Deed of Trust shall not be applied, interpreted and construed more strictly against a person because that person or that person's attorney drafted this Deed of Trust; and (12) "Deed of Trust" means this Deed of Trust, Assignment of Rents and Security Agreement, together with any and all extensions, renewals, amendments, modifications, restatements, substitutions and replacements hereof or herefor.

11.17 Cancellation and Period of Deed of Trust. If at any time during the period of this Deed of Trust there is no indebtedness outstanding under any of the Obligations, and all indebtedness and other obligations due and owing under this Deed of Trust and the Obligations, whether by Grantor, some other person or Grantor and some other person (jointly and severally), have been paid and satisfied in full, Beneficiary will, upon written request of Grantor and at Grantor's costs and expense if permitted by applicable law, cause the Trustee to execute and deliver to Grantor a reconveyance or satisfaction of this Deed of Trust. Unless earlier cancelled as provided in the preceding sentence and without extending the due date of any payment and the date of performance of any obligation under any of the Obligations and under this Deed of Trust as set forth herein and therein, and assuming no other provision in this Deed of Trust specifically provides to the contrary, the period of this Deed of Trust (including its lien and security interest) and the period by which all of the terms and conditions of this Deed of Trust are required to be finally and fully performed shall be a date thirty (30) years from the effective date of this Deed of Trust.

11.18 Stock Purchase Agreement. Notwithstanding anything to the contrary contained herein, any representation or warranty made by the Grantor shall be limited to the period of time commencing on the date Grantor obtained the stock of M. J. Softe Co. pursuant to the Stock Purchase Agreement and nothing in this Deed of Trust shall be deemed to limit any provisions or duties of the Beneficiary set forth in the Stock Purchase Agreement or any employment agreement between the Grantor and any Beneficiary. MJS Acquisition Company acquired the stock under said Stock Purchase Agreement, had M. J. Softe Co. merged into it and then it changed its name to M. J. Softe Co. The Note (as defined herein) was executed by MJS Acquisition Company prior to the merger and name change and is a valid obligation of Grantor.

(SIGNATURES BEGIN ON THE NEXT PAGE, FOLLOWED BY INFORMATION SCHEDULE, ATTACHMENTS, ETC.)

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The undersigned has executed this Deed of Trust as of the effective date stated on the INFORMATION SCHEDULE.

M. J. SOFFE CO.

By: /s/ James F. Soffe

Print Name: James F. Soffe

Title: President

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<TABLE>
<CAPTION>

DEED OF TRUST SUPPLEMENT
& INFORMATION SCHEDULE

| Subject | Information |
|------------------------|---------------------------------------|
| <S> Effective Date: | <C> Date: October 3, 2003 |
| Grantor: | Full Legal Name: M. J. SOFFE CO. |
| | Street Address: One Soffe Drive |
| | P.O. Box: |
| | City: Fayetteville |
| | State: North Carolina |
| | Zip Code: 28302 |
| | Type of Organization: Corporation |
| | State of Organization: North Carolina |
| | Jurisdiction |

Organization No.:

Chief Executive Office:

Beneficiaries:

Full Name: James F. Soffe

Street Address: 822 Shannon Drive

P.O. Box:

City: Fayetteville

State: North Carolina

Zip Code: 28302

Full Name: John D. Soffe

Street Address: 822 Shannon Drive

P.O. Box:

City: Fayetteville

State: North Carolina

Zip Code: 28302

Full Name: Anthony M. Cimaglia

Street Address: 822 Shannon Drive

P.O. Box:

City: Fayetteville

State: North Carolina

Zip Code: 28302

OBLIGATIONS:
mean, and this
among other
and all of
promissory

Company to
amendments,
in whole and
to pay the
Stock Purchase
under the
Beneficiary
the Pledge
Apparel, Inc.

In this Deed of Trust the term "Obligations" shall
Deed of Trust secures payment and performance of,
indebtedness and obligations as provided herein, each
the following: (1) the indebtedness evidenced by the
note dated as of the date hereof from MJS Acquisition
Beneficiary, and extensions, renewals, modifications,
substitutions and replacements therefor and thereof,
in part ("Note"), (2) the obligation of Grantor
Additional Consideration (as defined in the
Agreement) to Beneficiary, and (3) the obligations
Security Agreement executed by Grantor in favor of
dated of even date herewith; (4) the obligations under
Agreement in favor of Beneficiary executed by Delta
dated of even date herewith.

Permitted Liens:
Subordination
Grantor, Delta
the same
otherwise modified
conditions set
pledges,
as of the
the date
taxes,
levies either
contested
diligently pursued
adequate
securing
course of
secure
liens secure
which are

1. The Senior Lien (as defined in that certain
Agreement, dated as of October 3, 2003, among
Apparel, Inc., Beneficiary and Senior Lender, as
may be amended, restated, supplemented or
from time to time) subject to the terms and
forth therein, all security interests, mortgages,
liens, charges, and other encumbrances that exist
date hereof and are not satisfied and released on
hereof, and (i) liens securing the payment of
assessments or other governmental charges or
not yet overdue or the validity of which are being
in good faith by appropriate proceedings
and available to Grantor and with respect to which
reserves have been set aside on its books; (ii)
non-consensual statutory liens (other than liens
the payment of taxes) arising in the ordinary
Grantor's business to the extent: (a) such liens
Indebtedness which is not overdue or (b) such
indebtedness relating to claims or liabilities

otherwise, it shall be applied to the purchase price. If Collateral is sold hereunder, it need not be at the place of sale. The published notice of public sale, however, shall state the time and place where the Collateral may be inspected prior to sale. In the event a proceeding to exercise the power of sale contained herein is begun but not completed, Grantor shall pay all expenses incurred by Trustee and a partial commission computed as follows: one-fourth of the hereinafter-specified commission prior to Trustee's issuance of a notice of hearing on the right to foreclose and one-half of the hereinafter-specified commission after the issuance of such notice and prior to sale. Such expenses and partial commission may be paid by Beneficiary on behalf of Grantor but, in any event, shall be secured by this Deed of Trust. The foregoing shall in no way be construed to limit the powers of sale or restrict the discretion Trustee may have under the provisions of Article 2A of Chapter 45 of the North Carolina General Statutes, as the same may from time to time be amended, or such other laws as Beneficiary or Trustee may be proceeding under, including, without limitation, the laws relating to judicial foreclosure if such is determined to be either the necessary or appropriate process to follow in foreclosing on the lien of this Deed of Trust. Each legal, equitable or contractual right, power and remedy of Beneficiary or Trustee now or hereafter provided herein or by law or otherwise shall be cumulative and concurrent and shall be in addition to every

other right, power and remedy. The exercise or beginning of the exercise of any one or more of such rights, powers and remedies shall not preclude the simultaneous or later exercise of any or all such other rights, powers and remedies and without limiting the foregoing, Trustee may sell the Property and Collateral separately or together, as a whole or in parts or parcels, at one or more sales conducted at different times and places. Unless a different order of application is mandated under applicable law, proceeds derived from any sale as provided above shall be applied to pay, first, costs and expenses, including, without limitation, Trustee's reasonable commission calculated using standard hourly rates in the event of sale, reasonable attorneys' fees and fees of legal assistants, as well as fees of other professionals such as accountants, reasonable auctioneers' fees if such expenses have been incurred, and any other expenses or advances made or incurred in the protection of the rights of Trustee or in the pursuit of any remedy hereunder; second, to taxes and assessments due and unpaid, if Trustee deems it appropriate to do so; third, to the payment of any indebtedness and other obligations (including, without limitation, principal, interest, fees, premiums, penalties, charges and costs and expenses on the Obligations) secured by this Deed of Trust in such order as may be directed by Beneficiary; and fourth, the balance, if any, to the person or persons entitled thereto, or if a conflict exists as to the person or persons entitled thereto, to the Clerk of Superior Court of the county in which the foreclosure sale was held.

3. JOINDER BY TRUSTEE: The Trustee shall not be required to join in a modification, amendment or other change to this Deed of Trust and the lack of joinder by the Trustee shall not negate, impair or void

this Deed of Trust, or this Deed of Trust as modified, amended or changed.

4. SUBSTITUTION OF TRUSTEE. Beneficiary shall at any time have the irrevocable right to remove Trustee herein named without notice or cause and to appoint his successor by an instrument in writing, duly acknowledged, in such form as to entitle such written instrument to be recorded in North Carolina. In the event of the death, cessation of business, termination of existence or resignation of Trustee herein named, Beneficiary shall have the right to appoint his successor by such written instrument. Any Trustee so appointed shall be vested with the title to the Property or the Collateral and shall possess all the powers, duties and obligations herein conferred on Trustee in the same manner and to the same extent as though he were named herein as Trustee.

GRANTOR'S INITIALS: _____

GRANTOR'S INITIALS: _____

</TABLE>

ACKNOWLEDGMENTS TO DEED OF TRUST

STATE OF _____ COUNTY OF _____

I, a Notary Public for the County and State aforesaid, do hereby certify that _____ personally came before me this day and acknowledged that he/she is the _____ of M. J. Soffe Co., a North Carolina corporation, and that he/she, as _____, being authorized to do so, executed the

foregoing on behalf of the corporation.

Witness my hand and official seal, this the _____ day of

-----', -----,

My Commission Expires: -----

Notary Public

(Affix Notary Seal)

EXHIBIT A
TO DEED OF TRUST
(Description Of Property)

GUARANTY

THIS GUARANTY is made and effective as of the 3rd day of October, 2003, by Delta Apparel, Inc., a Georgia corporation ("Guarantor"), to induce James F. Soffe, John D. Soffe and Anthony M. Cimaglia (collectively, the "Shareholders") to enter into that certain Amended and Restated Stock Purchase Agreement dated October 3, 2003 (the "Purchase Agreement") and to perform their respective obligations thereunder. All capitalized terms herein that are not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

In consideration of the benefits to be derived by Guarantor pursuant to the Purchase Agreement and the consummation of the transactions contemplated thereby, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby irrevocably and unconditionally guarantees to the Shareholders (and each of them), and to their respective successors, assigns, heirs, and personal representatives, the payment, performance and observance in full when due and payable or otherwise required, whether at the stated or accelerated maturity thereof, of all sums required by the Purchase Agreement, the Promissory Note and the Buyer's Closing Certificate to be paid by MJS Acquisition Company, a North Carolina corporation (the "Buyer"), to the Shareholders and all other obligations and covenants of the Buyer to the Shareholders under the Purchase Agreement, the Promissory Note and the Buyer's Closing Certificate (collectively, the "Buyer Obligations"). Notwithstanding the foregoing or anything to the contrary set forth elsewhere in this Guaranty, this Guaranty shall not require Guarantor to make any payment that Buyer has not made under the Purchase Agreement, the Promissory Note, or the Buyer's Certificate to the extent that the Shareholders are prohibited from accepting such payment pursuant to the terms of the Subordination Agreement dated of even date herewith between the Buyer, the Shareholders, and Congress Financial Corporation (Southern), as Agent for certain Lenders, as amended, restated, supplemented, or otherwise modified from time to time.

This is an absolute, unconditional, present and continuing guaranty of payment and performance, and not of collection, and the Guarantor hereby waives acceptance of this guaranty and, to the extent permissible under applicable law, all notices which may be required to be given to the Guarantor and/or the Buyer (or either of them), as the case may be. THE GUARANTOR HEREBY SPECIFICALLY WAIVES THE BENEFITS OF NORTH CAROLINA GENERAL STATUTES SECTIONS 26-7 THROUGH 26-9, INCLUSIVE. The obligation of the Guarantor hereunder is the liability of a surety and is in no way conditioned or contingent upon any attempt to collect from the Buyer, or upon any other condition or contingency, and shall arise immediately upon nonpayment, nonperformance or default of any of the Buyer Obligations required under any of the Purchase Agreement, the Promissory Note and/or the Buyer's Closing Certificate at the time due and payable or required, without taking any prior action or proceeding of any kind to enforce the Purchase Agreement, the Promissory Note, or the Buyer's Closing Certificate or for the liquidation or foreclosure of any security given for, in respect of or in connection with the Purchase Agreement, the Promissory Note or the Buyer's Closing Certificate.

This Guaranty shall continue in full force and effect until all obligations due to the Shareholders under the Purchase Agreement, the Promissory Note and the Buyer's Closing Certificate and hereunder shall have been paid and performed in full. This Guaranty shall be subject to all of the limitations and defenses available to the Buyer under the Purchase Agreement, the Promissory Note, the Buyer's Closing Certificate, and applicable law, and in no event shall Guarantor be liable hereunder for any payment or performance for which the Buyer would not be liable under the Purchase Agreement, the Promissory Note or the Buyer's Closing Certificate, except that this Guaranty shall be enforceable despite (i) any discharge of the Buyer in bankruptcy or other insolvency proceedings or the inability of the Shareholders in any such bankruptcy or other insolvency proceedings to collect all sums owed to them or to enforce all obligations in any such bankruptcy or other insolvency proceedings, or (ii) any adjustment of the debts, liabilities or obligations of the Buyer in insolvency

proceedings or pursuant to some other compromise with creditors. Guarantor shall be entitled to the benefit of any defenses, claims, and counterclaims that would be available to Guarantor under the Purchase Agreement, the Promissory Note, the Buyer's Certificate, and applicable law if it were the original party under the Purchase Agreement, the Promissory Note and the Buyer's Closing Certificate in lieu of the Buyer. This Guaranty shall not be construed to impose upon Guarantor any obligations greater than, in addition to, or other than the Buyer Obligations. In no event shall the liability of Guarantor hereunder exceed the

total amount for which the Buyer would be liable under the Purchase Agreement, the Promissory Note and the Buyer's Closing Certificate plus interest and reasonable attorneys' fees and expenses as provided herein.

Any payment required to be made by the Guarantor hereunder which shall not be paid punctually when and as such payment shall become due and payable, shall bear interest hereunder from the date of the demand for the said payment until the obligations of the Guarantor with respect to the payment thereof are discharged (whether before or after judgment) at the pre-default rate set forth in the Promissory Note, plus two percent (2%) per annum, but in no event more than the maximum rate of interest then permitted by law. The Guarantor hereby agrees to pay such interest on any such overdue payment on demand by the Shareholders (or any of them) or any successor or assignee thereof, and such interest on any such overdue payment shall continue to accrue and shall be compounded monthly until the obligations of the Guarantor in respect of the payment thereof are discharged (whether before or after judgment).

The Guarantor hereby ratifies all acts of the Buyer with respect to the transactions contemplated by the Purchase Agreement, the Promissory Note and the Buyer's Closing Certificate.

This Guaranty shall bind the Guarantor and its successors and assigns and shall inure to the benefit of the Shareholders and their respective successors, assigns, heirs, and personal representatives. If any of the Buyer Obligations should be transferred or assigned (whether by operation of law or otherwise) by the Shareholders (or any of them) in a manner permitted by the Purchase Agreement, the Promissory Note or the Buyer's Closing Certificate (as applicable), the Shareholders (or any of them) shall have the right to assign the related part of this Guaranty to their respective transferees or assignees without consent of (but with notice to) the Guarantor, and this Guaranty will inure to the benefit of such transferees or assignees to the extent of such assignment, provided that the Shareholders (or any of them) shall continue to have the unimpaired right to enforce this Guaranty as to any of the Buyer Obligations not so transferred or assigned. Upon such a transfer or assignment, the transferee or assignee shall succeed to the respective Shareholder's rights hereunder, and references to a Shareholder shall mean such transferee or assignee wherever the context so requires.

The Guarantor hereby consents that at any time and from time to time and with or without consideration, the Shareholders (or any of them) may, without notice to or consent of the Guarantor and without in any manner affecting, impairing, lessening and releasing the obligations of the Guarantor hereunder, renew (with the consent of the Buyer and/or the Guarantor, as the case may be, as a party to the Purchase Agreement, the Promissory Note, the Buyer's Certificate, or the other agreement or document, as applicable), modify (with the consent of the Buyer and/or the Guarantor, as the case may be, as a party to the Purchase Agreement, the Promissory Note, the Buyer's Certificate, or the other agreement or document, as applicable), release, surrender, realize upon, waive, extend (with the consent of the Buyer and/or the Guarantor, as the case may be, as a party to the Purchase Agreement, the Promissory Note, the

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Buyer's Certificate, or the other agreement or document, as applicable), grant indulgences with respect to and otherwise deal with in any manner: (a) all or any part of the Buyer Obligations; (b) any note, security agreement, pledge agreement and any other document previously, simultaneously or hereafter executed and delivered by the Buyer and/or any other person singly or jointly with another person or persons evidencing, securing, guarantying or in connection with any of the Buyer Obligations including but not limited to the Purchase Agreement, the Promissory Note and the Buyer's Closing Certificate all as now existing or as hereafter amended; (c) all or any part of any property at any time securing all or any part of the Buyer Obligations; and (d) any person other than the Guarantor at any time primarily or secondarily liable for all or any part of the Buyer Obligations and/or any collateral and security therefor.

The Guarantor agrees to reimburse and pay to the Shareholders on demand any and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) reasonably incurred by and on behalf of the Shareholders in connection with the collection or enforcement of any of the obligations of the Guarantor hereunder.

The obligations of the Guarantor hereunder shall not be affected, impaired, released or lessened by the delay or failure of the Shareholders (or any of them) to exercise any of their respective rights and remedies against the

Buyer or against any collateral or security for the Buyer Obligations and no such failure or delay in any instance shall constitute a waiver of any right and remedy of the Shareholders in such instance or in any other similar instance or with respect to any other matter.

No waiver of any of the Shareholders' rights hereunder, and no modification or amendment of this Guaranty, shall be deemed to be made by the Shareholders unless the same shall be in writing, duly signed by each of the Shareholders.

Each provision of this Guaranty is intended to be severable from each other provision, and the invalidity or illegality of any portion hereof shall not affect the validity or legality of the remainder hereof.

This Guaranty shall be deemed to be an agreement made under, and for all purposes shall be enforced, governed and controlled as to interpretation, validity and enforcement and in all other material respects in accordance with, the internal laws of the State of North Carolina (excluding therefrom any provisions that would result in the application of the laws of another jurisdiction). To the greatest extent permitted by law, (a) Guarantor and the Shareholders consent that all actions or proceedings arising directly, indirectly or otherwise in connection with, out of, related to or from this Guaranty and Guarantor's obligations hereunder shall be litigated only in courts located in Mecklenburg County in the State of North Carolina, and (b) each of Guarantor and each Shareholder: (1) consents and submits to the personal and subject matter jurisdiction of any state or federal court located within Mecklenburg County in the State of North Carolina; (2) agrees that both the federal and state courts in Mecklenburg County, North Carolina, are a convenient forum and agrees not to raise as a defense that such courts are not a convenient forum; (3) waives any right to transfer or change the venue of litigation brought against Guarantor or any Shareholder in any such forum; and (4) consents to service of process by registered or certified mail.

Guarantor's complete and correct address for notices is set forth below its signature hereto.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

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IN WITNESS WHEREOF, and intending to be legally bound hereby, the undersigned Guarantor executes this Guaranty as of the date first above written.

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: President and CEO

Address for Notices:

2750 Premiere Parkway
Suite 100
Duluth, GA 30097
Attention: President

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STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT (this "Agreement"), is entered into as of October 3, 2003, by and among DELTA APPAREL, INC., a Georgia corporation ("Delta"), MJS ACQUISITION COMPANY, a North Carolina corporation ("MJS"; together with Delta, each a "Pledgor" and collectively, the "Pledgors"), and CONGRESS FINANCIAL CORPORATION (SOUTHERN), a Georgia corporation, as agent for Delta Lenders (as defined below) and as agent for Soffe Lenders (as defined below) (in either or both capacities, "Secured Party").

W I T N E S S E T H:

WHEREAS, Secured Party, the financial institutions party thereto as lenders (collectively, "Soffe Lenders") and MJS are parties to that certain Loan and Security Agreement, dated the date hereof (as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Soffe 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, the Financing Agreements (as defined in the Soffe Loan Agreement) and this Agreement (all of the foregoing, together with the Soffe Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, being collectively referred to herein as the "Soffe Financing Agreements") pursuant to which Soffe Lenders may make loans and advances and provide other financial accommodations to MJS as set forth therein; and

WHEREAS, as an inducement to Secured Party and Soffe Lenders to enter into the Soffe Loan Agreement and to make the loans thereunder, Delta has agreed to guarantee the obligations of MJS to Secured Party and Soffe Lenders pursuant to that certain Guarantee dated the date hereof (as amended, modified, supplemented, extended or restated from time to time, the "Soffe Loan Agreement Guarantee"), by Delta and SAIM, LLC in favor of Secured Party, on behalf of Secured Party and Soffe Lenders, and has agreed to secure its obligations under the Soffe Loan Agreement Guarantee as provided herein; and

WHEREAS, Secured Party, the financial institutions party thereto as lenders (collectively, "Delta Lenders"; together with Soffe Lenders, collectively, "Lenders") and Delta are parties to that certain Amended and Restated Loan and Security Agreement, dated the date hereof (as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Delta Loan Agreement"; together with the Soffe Loan Agreement, each a "Loan Agreement" and collectively, the "Loan Agreements"), 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, the Financing Agreements (as defined in the Delta Loan Agreement) and this Agreement (all of the foregoing, together with the Delta Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, being collectively referred to herein as the "Delta Financing Agreements"; together with the Soffe Financing Agreements, each a "Financing Agreement" and collectively, the "Financing Agreements") pursuant to which Delta

Lenders may make loans and advances and provide other financial accommodations to Delta as set forth therein; and

WHEREAS, as an inducement to Secured Party and Delta Lenders to enter into the Delta Loan Agreement and to make the loans thereunder, MJS has agreed to guarantee the obligations of Delta to Secured Party and Delta Lenders pursuant to that certain Guarantee dated the date hereof (as amended, modified, supplemented, extended or restated from time to time, the "Delta Loan Agreement Guarantee"; together with the Soffe Loan Agreement Guarantee, each a "Guarantee" and collectively, the "Guarantees"), by MJS and SAIM, LLC in favor of Secured Party, on behalf of Secured Party and Delta Lenders, and has agreed to secure its obligations under the Delta Loan Agreement Guarantee as provided herein; and

WHEREAS, MJS is a Subsidiary of Delta, and each Pledgor has determined that it will realize substantial direct and indirect benefits as a result of the loans and other financial accommodations extended to the other Pledgor pursuant to the Loan Agreements, and such Pledgor's execution, delivery and performance of this Agreement are within such Pledgor's corporate or other purposes and are in the best interests of such Pledgor; and

WHEREAS, it is a condition precedent to the execution and delivery of the Soffe Loan Agreement by Secured Party and Soffe Lenders and the execution and delivery of the Delta Loan Agreement by Secured Party and Delta Lenders and the extension of the loans and other financial accommodations to the Pledgors under the Loan Agreements that each Pledgor execute and deliver this Agreement to Secured Party; and

WHEREAS, in consideration for, among other things, the execution and delivery of the Soffe Loan Agreement by Secured Party and Soffe Lenders and the execution and delivery of the Delta Loan Agreement by Secured Party and Delta Lenders, and to secure the full and prompt payment and performance of all of the Secured Obligations (as hereinafter defined), each Pledgor has agreed to pledge to Secured Party, for the benefit of Secured Party, Soffe Lenders and Delta Lenders, the Capital Stock owned by such Pledgor (collectively, the "Pledged Interests") set forth next to such Pledgor's name on Schedule 1 attached hereto in each of the Persons referenced thereon (collectively, the "Pledged Companies"), which are all the equity interests owned by such Pledgor in the Pledged Companies, except as set forth herein, in order to ensure and secure the prompt performance of all covenants, agreements and liabilities of the parties under the Financing Agreements (each, a "Financing Party" and collectively, the "Financing Parties") and the prompt repayment of any and all now existing or hereafter arising Obligations (as defined in the Loan Agreements) and other obligations of the Financing Parties under the Financing Agreements (including, without limitation, any interest, fees or other charges in respect of the Loan Agreements and the other Financing Agreements that would accrue but for the filing of an insolvency proceeding with respect to any Pledgor, whether or not such claim is allowed in such insolvency proceeding);

NOW, THEREFORE, for and in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

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1. Defined Terms. Capitalized terms used herein shall have the meanings ascribed to such terms in the Delta Loan Agreement to the extent not otherwise defined or limited herein; provided, however, that upon the termination of the Delta Loan Agreement, capitalized terms used herein shall have the meanings ascribed to such terms in the Soffe Loan Agreement.

2. Warranty. Each Pledgor hereby represents and warrants to Secured Party that (a) such Pledgor owns the Pledged Interests as set forth on Schedule 1, which Pledged Interests constitute the percentage of the issued and outstanding equity interests of the Pledged Companies shown on Schedule 1 attached hereto, and are, except for the security interest created hereby and the security interest granted in favor of Sellers in the Pledged Interests owned by Delta in MJS, free and clear of all liens; (b) the Pledged Interests set forth on Schedule 1 constitute all of the Capital Stock owned by any Pledgor, except for (a) Delta's equity interests in Delta Apparel Honduras, S.A., a Honduras corporation, Delta Cortes, S. A., a Honduras corporation ("Cortes") and Delta Campeche, S.A. de C.V., a Mexico corporation ("Campeche"), of which only sixty-five percent (65%) of the Capital Stock of such entity owned by Delta is being pledged by Delta; (c) such Pledged Interests are duly authorized, validly issued, fully paid and nonassessable; (d) such Pledgor has the unencumbered right and power to pledge such Pledged Interests; and (e) upon execution and delivery of this Agreement and delivery of the certificates representing the Pledged Interests owned by Pledgors, all actions necessary or desirable, in the opinion of Secured Party, to be taken by Pledgors to perfect, establish the first priority of, or otherwise protect, the security interest of Secured Party in the Pledged Interests, and the proceeds thereof, have been duly taken. Additionally, each Pledgor hereby represents and warrants to Secured Party that this Agreement has been duly executed and delivered by such Pledgor and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

3. Security Interest. As security for the full and prompt payment and performance of the Obligations (as defined in the Loan Agreements), the Guaranteed Obligations (as defined in the Guarantees) and the other covenants, agreements and liabilities of the Pledgors under the Loan Agreements and all of the obligations of each Financing Party to Secured Party under (i) this Agreement, (ii) the Delta Loan Agreement Guarantee, (iii) the Soffe Loan Agreement Guarantee, and (iv) other Financing Agreements and any extensions, renewals or amendments to any of the foregoing, however created, acquired, arising or evidenced, whether direct or indirect, absolute or contingent, now or

hereafter existing, or due or to become due, whether arising before, during or after the initial or any renewal term of the Soffe Loan Agreement or the Delta Loan Agreement or after the commencement of any case with respect to either 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 Secured Party or Lenders, together with all other now

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existing or hereafter arising Guaranteed Obligations (as defined in the Guarantees) (all of the foregoing now existing or hereafter arising obligations being referred to, collectively, as the "Secured Obligations"), each Pledgor hereby unconditionally pledges, transfers, conveys, grants and assigns to Secured Party, for the benefit of Secured Party and Lenders, a continuing security interest in and security title to all of the following property now owned or at any time hereafter acquired by such Pledgor or in which such Pledgor now has, or may acquire in the future, any right, title or interest thereto (collectively, the "Pledged Collateral"):

(a) the Pledged Interests and all substitutions therefor and replacements thereof, all proceeds and products thereof and all rights relating thereto, including, without limitation, any certificates representing the Pledged Interests, the right to receive any certificates representing any of the Pledged Interests, all warrants, options, share appreciation rights and other rights, contractual or otherwise, in respect thereof and of all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in addition to, in substitution of, on account of or in exchange for any or all of the Pledged Interests;

(b) all of such Pledgor's rights, powers and remedies (but not such Pledgor's obligations) under the limited liability company operating agreements of the Pledged Companies that are limited liability companies (collectively, the "Operating Agreements") and under the partnership agreements of the Pledged Companies that are general or limited partnerships (collectively, the "Partnership Agreements"); and

(c) to the extent not otherwise included, all proceeds and products of any and all of the foregoing.

Each Pledgor has delivered to and deposited with Secured Party (a) certificates representing the Pledged Interests owned by such Pledgor, to the extent such Pledged Interests are represented by certificates, and (b) undated stock powers or certificate powers endorsed in blank with respect to such certificates as security for the payment and performance of all of the Secured Obligations; provided, however, that the certificates representing the Pledged Interests owned by Delta in Cortes and Campeche and undated stock powers or certificate powers endorsed in blank with respect to such certificates shall be provided as required by the Delta Loan Agreement. In the case of uncertificated limited liability company or partnership interests of any Pledgor, such Pledgor shall cause the name of Secured Party to be registered on the books and records of such limited liability company or partnership, using appropriate notations so that any Person examining such books and records would be notified of such Pledgor's pledge of its uncertificated interest in the limited liability company or partnership as Pledged Collateral to Secured Party. In addition, each Pledgor hereby authorizes the filing of appropriate Uniform Commercial Code financing statements covering the Pledged Collateral and with such information required by the Uniform Commercial Code for the sufficiency or filing office acceptance of such financing statements. Each Pledgor agrees that a carbon, photographic or other reproduction of this Agreement signed by such Pledgor or of a financing statement shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions. It is the intention of the parties hereto that record and beneficial ownership of the Pledged Collateral, including, without limitation, all voting, consensual and dividend rights, shall remain in the Pledgors until the occurrence of an Event of Default and until Secured Party shall notify any Pledgor of Secured Party's exercise of voting and consensual rights to the Pledged Collateral pursuant to Section 11 hereof.

4. Operating Agreements and Partnership Agreements. Anything herein to the contrary notwithstanding, each applicable Pledgor shall for so long as it

shall remain a member or liable under any Operating Agreement or a partner under any Partnership Agreement, observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. For Pledged Collateral where the applicable Operating Agreement or Partnership Agreement provides that all limited liability company or partnership interests, as applicable, issued thereunder shall be certificated, the applicable Pledgor or Pledgors shall not amend, supplement or otherwise modify (or consent to any such amendment, supplement or modification of) the terms of such Operating Agreement or such Partnership Agreement, as the case may be, so as to provide for the issuance of uncertificated limited liability company or partnership interests, as applicable, without the prior written consent of Secured Party. For Pledged Collateral where the applicable Operating Agreement or Partnership Agreement, as the case may be, does not provide that all limited liability company or partnership interests, as applicable, issued thereunder shall be certificated, the applicable Pledgor or Pledgors hereby represent and warrant to Secured Party that such Pledged Collateral (a) is not dealt in or traded on securities exchanges or in securities markets, (b) does not constitute investment company securities, and (c) is not held by such Pledgor or Pledgors in a Securities Account. In addition, the articles or certificates of organization, the Operating Agreements, the Partnership Agreements and other agreements governing any of the uncertificated Pledged Collateral do not provide that such Pledged Collateral may be certificated or that such Pledged Collateral are securities governed by Article 8 of the Uniform Commercial Code as in effect in any relevant jurisdiction.

5. Additional Shares. In the event that, during the term of this Agreement:

(a) any stock dividend, stock split, reclassification, readjustment or other change is declared or made in the capital structure of any Pledged Company, or any new Pledged Interests or other equity interests are issued by such Pledged Company, all new, substituted, and additional shares, or other securities, shall be issued to the applicable Pledgor and shall be promptly delivered to Secured Party, together with a duly executed Pledge Agreement Supplement in substantially the form of Annex 1 hereto (the "Pledge Agreement Supplement") identifying such additional Pledged Interests to be held by Secured Party under the terms of this Agreement, and with undated powers endorsed in blank by the applicable Pledgor, and shall thereupon constitute additional Pledged Interests to be held by Secured Party under the terms of this Agreement, or in the case of a new uncertificated limited liability company interest or uncertificated partnership interest, such Pledgor shall cause the name of Secured Party to be registered on the books and records of such limited liability company or partnership, as the case may be, using appropriate notations so that any Person examining such books and records would be notified of such Pledgor's pledge of its uncertificated interest in the limited liability company or partnership interest as Pledged Collateral to Secured Party; and

(b) any subscriptions, warrants or any other rights or options shall be issued in connection with the Pledged Interests, all new Capital Stock or other securities acquired through such subscriptions, warrants, rights or options shall thereupon constitute Pledged Interests to be held by Secured Party under the terms of this Agreement, and, to the extent such Capital Stock or other securities are represented by certificates, such certificates shall be promptly delivered to Secured Party, together with appropriate undated powers endorsed in blank by the applicable Pledgors and shall thereupon constitute Pledged Interests to be held by Secured Party under the terms of this Agreement.

6. Event of Default. Upon the occurrence and during the continuation of an Event of Default (as defined in the Loan Agreements), Secured Party may sell or otherwise dispose of any of the Pledged Interests at one or more public or private sales or make other commercially reasonable disposition of the Pledged Interests or any portion thereof after ten (10) calendar days' notice to any Pledgor, and Secured Party may credit bid and purchase the Pledged Interests or any portion thereof at any public sale. The proceeds of the public or private sale or other disposition first shall be applied to the reasonable costs of Secured Party incurred in connection with the sale, expressly including, without limitation, any costs under Section 9 hereof, and then to the Obligations as provided in the Loan Agreements, subject to the provisions of the Intercreditor Agreement. In the event the proceeds of the sale or other disposition of the Pledged Interests are insufficient to satisfy the Secured Obligations, each

Pledgor shall remain jointly and severally liable for any such deficiency.

7. Additional Rights of Secured Party. In addition to its rights and privileges under this Agreement or any other Financing Agreement, Secured Party shall have all the rights, powers and privileges of a secured party under the Uniform Commercial Code as in effect from time to time in any applicable jurisdiction.

8. Continuing Security Interest; Termination; Return of Pledged Interests to the Pledgors. This Agreement shall create a continuing security interest in the Pledged Collateral and shall terminate only when (a) the Secured Obligations have been indefeasibly paid in full in cash or otherwise satisfied or collateralized to the satisfaction of Secured Party and Lenders and (b) the financing arrangements of Secured Party and Lenders with Delta and MJS and the Loan Agreements and the Commitments thereunder have been terminated, in each case to the satisfaction of Secured Party and Lenders. Upon such termination, this Agreement and Secured Party's security interest and security title hereunder shall terminate, and Secured Party shall promptly return the remaining Pledged Interests and all rights received by Secured Party as a result of its possessory interest in the Pledged Interests to the appropriate Pledgors, subject to the provisions of the Subordination Agreement.

9. Disposition of Pledged Interests by Secured Party. Some or all of the Pledged Interests are not registered or qualified under the various Federal or state securities laws of the United States and disposition thereof after an Event of Default may be restricted to one or more private (instead of public) sales in view of the lack of such registration. Each Pledgor understands that upon such disposition, Secured Party may approach only a restricted number of potential purchasers and further understands that a sale under such circumstances may yield a lower price for the Pledged Interests than if the Pledged Interests were registered and qualified pursuant to Federal and state securities laws and sold on the open market. Each Pledgor, therefore, agrees that:

(a) if Secured Party shall, pursuant to the terms of this Agreement, sell or cause the Pledged Interests or any portion thereof to be sold at a private sale, Secured Party shall have the right to rely, in good faith, upon the advice and opinion of any nationally recognized brokerage or investment firm (but shall not be obligated to seek such advice and the failure to do so shall not be considered in determining the commercial reasonableness of such action) as to the best manner in which to offer the Pledged Interests for sale and as to the best price reasonably obtainable at the private sale thereof; and

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(b) such reliance shall be conclusive evidence that Secured Party has handled such disposition in a commercially reasonable manner.

10. Pledgors' Obligations Absolute. The obligations of the Pledgors under this Agreement shall be direct and immediate and not conditional or contingent upon the pursuit of any remedies against any other Person, nor against other security or liens available to Secured Party or any Lender. Each Pledgor hereby waives any right to require that an action be brought against any other Person or to require that resort be had to any security or to any balance of any deposit account or credit on the books of Secured Party or Lender in favor of any other Person prior to the exercise of remedies hereunder, or to require action hereunder prior to resort by Secured Party to any other security or collateral for the Secured Obligations.

11. Voting Rights.

(a) Upon the occurrence and during the continuation of an Event of Default, subject to compliance with applicable law, (i) Secured Party may, at its option, and without notice to or demand on any Pledgor and in addition to all rights and remedies available to Secured Party under any other agreement, at law, in equity, or otherwise, exercise all voting rights, and all other ownership or consensual rights of the Pledged Collateral owned by such Pledgor, but under no circumstances is Secured Party obligated by the terms of this Agreement to exercise such rights, and (ii) each Pledgor hereby appoints Secured Party as such Pledgor's true and lawful attorney-in-fact and IRREVOCABLE PROXY to vote the Pledged Collateral owned by such Pledgor in any manner Secured Party deems advisable for or against all matters submitted or which may be submitted to a vote of shareholders, members or partners, as the case may be. The power-of-attorney granted hereby is coupled with an interest and shall be irrevocable.

(b) For so long as any Pledgor shall have the right to vote the Pledged Collateral owned by it, such Pledgor covenants and agrees that it will not, without the prior written consent of Secured Party, and without the receipt by Secured Party of adequate protection, vote or take any consensual action with respect to such Pledged Collateral which would adversely affect the rights of Secured Party or the value of the Pledged Interests.

12. Notices. All notices, requests and demands hereunder shall be given in the form and manner and to the addresses set forth in the Guarantees.

13. Successors. This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Pledgors and their respective successors and assigns and inure to the benefit of and be enforceable by Secured Party, Lenders and their successors and assigns, except that Pledgors may not assign its rights under this Agreement and any other document referred to herein without the prior written consent of Secured Party.

14. Amendments in Writing. 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 each Pledgor and 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,

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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.

15. Survival of Provisions. All representations, warranties and covenants of each Pledgor contained herein shall survive the execution and delivery of this Agreement.

16. Integration. This Agreement, any supplements hereto, and any instruments or documents delivered or to be delivered in connection herewith represents the entire agreement and understanding concerning the subject matter hereof among the parties hereto, and supersedes 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.

17. Severability of Provisions. 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.

18. Section Headings. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

19. Governing Law. The validity, interpretation and enforcement of this Agreement 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 or other rule of law that would result in the application of the law of any jurisdiction other than the State of Georgia.

20. Secured Party. The powers conferred on Secured Party hereunder are solely to protect its interest in the Pledged Collateral and shall not impose any duty upon Secured Party to exercise any such powers. Except for the safe custody of any Pledged Collateral in its actual possession and the accounting for moneys actually received by Secured Party pursuant hereto, Secured Party shall have no duty with respect to the Pledged Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any of the Pledged Collateral. Each reference herein to any right granted to, benefit conferred upon or power exercisable, exercised, or action taken by Secured Party shall be deemed to be a reference to, or be deemed to

have been so taken, as the case may be, by Secured Party in its capacity as agent pursuant to the Loan Agreements for the benefit of itself and Lenders, all as more fully set forth in the Loan Agreements.

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21. Counterparts, Etc. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of any such agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

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IN WITNESS WHEREOF, the undersigned parties hereto have executed this Agreement by and through their duly authorized officers, as of the day and year first above written.

PLEDGORS: DELTA APPAREL, INC., a Georgia corporation

By: /s/ Herbert M. Mueller

Title: Vice President and CFO

MJS ACQUISITION COMPANY, a North Carolina corporation

By: /s/ Herbert M. Mueller

Title: Vice President

SECURED PARTY: CONGRESS FINANCIAL CORPORATION
(SOUTHERN), as agent

By: _____

Title: _____

ACKNOWLEDGMENT

The undersigned hereby (i) acknowledges receipt of a copy of the Stock Pledge Agreement dated as of October 3, 2003 (the "Stock Pledge Agreement"), (ii) waives any rights or requirement at any time hereafter to receive a copy of the Stock Pledge Agreement in connection with the registration of any Pledged Collateral (as defined therein) in the name of Congress Financial Corporation (Southern), as agent for Soffe Lenders and as agent for Delta Lenders (in either or both capacities, "Secured Party") or its nominee or the exercise of voting rights by Secured Party, (iii) consents and agrees to the pledge by the Pledgors (as defined therein) of the Pledged Collateral pursuant to the Stock Pledge Agreement and to all of the other terms and provisions of the Stock Pledge Agreement, (iv) irrevocably waives any breach or default under its articles of incorporation, articles of organization, by laws or operating agreement, as applicable, as a result of the execution, delivery and performance by the Pledgors and Secured Party of the Stock Pledge Agreement, and (v) advises Secured Party that a pledge of the Pledged Collateral has been registered on the books and records of the undersigned and in the name of Secured Party and agrees to so register any additional equity interests of the undersigned which may be hereafter pledged to Secured Party as provided in the Stock Pledge Agreement.

PLEDGED COMPANIES: MJS ACQUISITION COMPANY

By: /s/ Herbert M. Mueller

Name: Herbert M. Mueller
Title: Vice President

SAIM, LLC

By: MJS Acquisition Company, its sole member

/s/ Herbert M. Mueller

Name: Herbert M. Mueller
Title: Vice President

DELTA APPAREL HONDURAS, S.A.

By: /s/ Herbert M. Mueller

Name: Herbert M. Mueller
Title: Vice President

DELTA CORTES, S.A.

By: /s/ Herbert M. Mueller

Name: Herbert M. Mueller
Title: Vice President

DELTA CAMPECHE, S.A. DE C.V.

By: /s/ Herbert M. Mueller

Name: Herbert M. Mueller
Title: Vice President

SCHEDULE 1
TO
STOCK PLEDGE AGREEMENT

PLEDGED INTERESTS

<TABLE>
<CAPTION>

| Percentage of Outstanding Shares / Units | Pledgor Name | Pledged Company | Type / Class of Equity Interest | Certificate Number(s) | Number of Shares/ Units Pledged |
|--|-------------------------|-------------------------------|------------------------------------|--------------------------|--|
| <S> <C> | | <C> | <C> | <C> | <C> |
| 100% | Delta Apparel, Inc. | MJS Acquisition Company | | | |
| 100% | MJS Acquisition Company | SAIM, LLC | | | |
| 65% | Delta Apparel, Inc. | Delta Apparel Honduras, S.A. | capital stock | 1 | 1,622 |
| 65% | Delta Apparel, Inc. | Delta Cortes, S.A. | | | |
| 65% | Delta Apparel, Inc. | Delta Campeche, S.A., de C.V. | | | |

[PLEDGOR], a _____ corporation

By:

Title:

<TABLE>
<CAPTION>

SCHEDULE 1(A)
TO
PLEDGE AGREEMENT SUPPLEMENT - ANNEX 1

| Pledgor Name | Pledged Company | Type / Class of Equity Interest | Certificate Number(s) | Number of Shares/ Units Pledged |
|--------------|-----------------|---------------------------------|-----------------------|---------------------------------|
| <S> <C> | <C> | <C> | <C> | <C> |
| ----- | ----- | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- | ----- |

</TABLE>

COLLATERAL IS OR INCLUDES FIXTURES AND THIS INSTRUMENT IS TO BE FILED AND SHALL SERVE AS A FIXTURE FILING PURSUANT TO N.C.G.S. SS.25-9-502.

Drawn By and Return To:
Paul, Hastings, Janofsky & Walker, LLP
600 Peachtree Street, N.E., Suite 2400
Atlanta, Georgia 30308-2222
Attn: Thomas G. Burch, Jr., Esq.

FIRST DEED OF TRUST, ASSIGNMENT OF RENTS AND
LEASES, SECURITY AGREEMENT AND FIXTURE
FILING

THIS FIRST DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES, SECURITY AGREEMENT AND FIXTURE FILING (this "Instrument") is made and entered into as of the 3rd day of October, 2003, by M.J. SOFFE CO., a North Carolina corporation ("Borrower"), having an address of 2750 Premiere Parkway, Suite 100, Duluth, Georgia 30097, in favor of INVESTORS TITLE INSURANCE COMPANY ("Trustee"), having an address of 121 North Columbia Street, Chapel Hill, North Carolina 27514, as trustee for the benefit of CONGRESS FINANCIAL CORPORATION (SOUTHERN), a Georgia corporation, as Agent for itself and the other lenders from time to time parties to the Loan Agreement (as hereinafter defined) ("Agent"), Agent having a business address of 200 Galleria Parkway, Suite 1500, Atlanta, Georgia 30339.

W I T N E S S E T H:

WHEREAS, Borrower is the fee owner of the real property and improvements described in Exhibit A attached hereto.

WHEREAS, Borrower, Agent and the Lenders (as defined in the Loan Agreement) have entered into that certain Loan and Security Agreement dated October 3, 2003 (as amended, supplemented or otherwise modified heretofore or hereinafter from time to time, the "LOAN AGREEMENT"), which Loan Agreement provides for a loan and other extensions of credit in the principal amount of up to Forty-One Million Dollars (\$41,000,000.00). Agent and the Lenders are unwilling to enter into the Loan Agreement and make available to Borrower the credit facilities provided therein unless Borrower, among other things, secures its obligations under the Loan Agreement and the Loan Documents by delivering this Instrument.

NOW, THEREFORE, Borrower, in consideration of the Secured Indebtedness herein recited and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, irrevocably grants, remises, aliens, assigns, conveys, sets over and confirms unto Trustee and Trustee's successors and assigns, IN TRUST WITH POWER OF SALE, subject to the further terms of this Instrument, all of the Borrower's right, title, and interest (thereunder or otherwise) in and to the following (all of the following being hereinafter referred to as the "Secured Property"):

ALL THOSE TRACTS OR PARCELS OF LAND being more particularly described in Exhibit A attached hereto; together with all right, title, and interest of Borrower, including any after-acquired title or reversion, in and to the rights-of-ways, streets, and alleys adjacent thereto, all easements, and licenses, appertaining thereto, all strips and gores of land adjacent thereto, all vaults, sewers, sewer rights, waters, water courses, water rights and powers, pumps, pumping plants, pipes, flumes, and ditches appertaining thereto, all oil, gas, and other minerals located thereunder, all shrubs, crops, trees, timber and other elements now or hereafter located thereon, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments, and appurtenances whatsoever, in any way belonging, relating to, or appertaining to any of the foregoing (collectively hereinafter referred to as the "Land");

TOGETHER WITH all fixtures, buildings, structures, parking areas, landscaping, and other improvements of every nature now or hereafter situated,

erected, or placed on the Land and all appurtenances and additions thereto and substitutions or replacements thereof, including, but not limited to, all building materials, screens, awnings, shades, blinds, curtains, draperies, carpets, rugs, furniture and furnishings, heating, lighting, plumbing, ventilating, air conditioning, refrigerating, incinerating and elevator plants, vacuum cleaning systems, call systems, sprinkler systems and other fire prevention and extinguishing apparatus and materials, motors, machinery, pipes, appliances, and fittings (collectively hereinafter referred to as the "Improvements");

TOGETHER WITH all right, title and interest of Borrower in and to all policies of insurance and all condemnation proceeds, which in any way now or hereafter belong, relate, or appertain to the Land, or the Improvements, or any part thereof;

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TOGETHER WITH all present and future leases, tenancies, occupancies, and licenses, and guaranties thereof, whether written or oral ("Leases"), of the Land or the Improvements or any part thereof, and all income, rents, accounts receivable, issues, royalties, profits, revenues, security deposits, and other benefits of the Land or the Improvements, from time to time accruing, (hereinafter collectively referred to as the "Revenues");

TOGETHER WITH all proceeds, products, substitutions, and accessions of the foregoing of every type.

TO HAVE AND TO HOLD the Secured Property and all parts, rights, members, and appurtenances thereof, in fee simple, unto Trustee and its successors and assigns forever, in trust for the benefit of Agent and its successors and assigns.

THIS INSTRUMENT is given to secure the following obligations (collectively, the "Secured Indebtedness") in such order of priority as may be determined pursuant to the Loan Agreement:

(i) all indebtedness of Borrower under the Loan Agreement, which provides for an aggregate principal indebtedness on the part of Borrower in favor of the Lenders in an amount not at any one time to exceed Forty-One Million and No/100 Dollars (\$41,000,000.00) maturing on October 2, 2006;

(ii) any and all future advances made pursuant to the Loan Agreement by the Lenders to or for the benefit of Borrower, direct or indirect, together with interest, fees, costs, and other amounts hereafter arising;

(iii) the full and prompt payment and performance of any and all other "Obligations" (as defined in the Loan Agreement) and covenants of Borrower to Agent and the Lenders under the terms of any other agreements, assignments or other instruments now or hereafter evidencing, securing or otherwise relating to the indebtedness evidenced by the Loan Agreement, including, without limitation, any assignment of rents and leases given by Borrower to Agent (any and all such other agreements, assignments and other instruments evidencing or securing the indebtedness and obligations under the Loan Agreement, together with the Loan Agreement and this Instrument, are herein collectively called the "Loan Documents");

(iv) any and all additional advances made by the Lenders to protect or preserve the Secured Property or the lien hereof on the Secured Property, or to pay taxes, to pay premiums on insurance on the Secured Property or to repair or maintain the Secured Property, or to complete improvements on the Secured Property (whether or not the original Borrower remains the owner of the Secured

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Property at the time of such advances and whether or not the original Lenders remain the owner of the Secured Indebtedness and whether or not Agent remains the owner of this Instrument);

(v) that certain Guarantee, dated October 3, 2003, by Borrower and SAIM, LLC, a North Carolina limited liability company, in favor of Congress Financial Corporation (Southern), as agent on behalf of itself and other lenders, as the same may be amended, restated, supplemented or modified from time to time, pursuant to which Borrower guarantees the obligations of Delta Apparel, Inc. ("Delta") under that certain Amended and Restated Loan and Security Agreement, dated October 3, 2003, by and among Delta, lenders party

thereto from time to time and Congress Financial Corporation (Southern), as agent on behalf of itself and such lenders, which obligations include, without limitation, principal indebtedness in an amount not at any one time to exceed \$40,000,000.00; and

(vi) any and all expenses incident to the collection of the Secured Indebtedness and the foreclosure hereof by action in any court or by exercise of the power of sale herein contained, including, without limitation, reasonable attorneys' fees and costs of collection actually incurred.

THIS INSTRUMENT is given for the purpose of creating a lien on real property in order to secure future advances under the Loan Agreement, whether such advances are obligatory or to be made at the option of the Lenders, or otherwise, and whether made before or after default or maturity or other similar events, to the same extent as if such future advances were made on the date of the execution hereof, even if no advance was made at the time of such execution. The lien of this Instrument, as to third persons, with or without actual knowledge hereof, shall be valid as to all such indebtedness and such future advances, from the date of recordation of this Instrument, shall have priority.

THIS INSTRUMENT is given to secure, inter alia, a revolving loan and shall not be deemed to be cancelled or voided should the Secured Indebtedness be reduced to zero at any time during the term of the Loan Agreement. This Instrument shall be voided only upon (i) the complete repayment and satisfaction of all Secured Indebtedness and (ii) the termination of the Loan Agreement pursuant to the terms thereof or the written agreement of the Lenders and Borrower.

Should the Secured Indebtedness be paid according to the tenor and effect of the Loan Documents when the same shall become due and payable, should Borrower have performed all obligations and all covenants contained herein and in the other Loan Documents in a timely manner, or obtained express written waivers therefrom from the Agent and the Lenders, and should the Loan Agreement be cancelled or terminated according to the terms thereof, then this Instrument shall be cancelled and surrendered by Trustee or Agent in accordance with the laws of the State in which the Land is located.

All the personal property which comprises a part of the Secured Property shall, as far as permitted by law, be deemed to be affixed to the

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aforesaid Land and conveyed therewith. To the extent any portion of the Secured Property is not or may not be deemed to be affixed to the Land, this Instrument shall be considered to be a security agreement which creates a security interest in such items for the benefit of the Agent. In that regard, to secure the Secured Indebtedness the Borrower grants to the Agent such a security interest with all of the rights and remedies of a secured party under the Uniform Commercial Code of the State in which the Land is located ("Uniform Commercial Code").

Borrower further covenants and agrees with Agent as follows:

Article 1

Covenants of Borrower

Section 1.1 Title to the Secured Property. Borrower warrants that: (i) it has title to the Secured Property in fee simple subject only to encumbrances approved and permitted by Agent pursuant to the Loan Agreement (the "Permitted Encumbrances"); (ii) it has full power and lawful authority to encumber the Secured Property in the manner and form herein set forth; (iii) it owns or will own all Improvements; (iv) this Instrument creates a valid and enforceable security title, security interest, and lien on the Secured Property; and (v) it will preserve such title, and will forever warrant and defend the same to Agent and will forever warrant and defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever.

Section 1.2 Maintenance of the Secured Property. Except as permitted by the Loan Agreement, Borrower shall maintain the Secured Property in good repair (normal wear and tear excepted) and shall comply with the requirements of any governmental authority claiming jurisdiction over the Secured Property. Borrower shall not, without the prior written consent of Agent, threaten, commit, permit, or suffer to occur any waste, material alteration, demolition, or removal of the Secured Property or any part thereof, except as permitted by the Loan Agreement.

Section 1.3 Insurance; Restoration. Borrower shall maintain insurance with respect to the Secured Property in accordance with the requirements set forth in the Loan Agreement, with Agent named as loss payee and additional insured. All proceeds of insurance policies maintained hereunder shall be applied in accordance with the terms of the Loan Agreement.

Section 1.4 Taxes and Other Charges. Except as otherwise provided by the Loan Agreement, Borrower shall pay and discharge prior to the delinquency date thereof all taxes of every kind and nature, all water charges, sewer rents and assessments, levies, permits, inspection and license fees, and all other charges imposed upon or assessed against the Secured Property or any part thereof or upon the revenues, rents, issues, income, and profits of the Secured Property and, unless Borrower is making monthly deposits with Agent in

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accordance with Section 1.11 hereof, Borrower shall exhibit to Agent validated receipts (or other commercially reasonable evidence of payment) showing the payment of such taxes, assessments, water charges, sewer rents, levies, fees, and other charges which may be or become a lien on the Secured Property within ten (10) days after Agent's request therefor. Should Borrower default in the payment of any of the foregoing taxes, assessments, water charges, sewer rents, or other charges, Agent may, but shall not be obligated to, pay the same or any part thereof, and amounts so paid shall be secured by this Instrument, and Borrower shall, on demand, reimburse Agent for all amounts so paid.

Section 1.5 Mechanics' and Other Liens. Except as otherwise provided by the Loan Agreement, Borrower shall pay, from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers, and others which, if unpaid, might result in, or permit the creation of, a lien or claim of lien on the Secured Property or any part thereof and, in general, Borrower shall do, or cause to be done, at the cost of Borrower and without expense to Agent, everything necessary to fully preserve the lien of this Instrument. In the event Borrower fails to make payment of such claims and demands, Agent may, but shall not be obligated to, make payment thereof, and all sums so expended shall be secured by this Instrument, and Borrower shall, on demand, reimburse Agent for all sums so expended.

Section 1.6 Condemnation Awards. Borrower, immediately upon written notice of the institution of any proceedings for the condemnation of the Secured Property or any portion thereof, will notify Agent of the pendency of such proceedings. Agent may participate in any such proceedings and Borrower from time to time will deliver to Agent all instruments requested by it to permit such participation. All awards and compensation for condemnation or other taking or purchase in lieu thereof, of the Secured Property or any part thereof, are hereby assigned to and shall be paid to Agent. Borrower hereby authorizes Agent to collect and receive such awards and compensation; and, to give proper receipts and acquittances therefor. All such awards and compensation shall be applied in the same manner as provided in the Loan Agreement relating to insurance proceeds. Borrower, upon request by Agent, shall make, execute, and deliver any and all instruments requested for the purpose of confirming the assignment of the aforesaid awards and compensation to Agent free and clear of any liens, charges, or encumbrances of any kind or nature whatsoever.

Section 1.7 Costs of Defending and Upholding the Lien. If any action or proceeding is commenced to which action or proceeding Agent is made a party or in which it becomes necessary for Agent to defend or uphold the lien of this Instrument, Borrower shall, on demand, reimburse Agent for all reasonable expenses (including, without limitation, reasonable attorneys' fees and appellate attorneys' fees) actually incurred by Agent in any such action or proceeding and all such expenses shall be secured by this Instrument. In any action or proceeding to foreclose this Instrument or to recover or collect the Secured Indebtedness, the provisions of law relating to the recovering of costs,

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disbursements and allowances shall prevail unaffected by this covenant, provided that any such recovery shall not exceed Agent's reasonable, actual out-of-pocket fees and expenses.

Section 1.8 Additional Advances and Disbursements. Borrower shall pay when due all payments and charges on all mortgages, deeds of trust, deeds to secure debt, security agreements, liens, encumbrances, ground and other leases, and security interests which may be or become superior or inferior to the lien

of this Instrument, and in default thereof, Agent shall have the right, but shall not be obligated, to pay, without notice to Borrower, such payments and charges, and Borrower shall, on demand, reimburse Agent for amounts so paid. In addition, upon default of Borrower in the performance of any other terms, covenants, conditions, or obligations by it to be performed under any such prior or subordinate lien, encumbrance, lease, or security interest, Agent shall have the right, but shall not be obligated, to cure such default in the name and on behalf of Borrower. All sums advanced and expenses incurred at any time by Agent pursuant to this Section 1.8 or as otherwise provided under the terms and provisions of this Instrument or under applicable law shall bear interest from the date that such sum is advanced or expense incurred, to and including the date of reimbursement, computed at the default interest rate as provided in the Loan Agreement (herein called the "Default Rate").

Section 1.9 Costs of Enforcement. Borrower agrees to bear and pay all expenses (including reasonable attorneys' fees and all costs of collection) of or incidental to the perfection and enforcement of any provision hereof, or the enforcement, compromise, or settlement of this Instrument or the Secured Indebtedness, and for the curing thereof, or for defending or asserting the rights and claims of Agent in respect thereof, by litigation or otherwise. All rights and remedies of Agent shall be cumulative and may be exercised singly or concurrently. Notwithstanding anything herein contained to the contrary, Borrower: (a) will not (i) at any time insist upon, or plead, or in any manner whatsoever claim or take any benefit or advantage of any stay or extension or moratorium law, any exemption from execution or sale of the Secured Property or any part thereof, wherever enacted, now or at any time hereafter in force, which may affect the covenants and terms of performance of this Instrument, nor (ii) claim, take, or insist upon any benefit or advantage of any law now or hereafter in force providing for the valuation or appraisal of the Secured Property, or any part thereof, prior to any sale or sales thereof which may be made pursuant to any provision herein, or pursuant to the decree, judgment, or order of any court of competent jurisdiction, nor (iii) after any such sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted to redeem the property so sold or any part thereof; (b) hereby expressly waives all benefit or advantage of any such law or laws; and (c) covenants not to hinder, delay, or impede the execution of any power herein granted or delegated to Agent, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted. Borrower, for itself and all who may claim under it, waives, to the extent that it lawfully may, all right to have the Secured Property marshaled upon any foreclosure hereof.

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Section 1.10 Intangible and Other Taxes. Borrower shall pay any and all taxes, charges, filing, registration and recording fees, excises, and levies imposed upon Agent by reason of its ownership of this Instrument and the other Loan Documents, or by reason of the recording or filing thereof, or any security instrument supplemental hereto, any security instrument or Uniform Commercial Code financing statement with respect to any fixtures or personal property owned by Borrower at the Secured Property and any instrument of further assurance (other than income, franchise and doing business taxes), and shall pay all stamp or intangible taxes and other taxes required to be paid on any of the Loan Documents. In the event Borrower fails to make such payment after demand by Agent then Agent shall have the right, but shall not be obligated, to pay the amount due, and Borrower shall, on demand, reimburse Agent for said amount, and until so paid said amount shall become part of the Secured Indebtedness. The provisions of this Section shall survive the repayment of the Secured Indebtedness.

Section 1.11 Escrow Deposits. At Agent's request at any time after an Event of Default (as hereinafter defined) has occurred, Borrower shall deposit with Agent, monthly, one twelfth (1/12th) of the insurance premiums and real estate taxes, current assessments, water, sewer, and other charges which might become a lien upon the Secured Property. In addition, if required by Agent at any time after an Event of Default has occurred, Borrower shall simultaneously therewith deposit with Agent a sum of money which together with the monthly installments aforementioned will be sufficient to make each of the payments aforementioned at least thirty (30) days prior to the date such payments are deemed delinquent. Should said charges not be ascertainable at the time any deposit is required to be made with Agent, the deposit shall be made on the basis of the charges for the prior year, and when the charges are fixed for the then current year, Borrower shall deposit any deficiency with Agent. All funds so deposited with Agent shall be held by it without interest, may be commingled by Agent with its general funds and shall be applied in payment of the charges aforementioned when and as payable, to the extent Agent shall have such funds on

hand. If deposits are being made with Agent, Borrower shall furnish Agent with bills for the charges for which such deposits are required to be made hereunder and/or such other documents necessary for the payment of same, at least fifteen (15) days prior to the date on which the charges first become payable. In the event Borrower fails to pay any such amount, Agent may, but shall not be obligated to, make payment thereof, and Borrower shall, on demand, reimburse Agent for all sums so expended, and until Agent has been so reimbursed, such amount shall be added to the Secured Indebtedness.

Section 1.12 TRANSFER OF THE SECURED PROPERTY. EXCEPT AS PERMITTED BY THE LOAN AGREEMENT, BORROWER SHALL NOT SELL, TRANSFER, PLEDGE, ENCUMBER, CREATE A SECURITY INTEREST IN, OR OTHERWISE HYPOTHECATE, ALL OR ANY PORTION OF THE SECURED PROPERTY, OR ANY ASSETS INCLUDED THEREIN, WITHOUT THE PRIOR WRITTEN CONSENT OF AGENT. THE CONSENT BY AGENT TO ANY SALE, TRANSFER, PLEDGE, ENCUMBRANCE, CREATION OF A SECURITY INTEREST IN, OR OTHER HYPOTHECATION OF, ANY PORTION OF THE SECURED PROPERTY SHALL NOT BE DEEMED TO CONSTITUTE A NOVATION OR A CONSENT TO ANY FURTHER SALE, TRANSFER, PLEDGE, ENCUMBRANCE, CREATION OF A

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SECURITY INTEREST IN OR OTHER HYPOTHECATION, OR TO WAIVE THE RIGHT OF AGENT, AT ITS OPTION, TO DECLARE THE SECURED INDEBTEDNESS IMMEDIATELY DUE AND PAYABLE, WITHOUT NOTICE TO BORROWER OR ANY OTHER PERSON OR ENTITY, UPON ANY SUCH SALE, TRANSFER, PLEDGE, ENCUMBRANCE, CREATION OF A SECURITY INTEREST OR OTHER HYPOTHECATION TO WHICH AGENT SHALL NOT HAVE CONSENTED.

Section 1.13 Leases, Contracts, Etc. In addition to, and cumulatively with, all assignments, rights, and remedies granted by Borrower to Agent in any assignment of leases and rents now or hereafter executed by Borrower to Agent in respect of the Secured Property, Borrower hereby further agrees as follows:

(a) Borrower does hereby assign to Agent, the Leases and Revenues (reserving only to Borrower the right to collect currently due and payable Revenues so long as no Event of Default has occurred and is continuing hereunder), and Borrower agrees to execute and deliver to Agent such additional instruments, in form and substance reasonably satisfactory to Agent, as may hereafter be requested by Agent further to evidence and confirm said assignment; provided, however, that acceptance of any such assignment shall not be construed to impose upon Agent any obligation with respect to any Lease (including, without limitation, any liability under the covenant of quiet enjoyment contained in any lease or in any law of any applicable state in the event that any lessee shall have been joined as a party defendant in any action to foreclose this Instrument and shall have been barred and foreclosed thereby of all right, title, and interest and equity of redemption in the Secured Property). Borrower shall not cancel or permit the cancellation of any Lease, or materially modify or amend any Lease affecting the Secured Property, or accept, or permit to be made, any prepayment of any installment of rent or fees thereunder (except for security deposits and the usual prepayment of rent which results from the acceptance by a landlord on the first day of each month of the rent for that month). Borrower shall faithfully keep and perform, or cause to be kept and performed, all of the covenants, conditions and agreements contained in each of said instruments, now or hereafter existing, on the part of Borrower to be kept and performed and shall at all times do all things reasonably necessary to compel performance by each other party to said instruments of all obligations, covenants and agreements by such other party to be performed thereunder.

(b) Borrower shall not execute an assignment of the Leases or Revenues, or any part thereof unless Agent shall first consent to such assignment and unless such assignment shall expressly provide that it is subordinate to the collateral assignment contained in this Instrument and any collateral assignment executed pursuant hereto or concerning the Secured Indebtedness.

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(c) Borrower shall furnish to Agent, within twenty (20) days after a written request by Agent to do so, a sworn statement setting forth the names of all lessees and tenants of the Secured Property, the terms of their respective Leases, the space occupied, and the rentals payable thereunder, and stating to Borrower's best knowledge whether any material defaults, off-sets or defenses exist in connection with any of said Leases. Any and all Leases, entered into after the date of this Instrument shall provide for giving by the lessees or tenants thereunder of certificates with respect to the status of such Leases and Borrower shall exercise Borrower's right to request such certificates promptly upon any demand therefor by Agent. Borrower shall provide Agent with a copy of

any written notice of default received by it from any tenant under any Lease.

(d) Agent shall have the absolute and continuing right, at all times hereafter, to review and approve any and all Leases and any other contracts, licenses or permits which, pursuant to their operation and effect, will (or are reasonably likely to) affect, the Secured Property, or any part thereof, and any and all modifications to existing agreements, licenses, and permits which are proposed to be entered into subsequent to the date of this Instrument prior to their execution and delivery by Borrower. Without limiting the generality of the foregoing, and in any event, each such Lease, shall contain a provision that the rights of the parties thereunder are expressly subordinate to all of the rights and title of Agent under this Instrument.

Section 1.14 Estoppel Certificates. Borrower, within twenty (20) days after receipt of written request, shall furnish to Agent a written statement, duly acknowledged, setting forth to its knowledge the amount due under this Instrument, the terms of payment and maturity date related to all amounts advanced pursuant to or outstanding under the Loan Agreement, the date to which interest has been paid, whether any offsets or defenses exist against the Secured Indebtedness and, if any are alleged to exist, the nature thereof shall be set forth in detail.

Section 1.15 Security Deposits. To the extent required by law or, after an Event of Default has occurred and during its continuance, if required by Agent, all security deposits of tenants of the Secured Property shall be treated as trust funds not to be commingled with any other funds of Borrower. Within twenty (20) days after request by Agent, Borrower shall furnish satisfactory evidence of compliance with this Section 1.15, as necessary, together with a statement of all security deposits deposited by the tenants and copies of all Leases not theretofore delivered to Agent, certified by Borrower.

Section 1.16 Indemnity. Borrower shall indemnify and hold Agent harmless from and against any and all suits, actions, claims, proceedings (including third party proceedings), damages, losses, liabilities, and expenses (including, without limitation, reasonable attorneys' fees) which may be incurred by or asserted against Agent as the result of its having made loans and advances to Borrower, including, but not limited to, claims for brokerage commissions or finder's fees for arranging such loans and advances, claims of

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persons claiming mechanics' or similar liens, claims of tenants of the Secured Property, claims for recording taxes, filing fees, transfer taxes and similar claims relating to this Instrument, claims for the actual or threatened release of any "Hazardous Materials" (as defined in the Loan Agreement) from, on, under, or to any of the Secured Property (occurring or arising from events occurring prior to the cancellation of or sale under this Instrument) or the violation by Borrower of any law or regulation related to the manufacture, handling, treatment, storage, or disposal of any Hazardous Materials. The foregoing indemnities shall survive full payment of the Secured Indebtedness, the foreclosure of this Instrument, any transfer of the Secured Property, and any and all other events relating to the foregoing.

Article 2

Default and Remedies

Section 2.1 Events of Default. The occurrence of an "Event of Default" (as that term is defined in the Loan Agreement) under the Loan Agreement or a default with respect to any of Borrower's covenants, representations, or warranties given herein which remains unremedied for twenty (20) days or more after notice from Agent, subject to any limitations in the Loan Agreement on the right of the Borrower to receive notices of default and provided that no such cure period is provided with respect to amounts due under the Loan Agreement at maturity, a failure to maintain insurance as required in Section 1.3, any default under Section 1.12 or any default excluded from any provision for cure of defaults contained in the Loan Agreement, or any other Loan Documents securing the Secured Indebtedness, shall constitute an "Event of Default" hereunder.

Section 2.2 Remedies.

(a) Upon the occurrence of any Event of Default and during its continuance, Agent and/or Trustee may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Borrower

and in and to the Secured Property. Without limitation of the foregoing, Agent may take any of the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Agent may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Agent hereunder, under the other Loan Documents, and at law: (1) declare the entire unpaid Secured Indebtedness to be immediately due and payable; or (2) notify all tenants of the Secured Property and all others obligated on the Leases that all rents and other sums owing on the Leases have been assigned to Agent and are to be paid directly to Agent, and to enforce payment of all obligations owing on the Leases, by suit, ejectment, cancellation, releasing, reletting, or otherwise, whether or not Agent has taken possession of the Secured Property, and to exercise whatever rights and remedies Agent may have under any assignment of rents and leases; or (3) enter into or upon the Secured Property, either personally or by its agents, nominees or attorneys and dispossess Borrower and its agents and servants therefrom, and thereupon Agent and/or Trustee may (i) use, operate, manage, control, insure,

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maintain, repair, restore, and otherwise deal with all and every part of the Secured Property and conduct business thereat; (ii) complete any construction on the Secured Property in such manner and form as Agent deems advisable in the reasonable exercise of its judgment; (iii) exercise all rights and power of Borrower with respect to the Secured Property, whether in the name of Borrower, or otherwise, including, without limitation, the right to make, cancel, enforce, or modify leases, obtain and evict tenants, and demand, sue for, collect, and receive all Revenues, which rights shall not be in limitation of Agent's rights under any assignment of rents and leases securing the Secured Indebtedness; and (iv) apply the Revenues to the payment of the Secured Indebtedness, after deducting therefrom all expenses incurred in connection with the aforesaid operations (including reasonable attorney fees and just and reasonable compensation for the services of Agent and its agents and employees) and all amounts necessary to pay the taxes, assessments, insurance, and other charges in connection with the Secured Property; or (4) direct the Trustee to institute proceedings for the complete foreclosure of this Instrument either at law, or equity, in which case Agent may bid upon and purchase the Secured Property and the Secured Property may be sold for cash or upon credit in one or more parcels; or (5) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, direct the Trustee to institute proceedings for the partial foreclosure of this Instrument for the portion of the Secured Indebtedness then due and payable (if Agent shall have elected not to declare the entire Secured Indebtedness to be immediately due and owing), subject to the continuing lien of this Instrument for the balance of the Secured Indebtedness not then due; or (6) direct the Trustee to sell for cash or upon credit, the Secured Property or any part thereof and all estate, claim, demand, right, title, and interest of Borrower therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entity or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law, and in the event of a sale, by foreclosure or otherwise, of less than all of the Secured Property, this Instrument shall continue as a lien on the remaining portion of the Secured Property; or (7) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein or in any Loan Document; or (8) to the extent permitted by applicable law, recover judgment on the Loan Agreement either before, during or after any proceedings for the enforcement of this Instrument; or (9) as a matter of strict right, obtain from any court of competent jurisdiction the appointment of a trustee, receiver, liquidator, or conservator of the Secured Property, without regard for the adequacy of the security for the Secured Indebtedness and without regard for the solvency of Borrower, or any other person, firm or other entity liable for the payment of the Secured Indebtedness, and without regard for any other statutory or common law requirements otherwise applicable to the appointment of a trustee, receiver, liquidator, or conservator; or (10) pay or perform any default in the payment, performance, or observance of any term, covenant or condition of this Instrument, and all payments made or costs or expenses incurred by Agent in connection therewith, shall be secured hereby and shall be, without demand, immediately repaid by Borrower to Agent with interest thereon the necessity for any such actions and of the amounts to be paid to be in the sole judgment of Agent, and Agent and/or Trustee may enter and authorize others

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to enter upon the Secured Property or any part thereof for the purpose of performing or observing any such defaulted term, covenant, or condition without thereby becoming liable to Borrower or any person in possession holding under

Borrower; or (11) pursue any remedy with respect to the Secured Property available to a secured party under the Uniform Commercial Code; or (12) pursue such other remedies as Agent and/or Trustee may have under applicable law, in equity or under this Instrument, the Loan Agreement, or any of the other Loan Documents.

(b) The purchase money proceeds or avails of any sale made under or by virtue of this Article 2, together with any other sums which then may be held by Agent under this Instrument, whether under the provisions of this Article 2 or otherwise, shall be applied to the Secured Indebtedness in the order provided in the Loan Agreement.

(c) Agent or Trustee may adjourn from time to time any sale by it to be made under or by virtue of this Instrument by announcement at the time and place appointed for such sale or for such adjourned sale or sales; and, except as otherwise provided by any applicable provision of law, Agent or Trustee, without further notice or publication, may make such sale at the time and place to which the same shall be so adjourned.

(d) Upon the completion of any sale or sales made by Trustee under or by virtue of this Article 2, Trustee, or an officer of any court empowered to do so, shall execute and deliver to the accepted purchaser or purchasers a good and sufficient instrument, or good and sufficient instruments, conveying, assigning, and transferring all estate, right, title, and interest in and to the property and rights sold. Trustee is hereby irrevocably appointed the true and lawful attorney of Borrower, such appointment being coupled with an interest, in its name and stead, to make all necessary conveyances, assignments, transfers, and deliveries of the Secured Property and rights so sold and for that purpose Trustee may execute all necessary instruments of conveyance, assignment, and transfer, and may substitute one or more persons with like power, Borrower hereby ratifying and confirming all that its said attorney or such substitute or substitutes shall lawfully do by virtue hereof. Any such sale or sales made under or by virtue of this Article 2, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, shall operate to divest all the estate, right, title, interest, claim, and demand whatsoever, whether at law or in equity, of Borrower in and to the properties and rights so sold, and shall be a perpetual bar both at law and in equity against Borrower and against any and all persons claiming or who may claim the same, or any part thereof from, through or under Borrower.

(e) In the event of any sale made under or by virtue of this Article 2 (whether made by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale) the entire Secured Indebtedness, if not previously due and payable, immediately thereupon shall, anything in the Loan Agreement, this Instrument, or any other Loan Document to the contrary notwithstanding, become due and payable.

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(f) Upon any sale made under or by virtue of this Article 2 (whether made by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale), Agent, may bid for and acquire the Secured Property or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the Secured Indebtedness the net sales price after deducting therefrom the expenses of the sale and the costs of the action and any other sums which Agent is authorized to deduct under this Instrument.

(g) No recovery of any judgment by Agent and no levy of an execution under any judgment upon the Secured Property or upon any other property of Borrower shall affect in any manner or to any extent, the lien and title of this Instrument upon the Secured Property or any part thereof, or any liens, titles, rights, powers or remedies of Agent hereunder, but such liens, titles, rights, powers and remedies of Agent shall continue unimpaired as before.

(h) Borrower agrees, to the fullest extent permitted by law, that upon the occurrence of an Event of Default, neither Borrower nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension, homestead, exemption or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Instrument, or the absolute sale of the Secured Property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Borrower, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the

assets comprised in the security intended to be created hereby marshaled upon any foreclosure of the lien or title hereof.

(i) The failure to make any such tenants of the Secured Property party to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted to be by Borrower, a defense to any proceedings instituted by Agent to collect the sums secured hereby.

Section 2.3 Possession of the Secured Property. Upon any foreclosure of the Secured Property, it is agreed that the then owner of the Secured Property, if it is the occupant of the Secured Property or any part thereof, shall immediately surrender possession of the Secured Property so occupied to Agent, and if such occupant is permitted to remain in possession, the possession shall be as tenant of Agent and, on demand, such occupant (a) shall pay to Agent monthly, in advance, a reasonable rental for the space so occupied, and (b) in default thereof may be dispossessed by the usual summary proceedings. The covenants herein contained may be enforced by a receiver of the Secured Property or any part thereof. Nothing in this Section 2.3 shall be deemed to be a waiver of the provisions of this Instrument prohibiting the sale or other disposition of the Secured Property without Agent's consent.

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Section 2.4 Borrower's Actions After Default. Nothing herein shall be deemed to require the commencement of a suit or the consent of Borrower as a condition precedent for Agent's right to the appointment of a receiver or the exercise of any other rights or remedies available to Agent.

Section 2.5 Control by Agent After Default. Notwithstanding the appointment of any receiver, liquidator, or trustee of Borrower, or of any of its property, or of the Secured Property or any part thereof, Agent shall be entitled to retain possession and control of all property now and hereafter covered by this Instrument.

Section 2.6 WAIVER OF BORROWER'S RIGHTS. BY EXECUTION OF THIS INSTRUMENT, BORROWER EXPRESSLY: (A) ACKNOWLEDGES THE RIGHT OF AGENT TO ACCELERATE THE SECURED INDEBTEDNESS EVIDENCED BY THE LOAN AGREEMENT; (B) TO THE EXTENT ALLOWED BY APPLICABLE LAW, WAIVES ANY AND ALL RIGHTS WHICH BORROWER MAY HAVE UNDER THE CONSTITUTION OF THE UNITED STATES, THE VARIOUS PROVISIONS OF THE CONSTITUTIONS FOR THE SEVERAL STATES, OR BY REASON OF ANY OTHER APPLICABLE LAW, TO NOTICE AND TO JUDICIAL HEARING PRIOR TO THE EXERCISE BY AGENT OF ANY RIGHT OR REMEDY HEREIN PROVIDED TO AGENT; (C) ACKNOWLEDGES THAT BORROWER HAS READ THIS INSTRUMENT AND ITS PROVISIONS HAVE BEEN EXPLAINED FULLY TO BORROWER AND BORROWER HAS CONSULTED WITH LEGAL COUNSEL OF BORROWER'S CHOICE PRIOR TO EXECUTING THIS INSTRUMENT; AND (D) ACKNOWLEDGES THAT ALL WAIVERS OF THE AFORESAID RIGHTS OF BORROWER HAVE BEEN MADE KNOWINGLY, INTENTIONALLY AND WILLINGLY BY BORROWER AS PART OF A BARGAINED FOR LOAN TRANSACTION.

Article 3

Miscellaneous

Section 3.1 Credits Waived. Borrower will not claim nor demand nor be entitled to any credit or credits against the Secured Indebtedness for so much of the taxes assessed against the Secured Property or any part thereof as is equal to the tax rate applied to the amount due on this Instrument or any part thereof, and no deductions shall otherwise be made or claimed from the taxable value of the Secured Property or any part thereof by reason of this Instrument or the Secured Indebtedness.

Section 3.2 No Release. Borrower agrees, that in the event the Secured Property is sold with the written consent of Agent and Agent enters into any agreement with the then owner of the Secured Property extending the time of payment of the Secured Indebtedness, or otherwise modifying the terms hereof, Borrower shall continue to be liable to pay the Secured Indebtedness according

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to the tenor of any such agreement unless expressly released and discharged in writing by Agent.

Section 3.3 Notices. All notices hereunder shall be in writing, and shall be deemed to have been sufficiently given, or served for all purposes when delivered in accordance with the terms of the Loan Agreement in regard to the giving of notice.

Section 3.4 Binding Obligations. The provisions and covenants of this Instrument shall run with the land, shall be binding upon Borrower and shall inure to the benefit of Agent, subsequent holders of this Instrument and their respective successors and assigns. For the purpose of this Instrument, the term "Borrower" shall mean Borrower named herein, any subsequent owner of the Secured Property, and their respective heirs, executors, legal representatives, successors and assigns. If there is more than one Borrower, all their undertakings hereunder shall be deemed joint and several.

Section 3.5 Captions. The captions of the Sections of this Instrument are for the purpose of convenience only and are not intended to be a part of this Instrument and shall not be deemed to modify, explain, enlarge or restrict any of the provisions hereof.

Section 3.6 Further Assurances. Borrower shall do, execute, acknowledge and deliver, at the sole cost and expense of Borrower, all and every such further acts, deeds, conveyances, assignments, estoppel certificates, notices of assignment, transfers and assurances as Agent may reasonably require from time to time in order to better assure, convey, assign, transfer and confirm unto Agent or Trustee, the rights now or hereafter intended to be granted to Agent or Trustee under this Instrument, any other instrument executed in connection with this Instrument or any other instrument under which Borrower may be or may hereafter become bound to convey, transfer or assign to Agent or Trustee for carrying out the intention of facilitating the performance of the terms of this Instrument.

Section 3.7 Severability. Any provision of this Instrument which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction.

Section 3.8 General Conditions.

(a) All covenants hereof shall be construed as affording to Agent rights additional to and not exclusive of the rights conferred under the provisions of applicable laws of the State in which the Land is located.

(b) This Instrument cannot be altered, amended, modified or discharged orally and no agreement shall be effective to modify or discharge it in whole or in part, unless it is in writing and signed by the party against whom enforcement of the modification, alteration, amendment or discharge is sought.

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(c) No remedy herein conferred upon or reserved to Agent is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission of Agent in exercising any right or power accruing upon any Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default, or any acquiescence therein. Acceptance of any payment after the occurrence of an Event of Default shall not be deemed to waive or cure such Event of Default; and every power and remedy given by this Instrument to Agent may be exercised from time to time as often as may be deemed expedient by Agent. Nothing in this Instrument, in the Loan Agreement or in any other Loan Document shall affect the obligation of Borrower to pay the Secured Indebtedness in the manner and at the time and place therein respectively expressed.

(d) No waiver by A

(e) gnt will be effective unless it is in writing and then only to the extent specifically stated. Without limiting the generality of the foregoing, any payment made by Agent for insurance premiums, taxes, assessments, water rates, sewer rentals or any other charges affecting the Secured Property, shall not constitute a waiver of Borrower's default in making such payments and shall not obligate Agent to make any further payments.

(f) Agent shall have the right to appear in and defend any action or proceeding, in the name and on behalf of Borrower which Agent, in its discretion, feels may adversely affect the Secured Property or this Instrument. Agent shall also have the right to institute any action or proceeding which Agent, in its discretion, feels should be brought to protect its interest in the

Secured Property or its rights hereunder. All costs and expenses incurred by Agent in connection with such actions or proceedings, including, without limitation, attorneys' fees and appellate attorneys' fees, shall be paid by Borrower, on demand.

(g) In the event of the passage after the date of this Instrument of any law of any governmental authority having jurisdiction, deducting the Secured Indebtedness from the value of the Secured Property for the purpose of taxation, affecting any lien thereon or changing in any way the laws of the taxation of mortgages or debts secured by mortgages for federal, state or local purposes, or the manner of the collection of any such taxes, so as to affect this Instrument, Borrower shall promptly pay to Agent, on demand, all taxes, costs and charges for which Agent is or may be liable as a result thereof, provided said payment shall not be prohibited by law or render any obligations under the Loan Agreement usurious, in which event Agent may declare the Secured Indebtedness to be immediately due and payable.

(h) Borrower acknowledges that it has received a true copy of this Instrument.

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(i) For the purposes of this Instrument, all defined terms and personal pronouns contained herein shall be construed, whenever the context of this Instrument so requires, so that the singular shall be construed as the plural and vice versa and so that the masculine, feminine or neuter gender shall be construed to include all other genders.

(j) No provision of this Instrument shall be construed against or interpreted to the disadvantage of Borrower or Agent by any court or other governmental or judicial authority by reason of such party having or being deemed to have drafted, prepared, structured or dictated such provision.

(k) Upon receipt of evidence reasonably satisfactory to Borrower of the loss, theft, destruction or mutilation of any note or instrument evidencing a portion of the Secured Indebtedness, and in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory to Borrower or, in the case of any such mutilation, upon surrender and cancellation of such note or instrument, Borrower shall execute and deliver, in lieu thereof, a replacement note or instrument, identical in form and substance to the original note or instrument and dated as of the date of the original note or instrument and upon such execution and delivery all references in this Instrument and the other Loan Documents to the original note or instrument shall be deemed to refer to such replacement note or instrument.

(l) Time is of the essence with respect to each and every covenant, agreement and obligation of Borrower under the Loan Agreement, this Instrument, and the other Loan Documents.

(m) Whenever the Loan Agreement, this Instrument, or any other Loan Document requires the consent, approval, waiver, acceptance, satisfaction or expression of opinion of, or the taking of any discretionary act by Agent, the right, power, privilege and option of Agent to withhold or grant its consent shall not be exhausted by the exercise thereof on one or more occasions, but shall be a continuing right, power, privilege and option of Agent with respect to any such matters.

(n) If any conflict or inconsistency exists between this Instrument and the Loan Agreement, the Loan Agreement shall govern.

Section 3.9 LEGAL CONSTRUCTION. THIS INSTRUMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE STATE OF GEORGIA, EXCEPT TO THE EXTENT OF THE PROCEDURAL AND SUBSTANTIVE MATTERS RELATING ONLY TO THE CREATION, PERFECTION AND FORECLOSURE OF LIENS, AND ENFORCEMENT OF RIGHTS AND REMEDIES AGAINST THE SECURED PROPERTY, WHICH MATTERS SHALL BE GOVERNED BY THE STATE IN WHICH THE LAND IS LOCATED. NOTHING IN THIS INSTRUMENT, THE LOAN AGREEMENT OR IN ANY OTHER AGREEMENT AMONG BORROWER AND AGENT SHALL REQUIRE BORROWER TO PAY, OR AGENT TO ACCEPT, INTEREST IN AN AMOUNT WHICH WOULD SUBJECT AGENT TO ANY PENALTY UNDER APPLICABLE LAW. IN THE EVENT THAT THE PAYMENT OF ANY INTEREST DUE HEREUNDER OR UNDER THE LOAN AGREEMENT OR ANY SUCH OTHER AGREEMENT WOULD SUBJECT AGENT TO ANY

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PENALTY UNDER APPLICABLE LAW, THEN AUTOMATICALLY THE OBLIGATIONS OF BORROWER TO MAKE SUCH PAYMENT SHALL BE REDUCED TO THE HIGHEST RATE AUTHORIZED UNDER

APPLICABLE LAW.

Section 3.10 WAIVER OF JURY TRIAL. BORROWER AND AGENT, ON BEHALF OF THEMSELVES AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER THE LOAN AGREEMENT, THIS INSTRUMENT, OR UNDER ANY OF THE OTHER LOAN DOCUMENTS OR RELATING THERETO.

Section 3.11 Acceptance By Trustee. Trustee accepts this trust when this Instrument, duly executed and acknowledged, is made of public record as provided by law.

Section 3.12 Substitution of Trustee. In the event of Trustee's death, absence, inability or refusal to act at any time when action under the foregoing powers may be required or contemplated, or for any other reason at the option of the Agent, Agent is hereby authorized to name and appoint a successor trustee by a writing duly recorded in the applicable real property records in the county where the Land is located and the title herein conveyed to the above-named Trustee shall be vested in the said successor without the necessity of any other or further conveyance.

Section 3.13 State Specific Provisions. This Instrument is governed by the further provisions set forth on Appendix I attached hereto and made a part hereof which are incorporated herein as if fully set forth herein.

Section 3.14 Attorney's Fees. Any and all references in this Instrument to the recovery of attorney's fees by Agent or the Lenders shall be deemed to refer to reasonable, actual attorney's fees.

Section 3.15 Secured Property in Multiple Counties. This Instrument may describe Secured Property located in more than one county in the State in which the Land is located, but will be recorded in the real estate records of each such county. The Borrower acknowledges and agrees that upon the occurrence of an Event of Default and during its continuance, Agent shall have the right, at its option, to foreclose this Instrument against all or any portion of the Secured Property it chooses in any such county or counties in the State in which any of the Land is located.

Section 3.16 INDEMNIFICATION PROVISIONS. BORROWER HEREBY ACKNOWLEDGES AND AGREES THAT THIS INSTRUMENT CONTAINS CERTAIN INDEMNIFICATION PROVISIONS

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(INCLUDING WITHOUT LIMITATION THOSE CONTAINED IN SECTIONS 1.7, 1.9 AND 1.16 HEREOF AND APPENDIX I HERETO), WHICH IN CERTAIN CIRCUMSTANCES COULD INCLUDE AN INDEMNIFICATION BY BORROWER OF AGENT FROM CLAIMS OR LOSSES ARISING AS A RESULT OF AGENT'S OWN NEGLIGENCE.

[EXECUTION ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, Borrower has executed this Instrument under seal, as of the day and year first above written.

M.J. Soffe Co., a North Carolina corporation

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Vice President

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State of _____

County of _____

I, _____, a Notary Public of the aforesaid County and State, certify that _____, personally came before me this day and acknowledged that he/she, is the President of M.J. Soffe Co., a North Carolina corporation, and that he/she, as _____ being authorized to do so, executed the foregoing on behalf of the said corporation.

Witness my hand and official seal, (where an official seal is required by law) this the ____ day of _____, 2003.

(Official Seal)

My commission expires on: _____

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EXHIBIT A
LEGAL DESCRIPTION

APPENDIX I

STATE SPECIFIC PROVISIONS

Notwithstanding any provision to the contrary set forth in this Instrument to which this Appendix I is attached, the following terms and conditions shall control for purposes of compliance with North Carolina law:

1. Waiver of Jury Trial. Section 3.10 is hereby deleted.
2. Future Advances. It is the intention of the parties hereto that this Instrument is made and executed to comply with the provisions of N.C.G.S. Section 45-67 et seq. and shall secure any and all present and future obligations which Borrower may now or hereafter owe to Agent and the Lenders (but in no event incurred more than fifteen (15) years after the date hereof), including, without limitation, any future loans, advances, and readvances on a revolving basis which may be made from time to time by Agent and the Lenders to Borrower pursuant to the Loan Agreement, and any and all amendments or modifications thereto which may hereafter be entered into from time to time between Borrower, Agent and the Lenders or any other instrument, document or agreement referred to or contemplated thereby. Although the amount, including present and future obligations, which Agent and the Lenders will lend to Borrower may decrease or increase from time to time, it is understood and agreed by the parties hereto that all such future loans, advances and readvances shall be secured to the same extent as the original obligations hereunder, up to a maximum aggregate amount of principal indebtedness outstanding at any one time or Forty-One Million and No/100 Dollars (\$41,000,000.00), plus interest, costs and advances made by Agent and the Lenders to protect or preserve the Secured Property or for taxes or insurance premiums as provided in this Instrument. The principal amount of present obligations of Borrower to Agent and the Lenders secured hereby is the sum of \$0.00 as of the date hereof. Pursuant to N.C.G.S. Section 45-68(2), Borrower, Agent and the Lenders agree that at the time each obligation is incurred it shall not be necessary for each obligation to be evidenced by any written instrument or notation signed by Borrower and stipulating that such obligation is secured by this Instrument.
3. To the extent of any inconsistency between the rights and remedies provided to Agent and the Lenders hereunder with the General Statutes of North Carolina or any case law, the applicable law of the State of North Carolina shall govern, including, without limitation, all requirements that Agent, Trustee and the Lenders comply with the terms of Chapter 45 of the General Statutes of North Carolina and any supplemental or replacement provisions concerning mortgages and deeds of trust. In addition to any remedies provided to Agent and Lenders herein, Trustee shall have the power and authority upon default by Borrower and upon request of Agent to sell the Secured Property at public auction for cash and upon such sale to convey title to the purchaser in fee simple after first having complied with all applicable aforesaid statutory requirements. The Trustee shall be entitled to a Trustee's commission for a completed foreclosure sale determined on the

basis of the Trustee's actual time expended for services rendered as Trustee, calculated at the Trustee's standard hourly billing rate but not to exceed three percent (3%) of the bid, plus actual costs and expenses incurred in the performance of Trustee's duties and responsibilities hereunder, plus reasonable attorney's fees for legal services actually performed. Such fees and commission shall be paid from the proceeds of sale as provided by law. If a foreclosure

proceeding is commenced by the Trustee but terminated prior to its completion, the Trustee's fees will be determined upon the basis of the Trustee's actual time expended for services as Trustee calculated at the Trustee's standard hourly billing rate, but not to exceed one percent (1%) of the value of the Secured Property as insured for title insurance purposes if the termination occurs prior to the notice of hearing and not to exceed two (2%) of such amount if the termination occurs prior to the first public auction sale, plus actual costs and expenses as aforesaid. The full commission shall be due and payable after the first public auction sale.

EMPLOYMENT AND NON-SOLICITATION AGREEMENT

THIS EMPLOYMENT AND NON-SOLICITATION AGREEMENT (this agreement, including all annexes and exhibits hereto, collectively, the "Agreement"), dated as of October 3, 2003, is by and between DELTA APPAREL, INC., a Georgia corporation ("Delta Apparel"), M.J. SOFFE CO., a North Carolina corporation ("Soffe"), and JAMES F. SOFFE, a North Carolina resident ("Executive").

WHEREAS, Executive, Delta Apparel and Soffe are parties to that certain Amended and Restated Stock Purchase Agreement dated as of the date hereof (the "Stock Purchase Agreement") pursuant to which Executive and the other shareholders of Soffe are selling to MJS Acquisition Company, a North Carolina corporation and wholly-owned subsidiary of Delta Apparel ("MJS"), all of their stock in Soffe; and

WHEREAS, one of the conditions to closing the transactions contemplated by the Stock Purchase Agreement is Executive's entering into this Agreement and the agreements contemplated hereby; and

WHEREAS, following the consummation of the transactions contemplated by the Stock Purchase Agreement, Soffe will be a wholly-owned subsidiary of MJS and will be merged with and into MJS, with MJS as the surviving corporation in such merger and successor in interest to Soffe under this Agreement; and

WHEREAS, Executive agrees that Delta Apparel's agreeing to close the transactions contemplated by the Stock Purchase Agreement, along with Soffe's promises contained in this Agreement, constitute good and sufficient consideration for Executive's promises in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment. Executive agrees to be employed by Soffe, and Soffe agrees to employ Executive, on the terms and conditions set forth in this Agreement. Executive agrees during the term of this Agreement to devote substantially all of his business time, efforts, skills and abilities to the performance of such duties and to the furtherance of Soffe's business; provided, however, that Executive shall not be required to work more than forty (40) hours per work week.

Executive's job title will be Chief Executive Officer and his duties will be to (a) oversee Soffe's sales and marketing teams with respect to product development, planning and forecasting, and (b) oversee Soffe's long-range planning with respect to financial, marketing, operations and sourcing, all consistent with the ordinary, past practices of Soffe and his duties prior to the date of this Agreement.

2. Compensation and Benefits.

(a) Base Salary. During the term of Executive's employment with Soffe pursuant to this Agreement, Soffe shall pay to Executive as compensation for his services an annual base salary of not less than Executive's salary on the date of the signing of the Agreement ("Base Salary"). Executive's Base Salary will be payable in arrears in accordance with Soffe's normal payroll procedures. In no event shall Executive's Base Salary be decreased.

(b) Incentive Bonus. Executive shall be entitled to receive an incentive bonus calculated in the manner set forth below with respect to any Incentive Year (as defined below) during all or a portion of which he was employed by Soffe:

For each of the twelve-month periods ending on the Saturday nearest to September 30 of each of 2004, 2005 and 2006 (each, an "Incentive Year"), if EBITDA (as defined in Annex A) is greater than the Threshold Amount (as defined below) for such Incentive Year, then Soffe shall pay to Executive the product (subject to the Incentive Cap, as defined below) of (i) 37.5% and (ii) 33% of the amount by which EBITDA for such Incentive Year exceeds the Threshold Amount. Notwithstanding the foregoing, in no event shall Executive be entitled to be paid more than an aggregate of \$1 million (the "Incentive Cap") (such amount to be determined before deduction of amounts permitted to be deducted by subsection

2(c) below) pursuant to this subsection with respect to any Incentive Year. Any compensation payable under this paragraph shall be referred to as "Incentive Compensation" in this Agreement. Amounts payable under this subsection shall be calculated and paid, and disputes shall be settled, in the manner described in Annex A.

For purposes of this subsection the Threshold Amount for the 2004 Incentive Year shall be \$16,200,000, the Threshold Amount for the 2005 Incentive Year shall be \$16,700,000, and the Threshold Amount for the 2006 Incentive Year shall be \$17,200,000.

If this Agreement is terminated for any reason, Executive shall be entitled to receive (and Soffe shall pay) any Incentive Compensation payable pursuant to this Section 2(b), which amount shall be prorated for the actual number of days that Executive was an employee of Soffe during the applicable Incentive Year in which such termination occurred.

(c) Tax Withholding. Soffe shall have the right to deduct from any compensation payable to Executive under this Agreement social security (FICA) taxes and all federal, state, municipal or other such required taxes or charges as may now be in effect or that may hereafter be enacted.

(d) Expense Reimbursements. Soffe shall pay or reimburse Executive for all reasonable business expenses incurred or paid by Executive in the course of performing his duties hereunder, including but not limited to reasonable travel expenses for Executive. As a condition to such payment or reimbursement, however, Executive shall maintain and provide to Soffe reasonable documentation and receipts for such expenses.

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(e) Vacation. Executive shall be entitled to four (4) weeks of paid vacation during each year of the Term (as defined below).

(f) Other Benefits. During the Term of this Agreement, Executive shall be entitled to participate in any group health insurance and other employee benefit plans generally provided or sponsored by Soffe to its active employees to the extent that he is eligible under and pursuant to the terms of such plans. Employee's participation in such plans (and the participation of his dependents), eligibility for benefits under such plans, and the premiums paid for coverage under such plans shall be determined under the terms of such plans. Executive shall pay premiums for coverage under such plans equal to the premiums payable for such coverage by similarly-situated, eligible active employees. Nothing contained herein shall alter or affect the right of Soffe, consistent with applicable law, to alter or amend such plans at any time. To the extent that Soffe establishes any new group health insurance plan or arrangement, it will (i) recognize any prior service of Executive as of his original hire date with Soffe for purposes of benefit accrual, participation, and vesting under such new plan or arrangement; (ii) waive any pre-existing condition (whether or not subject to an exclusion) that exists as of the date of this Agreement; and (iii) credit any paid-in or accrued deductibles within the same plan year.

Further, during the Term of this Agreement, Soffe shall pay all membership and related fees and dues associated with Executive's membership at The Country Club of North Carolina and Highland Country Club not to exceed an aggregate of \$6,534 per year.

3. Term. Unless sooner terminated pursuant to Section 4 of this Agreement, and subject to the provisions of Section 5 hereof, the term of this Agreement (the "Term") shall commence as of the date hereof and shall continue until the third anniversary (the "End Date") of the date of this Agreement.

4. Termination. Notwithstanding the provisions of Section 3 hereof, but subject to the provisions of Section 5 hereof, Executive's employment under this Agreement shall terminate as follows:

(a) Death. Executive's employment shall terminate upon the death of Executive; provided, however, that (i) Soffe shall continue to pay (in accordance with its normal payroll procedures) the Base Salary to Executive's estate for a period of six (6) months after the date of Executive's death if Executive is employed by Soffe on the date of his death; and (ii) Soffe shall pay to Executive's estate any Incentive Compensation payable pursuant to Section 2(b) of this Agreement, which amount shall be prorated for the actual number of days that Executive was an employee of Soffe during the applicable Incentive Year in which Executive's death occurred.

(b) Termination for Cause. Soffe may terminate Executive's employment at any time for "Cause" (as hereinafter defined) by delivering a written termination notice to Executive. For purposes of this Agreement, "Cause" shall mean any of the following: (i) conviction of Executive for commission of a felony; (ii) Executive's commission of an act constituting fraud, deceit or material misrepresentation with respect to his duties under this Agreement to Soffe, Delta Apparel and/or any of their affiliates; (iii) Executive's

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embezzlement of funds or assets from Soffe, Delta Apparel, or any of their affiliates; (iv) conclusive evidence that Executive is addicted to any controlled or illegal substance or drug without a valid prescription for such substance or drug; (v) Executive's commission of any act or omission of gross negligence or willful misconduct in the performance of his duties as an employee of Soffe as required by this Agreement, which act or omission Executive fails to cure within fifteen (15) days after receiving specific written notice of such act or omission from Soffe, which notice shall describe in reasonable detail the nature of the act or omission; or (vi) Executive's failure to correct or cure any material breach of or default under this Agreement not described in any of the preceding clauses within sixty (60) days after receiving specific written notice of such breach or default from Soffe, which notice shall describe in detail the nature of the breach or default.

(c) Termination Without Cause. Soffe may terminate Executive's employment at any time for any or no reason by delivering at least sixty (60) days' prior written termination notice to Executive.

(d) Termination by Executive.

(i) Without Cause. Executive may terminate his employment at any time for any or no reason by delivering at least sixty (60) days' prior written notice to the Chair of the Board of Directors of Soffe.

(ii) For Good Reason. Executive may terminate his employment at any time for "Good Reason" (as hereinafter defined) by delivering a written termination notice to the Chair of the Board of Directors of Soffe. For purposes of this Agreement, "Good Reason" shall mean any of the following: (A) any materially adverse change or diminution in the office, title, duties, powers, authority, responsibilities or compensation of Executive; (B) failure of Soffe to pay Executive any Base Salary, bonus or Incentive Compensation within fifteen (15) days after such payment is due; (C) failure of Soffe to pay Executive any amount due under Section 2(d) hereof within thirty (30) days after such payment is due; (D) a material adverse change in the benefits provided to Executive hereunder; (E) Soffe's or Delta Apparel's breach of any provision of this Agreement which breach is not cured within sixty (60) days after the Chair of the Board of Directors of Soffe received from Executive a written notice describing such breach; or (F) relocation of Executive to any location (or requiring Executive to perform his duties hereunder at any location) that is greater than twenty (20) miles from Soffe's current executive offices in Fayetteville, North Carolina.

(iii) Due to a Change in Control. Executive may terminate this Agreement upon a Change in Control (as defined in the Stock Purchase Agreement).

(e) Termination Following Disability. In the event Executive becomes "disabled" (as hereinafter defined), Soffe may terminate Executive's employment by delivering a written termination notice to Executive. Notwithstanding the foregoing, Executive shall continue to receive his (i) full Base Salary and benefits to which he is entitled under this Agreement for a period of six (6) months after the effective date of such termination, and (ii) any Incentive Compensation payable pursuant to Section 2(b) of this Agreement, which amount shall be prorated for the actual number of days that Executive was an employee of Soffe during the applicable Incentive Year in which such termination

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occurred. For purposes of this Agreement, "disability" shall mean acceptance of a claim for long-term disability benefits by Soffe's disability insurance carrier. If no such policy is in existence, "disability" shall mean a physical or mental illness, incompetency or incapacity which will result in Executive's inability to perform his essential functions as an employee of Soffe where such incapacity has continued for at least one hundred twenty (120) consecutive days. If Executive (or his representative) and Soffe do not agree that Executive has

suffered a disability in accordance with this definition, a medical doctor who is acceptable to both Executive and Soffe shall, in his discretion, determine whether Executive has suffered a disability as defined in this Agreement and, if so, the date upon which such disability occurred. Such determination shall be binding upon all parties to this Agreement. If Executive and Soffe do not agree upon a doctor, they shall each name a doctor and the two doctors so named shall name a third doctor who shall conduct the examination and make a determination as to whether Executive has suffered a disability as defined in this Agreement and, if so, the date upon which such disability occurred. Soffe shall pay all of the costs of the doctor's examination and determination.

(f) Payments and Benefits. Following any expiration or termination of this Agreement or Executive's employment hereunder, and in addition to (but not in duplication of) any amounts owed pursuant to Section 5 hereof, Soffe shall pay to Executive all amounts earned by Executive hereunder prior to the date of such expiration or termination, including without limitation any Incentive Compensation.

In addition, following any expiration or termination of this Agreement pursuant to Section 4(c), 4(d)(ii) or 4(d)(iii) (and, in the event of a termination pursuant to Section 4(c), 4(d)(ii) or 4(d)(iii), execution and delivery by Executive of the release contemplated by Section 5(f)):

(i) to the extent permitted by Soffe's group health plans in effect at the date of such termination or expiration or thereafter at any time prior to the date Executive reaches age 65, Soffe shall continue to offer Executive and his eligible dependents the opportunity to participate in Soffe's group health plans from time to time after the date of such termination or expiration until Executive reaches the age of 65; provided, however, that as a condition to maintaining such coverage, Executive shall pay the full COBRA rate in effect from time to time for former employees of Soffe continuing group health insurance benefits under COBRA; or

(ii) to the extent that Soffe's group health plans do not permit Executive to continue to participate in such plans until age 65, Soffe shall provide Executive and his dependents with the opportunity to receive substantially the same health benefits that they would have been entitled to receive under such plans if Executive were entitled to continue to participate, provided that (a) as a condition to maintaining such coverage, Executive shall pay the full COBRA rate in effect from time to time for former employees of Soffe continuing group health insurance benefits under COBRA; and (b) the aggregate of such

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benefits for Executive and/or his eligible dependents shall be subject to a per-year limitation of \$100,000 per covered person and a lifetime maximum of \$500,000 per covered person.

Nothing contained herein shall alter or affect the right of Soffe, consistent with applicable law, to alter or amend such plans at any time. To the extent that Soffe establishes any new group health insurance plan or arrangement while this paragraph (f) is in effect, it will (i) recognize any prior service of Executive as of his original hire date with Soffe for purposes of benefit accrual, participation, and vesting under such new plan or arrangement; (ii) waive any pre-existing condition (whether or not subject to an exclusion) that exists as of the date of this Agreement; and (iii) credit any paid-in or accrued deductibles within the same plan year.

5. Certain Termination Benefits. In the event that:

(i) either (A) Soffe terminates Executive's employment without Cause pursuant to Section 4(c) or (B) Executive terminates his employment pursuant to Section 4(d)(ii) or 4(d)(iii); and

(ii) Executive executes and delivers the release contemplated in Section 5(f) below,

then in such case Soffe will provide the benefits described in subsections (a)-(b) below to Executive.

(a) Base Salary and Incentive Compensation. Soffe shall continue to pay to Executive (i) his Base Salary (as in effect as of the date of such

termination) that would have been payable hereunder to Executive from the date of such termination through the End Date, and (ii) any Incentive Compensation payable pursuant to subsection 2(b) of this Agreement, calculated as if Executive were still an employee of Soffe through the End Date.

(b) Life Insurance. Soffe shall continue to provide Executive with group life insurance coverage through the End Date at coverage levels equal to those applicable to Executive immediately prior to termination. Soffe may, at its option, purchase an insurance policy providing comparable coverage for the benefit of Executive to meet its obligations under this subsection for all or part of the period during which such obligation exists.

(c) Offset. Any life insurance benefits received by Executive in connection with any other employment accepted by Executive that are reasonably comparable to the life insurance benefits then being provided by Soffe pursuant to subsection (b) of this Section 5, shall be deemed to be the equivalent of such benefits, and shall terminate Soffe's responsibility to continue providing the life insurance benefits, taken as a whole, then being provided by Soffe pursuant to subsection (b) of this Section 5.

(d) Treatment as Excess Parachute Payments. In the event that (i) Executive would otherwise be entitled to the compensation and benefits described in Subsections 5(a) and (b) hereof ("Compensation Payments"), and (ii) Soffe determines, based upon the advice of tax counsel reasonably acceptable to

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Executive, that, as a result of such Compensation Payments and any other benefits or payments required to be taken into account under Internal Revenue Code of 1986, as amended (the "Code") Section 280G(b)(2) ("Parachute Payments"), any of such Parachute Payments would be reportable by Soffe or Delta Apparel as an "excess parachute payment" under Code section 280G, such Compensation Payments shall be reduced to the extent necessary to cause the aggregate present value (determined in accordance with Code Section 280G and applicable regulations promulgated thereunder) of the Executive's Parachute Payments to equal 2.99 times the "base amount" as defined in Code Section 280G(b)(3) with respect to such Executive. However, such reduction in the Compensation Payments shall be made only if, in the opinion of such tax counsel, it would result in a larger Parachute Payment to the Executive than payment of the unreduced Parachute Payments after deduction in each case of tax imposed on and payable by the Executive under Section 4999 of the Code ("Excise Tax"). Soffe's independent auditors shall determine the value of any non-cash benefits or any deferred payment or benefit for purposes of this paragraph.

The parties hereto agree that the payments provided under Subsections 5(a) and (b) above are reasonable compensation in light of Executive's services rendered to Soffe and that neither party shall assert that the payment of such benefits constitutes an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

Unless Soffe determines that any Parachute Payments made hereunder must be reported as "excess parachute payments" in accordance with the first paragraph of subsection 5(d) above, neither party shall file any return taking the position that the payment of such benefits constitutes an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

(e) Payment Default. Any amounts owed by Soffe to Executive under this Section 5 that are not paid when due shall bear interest at a rate of 10% per annum.

(f) General Release. Subject to Executive's receipt of the full cash amounts then due pursuant to this Section 5, Executive will grant a full and complete release of any and all claims Executive may have against Delta Apparel or Soffe, their officers, directors and affiliates, including, but not limited to, claims he might have relating to Executive's cessation of employment with Soffe; provided, however, that there shall be excluded from the scope of such general release the following:

(i) claims relating to Soffe's or Delta Apparel's continuing obligations under this Agreement (including without limitation the obligation to pay amounts due under this Section 5);

(ii) claims that Executive may have under the Stock Purchase Agreement or any Related Agreements (as defined in the Stock Purchase Agreement);

(iii) claims that Executive may have against Soffe for reimbursement of business expenses incurred by him during the course of his employment;

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(iv) claims that may be made by Executive for payment of Base Salary, Incentive Compensation, bonuses, or fringe benefits properly due to him, or other amounts or benefits due to him under this Agreement;

(v) claims respecting matters for which Executive is entitled to be indemnified under the Articles of Incorporation or By-laws of Delta Apparel or Soffe and applicable law respecting third party claims asserted or third party litigation pending or threatened against Executive;

(vi) claims arising from fraud or illegal activities of Soffe or Delta Apparel not attributable to Executive; and

(vii) any claims prohibited by applicable law from being included in the release.

As a condition to Executive's obligation to provide such a release, Soffe and Delta Apparel shall, if Executive's employment is terminated pursuant to Sections 4(c), 4(d)(ii) or 4(d)(iii), provide a reciprocal general release to Executive. The form of the mutual general release to be executed by Executive, Soffe and Delta Apparel is attached hereto as Exhibit 1. Notwithstanding anything to the contrary contained in this Agreement, if Soffe fails or refuses to pay, when due, any amounts required by Section 5 to be paid to Executive or his estate, and such failure continues for a period thirty (30) days after written notice of such failure is given by Executive or his estate to Soffe, then Executive's release and Executive's covenants contained in this Agreement shall be null and void after expiration of such thirty (30) day period (but shall remain in full force and effect during such thirty (30) day period).

6. Non-Competition. Executive agrees that he has read, is bound by, is subject to, and will abide by the obligations, covenants and agreements set forth in Soffe's Employee Confidentiality, Non-Solicitation and Non-Competition Agreement attached hereto as Exhibit 2 (the "Restrictive Agreement"), and he understands and acknowledges that Delta Apparel and Soffe agree to the consideration in the Stock Purchase Agreement and that Soffe agrees to the consideration and employment set forth herein on condition of Executive's consent to the obligations, covenants and agreements set forth in the Restrictive Agreement.

7. Non-Disclosure of Employees. During the Term of this Agreement and for a period of three (3) years after the later of the expiration of the Term or the termination or cessation of his employment with Soffe for any reason whatsoever, Executive shall not, on his own behalf or on behalf of any other person, partnership, association, corporation, or other entity, use or disclose to any person, partnership, association, corporation or other entity any information obtained while an employee of Soffe concerning the names and addresses of the employees of Soffe or Delta Apparel except for disclosure during the ordinary course of business during Executive's period of active employment under this Agreement as necessary to fulfill his duties and responsibilities hereunder.

8. Non-Disclosure of Trade Secrets. During the Term of this Agreement, Executive will have access to and become familiar with various trade secrets and proprietary and confidential information of Soffe and Delta Apparel and their

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affiliates, including, but not limited to, processes, computer programs, compilations of information, records, sales procedures, customer requirements, pricing techniques, customer lists, methods of doing business and other confidential information (collectively, referred to as "Trade Secrets") which are owned by Soffe, Delta Apparel, and/or their affiliates and regularly used in the operation of their business, and as to which Soffe, Delta Apparel, and/or their affiliates take precautions to prevent dissemination to persons other than certain directors, officers and employees. Executive acknowledges that the Trade Secrets (1) are secret and not known in the industry; (2) give Soffe, Delta Apparel, and/or their affiliates an advantage over competitors who do not know or use the Trade Secrets; (3) are of such value and nature as to make it reasonable and necessary to protect and preserve the confidentiality and secrecy

of the Trade Secrets; and (4) are valuable, special and unique assets of Soffe, Delta Apparel, and/or their affiliates, the disclosure of which could cause substantial injury and loss of profits and goodwill to Soffe, Delta Apparel, and/or their affiliates. Executive may not use in any way or disclose any of the Trade Secrets, directly or indirectly, either during the Term or at any time after the expiration of the Term or the termination of Executive's employment with Soffe for any reason whatsoever, except as required in the course of his employment under this Agreement, if required in connection with a judicial or administrative proceeding, or if the information becomes public knowledge other than as a result of an unauthorized disclosure by the Executive. All files, records, documents, information, data and similar items relating to the business of Soffe, Delta Apparel, and/or their affiliates, whether prepared by Executive or otherwise coming into his possession, will remain the exclusive property of Soffe, Delta Apparel, and/or their affiliates (as the case may be) and may not be removed from the premises under any circumstances without the prior written consent of Soffe, Delta Apparel and/or their affiliate (as the case may be) (except in the ordinary course of business during Executive's period of active employment under this Agreement), and in any event must be promptly delivered to Soffe upon termination of Executive's employment with Soffe. Executive agrees that upon his receipt of any subpoena, process or other request to produce or divulge, directly or indirectly, any Trade Secrets to any entity, agency, tribunal or person, Executive shall notify and promptly deliver a copy of the subpoena, process or other request to the Chair of the Board of Directors of Soffe and shall cooperate (at Soffe's expense) with Soffe in a prompt manner with respect to the defense of such matter. The rights granted to Soffe, Delta Apparel and/or their affiliates in this Section 8 are intended to be in addition to and not in replacement of any protection of Trade Secrets provided by equity, any statute, judicially created law or other agreement.

9. Remedies. Executive acknowledges and agrees that any breach of any of the provisions of Sections 6, 7, or 8 hereof or the Restrictive Agreement (collectively, the "Protective Covenants") by him will cause irreparable damage to Soffe and Delta Apparel and/or their affiliates, the exact amount of which will be difficult to determine, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that, in addition to any other

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remedy that may be available at law, in equity or hereunder, Soffe, Delta Apparel and their affiliates shall be entitled to specific performance and injunctive relief, without posting bond or other security, to enforce or prevent any violation of any of the Protective Covenants by him.

10. Severability. The parties hereto intend all provisions of this Agreement to be enforced to the fullest extent permitted by law. The provisions of this Agreement are severable. The covenants on the part of the Executive contained in the Protective Covenants shall be construed as independent covenants and agreements of the Executive, independently supported by good and adequate consideration, shall be construed independently of the other provisions in this Agreement and shall survive this Agreement for the period indicated. In the event that any of the provisions, clauses, sentences, or paragraphs, or portions ("provisions") in this Agreement shall be held to be invalid or unenforceable, such provision shall be fully severable and the remaining provisions hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. The parties in no way intend to include a provision that contravenes public policy. Therefore, if any provision of this Agreement is unlawful, against public policy, or otherwise declared void or unenforceable, such provision shall be deemed excluded from this Agreement, which shall in all other respects remain in effect. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable. If any Court should construe any portion of this Agreement to be too broad to prevent enforcement to its fullest extent then such restrictions shall be enforced to the maximum extent that the Court finds reasonable and enforceable.

11. Miscellaneous.

- a. Notices. Any notices, consents, demands, requests, approvals and other communications to be given under this Agreement (including, without limitation, the Restrictive Agreement) by either party to the other must be in writing and must be either (i) personally delivered, (ii) mailed by registered or certified mail, postage prepaid with return receipt requested,

(iii) delivered by reputable overnight express delivery service or reputable same-day local courier service, or (iv) delivered by telex or facsimile transmission, with confirmed receipt, to the address set forth below, or to such other address as may be designated by the parties from time to time in accordance with this Section 11(a):

If to Soffe:
M.J. Soffe Co.
One Soffe Drive
Fayetteville, North Carolina 28312

If to Delta Apparel:
Delta Apparel, Inc.
2750 Premiere Parkway
Suite 100
Duluth, Georgia 30047
Attn: Chief Executive Officer
Fax No.: (678) 775-6999

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If to Executive:
James F. Soffe
1414 Lakeview Drive
Fayetteville, NC 28305

Notices delivered personally or by overnight express delivery service or by local courier service are deemed given as of actual receipt. Mailed notices are deemed given three business days after mailing. Notices delivered by telex or facsimile transmission are deemed given upon receipt by the sender of the answer back (in the case of a telex) or transmission confirmation (in the case of a facsimile transmission).

b. Entire Agreement. This Agreement supersedes any and all other agreements other than the Stock Purchase Agreement, either oral or written, between the parties with respect to the subject matter of this Agreement and contains all of the covenants and agreements between the parties with respect to the subject matter of this Agreement.

c. Modification. No change or modification of this Agreement is valid or binding upon the parties, nor will any waiver, termination or discharge of any term or condition of this Agreement be so binding, unless confirmed in writing and signed by the parties to this Agreement.

d. Governing Law and Venue. The parties acknowledge and agree that this Agreement and the obligations and undertakings of the parties under this Agreement will be performable in North Carolina. This Agreement is governed by, and construed in accordance with, the laws of the State of North Carolina. If any action is brought to enforce or interpret this Agreement, venue for the action will be in North Carolina.

e. Dispute Resolution. Except for (i) matters relating to specific performance, injunctive relief, or other equitable remedies, including without limitation, the provisions of the Protective Covenants and the Restrictive Agreement, or (ii) matters that Executive may bring before any governmental or administrative agency (including, without limitation, the National Labor Relations Board, the Equal Employment Opportunity Commission or the Department of Labor, or similar state agencies), disputes hereunder shall be settled in the manner described in Section 13.4 of the Stock Purchase Agreement.

f. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for any purpose whatsoever.

g. Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, each party shall bear its own costs and expenses.

h. Estate. If Executive dies prior to the expiration of the term of employment or during a period when monies are owing to him, any monies that may be due him from Soffe under this Agreement as of the date of his death shall be paid to his estate and as when otherwise payable.

i. Assignment. The rights, duties and benefits to Executive hereunder are personal to him, and no such right, duty or benefit may be assigned by him without the prior written consent of Soffe. The rights and obligations of each of Soffe and Delta Apparel shall inure to the benefit and be binding upon each of such entities and their successors and assigns, which assignment shall not require the consent of Executive.

j. Binding Effect. This Agreement is binding upon and shall inure to the benefit of the parties hereto, their respective executors, administrators, successors, personal representatives, heirs and assigns permitted under subsection 11(i) above.

k. Third-Party Beneficiaries. Except as expressly provided in this Agreement, nothing in this Agreement is intended to or shall confer upon any other person or entity any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

l. Waiver of Breach. The waiver by Soffe, Delta Apparel or Executive of a breach of any provision of this Agreement by Executive, Soffe, Delta Apparel or their affiliates may not operate or be construed as a waiver of any subsequent breach.

m. Construction. The parties agree that this Agreement was freely negotiated among the parties and that Executive has had the advice of an attorney in negotiating its terms. Accordingly, the parties agree that this Agreement shall not be construed in favor of any party or against any party. The parties further agree that the headings and subheadings are for convenience of the parties only and shall not be given effect in the construction of this Agreement.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

IMPORTANT: READ CAREFULLY BEFORE SIGNING

"Soffe"

M.J. SOFFE CO.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Vice President

"Delta Apparel"

DELTA APPAREL, INC

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: President and CEO

"Executive"

/s/ James F. Soffe

James F. Soffe

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ANNEX A

"EBITDA" means the earnings of Soffe (including income received in the Ordinary Course of Business from sources other than sales of inventory) before interest expense and income Taxes, plus depreciation and amortization, determined in accordance with GAAP consistently applied and using methodologies that are consistent with those used on Soffe's opening balance sheet (which opening balance sheet shall be prepared in accordance with the methodologies set forth on Schedule X attached to the Stock Purchase Agreement).

"ORDINARY COURSE OF BUSINESS" means, with respect to an action taken by a party, only an action that (i) is consistent in nature, scope, and magnitude with the past practices of such party and is taken in the ordinary course of the normal, day-to-day operations of such party; and (ii) does not require authorization by the board of directors or shareholders of such party and does not require any other separate or special authorization of any nature.

"TAX" means any federal, state, local, foreign or other governmental net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, use, withholding, payroll, social security, employment, unemployment, excise, occupation, property, customs, duties or other tax, together with any interest and any penalties with respect thereto.

"TAXES" means more than one Tax.

"GAAP" means those generally accepted accounting principles and practices which are used in the United States and recognized as such by the American Institute of Certified Public Accountants acting through its Accounting Principles Board or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof, except that any accounting principle or practice required to be changed by the Accounting Principles Board or Financial Accounting Standards Board (or other appropriate board or committee) in order to continue as a generally accepted accounting principle or practice may be so changed.

EBITDA shall be calculated to reflect the continued, ordinary course, independent operation of Soffe, and no new or increased costs or expenses shall be charged to the calculation of EBITDA, except such reasonable costs and expenses as are incurred in the Ordinary Course of Business of Soffe; provided, however, that if James F. Soffe, John D. Soffe, and Anthony M. Cimaglia determine in their reasonable good faith judgment that they would not have incurred any such new or increased cost or expense, then such new cost and/or expense shall not be charged to the calculation of EBITDA hereunder. Notwithstanding the foregoing, the following costs and expenses shall not be charged to the calculation of EBITDA for purposes of this Agreement: (1) management fees or administrative or overhead charges charged to Soffe by MJS, Delta, or any other of the Affiliates of MJS (except for a management fee charged by Delta that shall not exceed a maximum annual amount of \$370,000 (the "MANAGEMENT FEE")), (2) compensation to any new executive officers of Soffe or MJS (i.e. an individual not currently an executive officer of Soffe) (except for reasonable compensation for any new executive officer who is appointed upon the death, removal or resignation of an executive officer serving Soffe on the date hereof (such compensation not to exceed the annual compensation of such deceased, removed or resigned executive officer)), (3) the payment of any EBITDA

Earnout Amount or Return Rate Earnout Amount (as such terms are defined in the Stock Purchase Agreement) under the Stock Purchase Agreement, (4) the Incentive Compensation payable hereunder and any increased benefits costs associated therewith, (5) any costs and expenses related to the negotiation and closing of the transactions contemplated by the Stock Purchase Agreement or any Related Agreement (as defined in the Stock Purchase Agreement) or the merger of Soffe

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with and into MJS, (6) any new or increased opening balance sheet reserves, or (7) any costs triggered by changes in employee benefit plans and programs (including costs to terminate plans). Notwithstanding the foregoing, the following costs and expenses may be charged to the calculation of EBITDA for purposes of this Agreement: (i) the Management Fee; and (ii) subject to a maximum aggregate annual amount of \$375,000: (A) additional costs to comply with applicable securities laws, rules and regulations and the listing requirements of the American Stock Exchange, and (B) reasonable compensation (including salary, bonuses, and costs of retirement, insurance and fringe benefits) for one new executive officer who shall provide services with respect to transition matters following the closing of the transactions described in the Stock Purchase Agreement. Further, notwithstanding the foregoing, nothing contained herein shall be construed to limit MJS's or Delta's authority to allocate management fees or administrative, overhead, or other charges to Soffe for purposes other than the calculation of Incentive Compensation hereunder, to consolidate Soffe with MJS or Delta or any subsidiary of Delta for accounting purposes, or to change accounting methods or principles for purposes other than the calculation of Incentive Compensation; provided, however, that in the event that MJS or Delta allocates management fees or administrative, overhead, or other charges to Soffe, consolidates Soffe with MJS or Delta or any subsidiary of Delta, or changes the accounting methods or principles of Soffe, MJS and Delta shall maintain a separate set of books and records for Soffe from which EBITDA and Incentive Compensation hereunder can be calculated without such allocations, consolidations or changes. All matters related to costs and expenses that may or may not be charged to the calculation of EBITDA and Incentive Compensation hereunder are subject to challenge and dispute by Executive pursuant to the procedures set forth below.

Not later than five (5) days after Delta's Form 10-Q is due for the first quarter of each of Delta's fiscal years 2005, 2006 and 2007, Soffe shall deliver to Executive a written notice of Soffe's calculation of EBITDA and the Incentive Compensation for the applicable Incentive Year 2004, 2005 and 2006 (a "BONUS Calculation"). Soffe shall make available to Executive and Executive's accountants the books, records, work papers, ledgers, back-up information and personnel of Soffe which Executive and Executive's accountants reasonably require in order to examine the Incentive Compensation. Together with the Bonus Calculation for each year, Soffe shall pay to Executive (in cash or immediately available funds) the Incentive Compensation, if any, for such year. The Incentive Compensation, if not paid when due, shall bear interest at the pre-default rate set forth in the Promissory Notes (as defined in the Stock Purchase Agreement), plus two percent (2%), from the date on which Delta's Form 10-Q was due following such year until such Incentive Compensation has been paid in full.

Disputes with respect to any Bonus Calculation shall be resolved as follows:

Executive shall have ninety (90) days after receipt of a Bonus Calculation (the "BONUS DISPUTE PERIOD") to assert that any of the elements of or amounts reflected on the Bonus Calculation (including, without limitation, new or increased costs and/or expenses) are not correct or appropriate under

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this Agreement, or that the Bonus Calculation was arrived at other than in accordance with the provisions of this Annex A (a "BONUS DISPUTE"). If Executive has a Bonus Dispute, then he shall give Soffe (with a copy to Delta) written notice of such dispute (a "BONUS DISPUTE NOTICE") within the Bonus Dispute Period, setting forth in reasonable detail the items with which Executive disagrees, together with supporting calculations. Within thirty (30) days after delivery of such Bonus Dispute Notice, Soffe and Executive shall attempt to resolve such Bonus Dispute.

If Soffe and Executive are unable to resolve any Bonus Dispute within the thirty (30) day period after the Soffe's receipt of a Bonus Dispute Notice, Soffe and Executive shall jointly engage Deloitte & Touche LLP, or another

mutually acceptable independent third party, to act as arbitrator with respect to the Bonus Dispute. The arbitration of any Bonus Dispute shall be conducted in Charlotte, North Carolina. In connection with the resolution of any Bonus Dispute, the arbitrator shall have access to all documents, records, work papers, facilities and personnel reasonably necessary to perform its function as arbitrator. The arbitrator's function shall be to resolve the Bonus Dispute regarding the Bonus Calculation, so that the items that are the subject of the Bonus Dispute conform to the requirements of this Agreement. The arbitrator shall allow Soffe and Executive to present their respective positions regarding the Bonus Dispute and shall thereafter as promptly as possible provide the parties hereto a written determination of the Bonus Dispute. Such written determination shall be final and binding upon the parties hereto and not subject to appeal on any ground, and judgment may be entered on the award. Upon the resolution of all Bonus Disputes, the applicable Bonus Calculation shall be revised to reflect such resolution. The arbitrator shall promptly, and in any event within sixty (60) calendar days after the date of its appointment, render its decision on the question in writing and finalize the Bonus Calculation. The arbitrator may, at its discretion, conduct a conference concerning the Bonus Dispute with Soffe and Executive, at which conference each party shall have the right to present additional documents, materials and other information and to have present its advisors, counsel and accountants. In connection with such process, there shall be no hearings, oral examinations, testimony, depositions, discovery or other similar proceedings. The arbitrator shall determine the proportion of its fees and expenses to be paid by Soffe and Executive, based on the arbitrator's determination as to the degree to which it has accepted the positions of the respective parties. If the arbitrator determines that additional funds are due to the Executive, Soffe shall pay the additional amount within five (5) business days of the date on which the arbitrator rendered its decision, plus interest at the pre-default rate set forth in the Promissory Notes (as defined in the Stock Purchase Agreement) from the date on which Delta's Form 10-Q was due for the first quarter following the applicable Bonus Year 2004, 2005 or 2006 until such additional amount has been paid in full. Likewise, if the arbitrator determines that Soffe overpaid the Incentive Compensation for a year, Executive shall refund to Soffe the amount of the overpayment within five (5) business days of the date on which the arbitrator rendered its decision, plus interest at the pre-default rate set forth in the Promissory Notes (as defined in the Stock Purchase Agreement) from the date on which Soffe initially made the payment until such overpayment has been refunded in full.

If Executive does not deliver a Bonus Dispute Notice to Soffe within the Bonus Dispute Period, the applicable Bonus Calculation delivered by Soffe

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shall be deemed to have been accepted by Executive in the form in which it was delivered by Soffe and shall be final and binding upon the parties.

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EXHIBIT 1

MUTUAL GENERAL RELEASE

THIS MUTUAL GENERAL RELEASE ("Release") is made and entered into by and

between James F. Soffe ("Executive"), on the one hand, and M. J. Soffe Co., a North Carolina corporation ("Soffe"), and Delta Apparel, Inc., a Georgia corporation ("Delta Apparel"), on the other hand;

W I T N E S S E T H:

WHEREAS, Executive, Soffe and Delta Apparel entered into that certain Employment and Non-Solicitation Agreement dated as of _____, 2003 (the "Employment Agreement");

WHEREAS, Executive's employment with Soffe ended on _____; and

WHEREAS, Executive, Soffe and Delta Apparel now desire to memorialize, by the execution of this Release, their understanding with respect to certain matters relating to Executive's termination of employment;

NOW, THEREFORE, in consideration of the premises and mutual promises contained herein, as well as the payment of the monies and other benefits to Executive as required by Section 5 of the Employment Agreement, the receipt and sufficiency of which are hereby acknowledged by Executive, it is agreed as follows:

SECTION 1. RELEASE OF CLAIMS. In consideration of (and subject to) the payments required by Section 5 of the Employment Agreement, the receipt and sufficiency of which are hereby acknowledged, and subject to the limitations contained in Section 2 hereof, Executive, on behalf of himself and his heirs and assigns, hereby irrevocably and unconditionally releases and forever discharges, individually and collectively, Soffe and Delta Apparel, and each of their respective officers, directors, employees, parent companies, subsidiaries, successors and assigns (hereinafter the "Soffe Parties"), of and from any and all charges, claims, complaints, demands, liabilities, causes of action, losses, costs or expenses of any kind whatsoever (including related attorneys' fees and costs), known or unknown, suspected or unsuspected, that Executive may now have or has ever had against the Soffe Parties by reason of any act, omission, transaction, or event occurring up to and including the date of the signing of this Release.

The release set forth in this Section 1 includes without limitation (other than as set forth in Section 2), claims related to any wrongful or unlawful discharge, discipline or retaliation, any contract of employment, whether express or implied, any promotions or demotions, compensation including commissions, short term or long term incentives, Soffe's and Delta Apparel's benefit plan(s) and the management thereof, defamation, slander, libel, invasion of privacy, misrepresentation, fraud, infliction of emotional distress, stress, breach of any covenant of good faith and fair dealing, and any other claims relating to the Executive's employment as an employee, officer or director with Soffe, Delta Apparel or any of their respective affiliates and the termination thereof. This waiver, release and discharge further applies but is not limited to any claims based on Title VII of the Civil Rights Act of 1964, the Post Civil

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War Civil Rights Act (41 U.S.C. ss. 1981 - 88), the Civil Rights Act of 1991, the Equal Pay Act, the Age Discrimination in Employment Act (ADEA), the Older Workers Benefit Protection Act (OWBPA), the Rehabilitation Act of 1973, the Americans with Disabilities Act, the Vietnam Era Veterans' Readjustment Act, the Fair Labor Standards Act, the Workers Adjustment and Retraining Notification Act, Executive Order 11246, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act (all as they may be amended), and any other applicable federal, state or local laws, ordinances and regulations including those relating to discrimination to the extent permitted by law.

Executive expressly waives all claims (other than as set forth in Section 2), including those which he does not know or suspect to exist in his favor as of the date of this Release against the Soffe Parties. As used herein, the parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown (other than as set forth in Section 2), and specifically but not exclusively including all claims against the Soffe Parties of the type referenced in this Section 1 or otherwise arising from Executive's employment with Soffe, the termination thereof or any other conduct or negotiations occurring on or prior to the date Executive signs this Release. All claims of Executive or those claiming on his behalf, except those listed in Section 2 hereof, are forever barred by this Release whether they arise in contract or tort or under a statute or any other law. The final release of all claims by Executive against the Soffe Parties constitutes a

material part of the consideration flowing from Executive to the Soffe Parties under this Release, and each of the individuals and entities included within the term "Soffe Parties" is an intended beneficiary of this consideration.

Notwithstanding anything to the contrary contained in this Release, if Soffe fails or refuses to pay, when due, any amounts required by Section 5 of the Employment Agreement to be paid to Executive or his estate, and such failure continues for a period of thirty (30) days after written notice of such failure is given by Executive or his estate to Soffe, then Executive's covenants, agreements, waivers, obligations and releases contained in this Agreement shall be null and void after expiration of such thirty (30) day period (but shall remain in full force and effect during such thirty (30) day period). The provisions of this paragraph shall not constitute Executive's exclusive remedy for any non-payment by Soffe and shall not prevent or preclude Executive from seeking any and all remedies available to him at law or in equity with respect to any non-payment by Soffe.

SECTION 2. LIMITATIONS ON RELEASES. Executive has accrued as of his termination certain vested rights to benefits under Soffe's and/or Delta Apparel's benefit plans. Executive shall be entitled to receive his vested accrued benefits under such benefit plans in accordance with their respective terms. Notwithstanding anything to the contrary herein, the releases contained in Section 1 hereof do not waive or otherwise affect Executive's rights to such vested accrued benefits. Moreover, notwithstanding anything to the contrary herein, the waivers, releases and discharges contained in Section 1 do not waive or otherwise affect any of the following claims:

(a) Claims relating to Soffe's or Delta Apparel's continuing obligations under the Employment Agreement (including without limitation the obligation to pay amounts due under Section 5 thereof);

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(b) Claims that Executive may have under that certain Amended and Restated Stock Purchase Agreement dated as of _____, 2003, by and among Executive, Soffe, Delta Apparel, MJS Acquisition Company, and the other shareholders of Soffe (the "Stock Purchase Agreement") and/or any Related Agreements (as defined in the Stock Purchase Agreement);

(c) Claims that Executive may have against Soffe for reimbursement of business expenses incurred by him during the course of his employment;

(d) Claims that Executive may have for payment of Base Salary, Incentive Compensation (as such terms are defined in the Employment Agreement), bonuses, or fringe benefits properly due to him, or other amounts or benefits due to him under the Employment Agreement;

(e) Claims respecting matters for which Executive is entitled to be indemnified under the Articles of Incorporation or Bylaws of Soffe or Delta Apparel and applicable law respecting third party claims asserted or third party litigation pending or threatened against Executive;

(f) Claims arising from fraud or illegal activities of Soffe or Delta Apparel not attributable to Executive; and

(g) Any claims prohibited by applicable law from being included in this Release.

SECTION 3. EXECUTIVE ACKNOWLEDGEMENTS. Executive understands and agrees that he:

(a) Has carefully read and fully understands all of the provisions of this Release;

(b) Was advised and is hereby advised in writing to consider the terms of this Release and to consult with an attorney of his choice prior to executing this Release;

(c) Has been offered a full twenty-one (21) days from notice of the termination of his employment with Soffe and the delivery of this Release to consider the terms of this Release, and having had adequate opportunity to consider the terms and consult with advisors of his choice, has elected to waive the 21-day period and sign the Release as of the date hereof;

(d) Is, through this Release, releasing the Soffe Parties from any and

all claims he may have against the Soffe Parties that arose from events occurring on or before the date this Agreement is executed, including but not limited to claims under the Age Discrimination in Employment Act (ADEA), as amended;

(e) Is receiving valid consideration beyond anything of value to which Executive already is entitled;

(f) Knowingly and voluntarily agrees to all of the terms set forth in this Release;

(g) Knowingly and voluntarily intends to be legally bound by the same; and

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(h) Has a full seven (7) days following his execution of this Release to revoke this Release and has been and hereby is advised in writing that this Release shall not become effective or enforceable until the revocation period has expired. Revocation must occur by delivery of a letter of revocation to the Chair of the Board of Directors of Soffe.

SECTION 4. RELEASE BY SOFFE AND DELTA APPAREL. In consideration of the mutual promises herein and subject to the limitations contains in Section 5 hereof, Soffe and Delta Apparel, for themselves and their respective parent companies, subsidiaries, successors, assigns, officers, directors and representatives, hereby irrevocably and unconditionally release and forever discharge Executive, his heirs, agents, personal representatives and assigns, of and from any and all charges, claims, complaints, demands, liabilities, causes of action, losses, costs or expenses of any kind whatsoever (including related attorneys' fees and costs), known or unknown, suspected or unsuspected, that Soffe, Delta Apparel and/or their respective parent companies, subsidiaries, successors, assigns, officers, directors and representatives may now have or have ever had against Executive by reason of any act, omission, transaction, or event occurring up to and including the date of the signing of this Release other than as set forth in Section 5 hereof (the "Soffe Party Claims"). The waiver, release and discharge contained in this Section 4 includes without limitation (other than as set forth in Section 5) claims related to any act as an officer, director or employee of Soffe, Delta Apparel and/or any of their respective parent companies and subsidiaries and/or the management thereof, including defamation, slander, libel, invasion of privacy, misrepresentation, infliction of emotional distress, stress, breach of any covenant of good faith and fair dealing, and any other claims relating to Executive's employment as an employee, officer or director of Soffe, Delta Apparel or any of their respective parent companies and subsidiaries and the termination thereof.

Each of Soffe, Delta Apparel and their respective parent companies and subsidiaries expressly waives all Soffe Party Claims, including those which it does not know or suspect to exist in its favor as of the date of this Release against Executive. As used herein, the parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown (other than as set forth in Section 5), and specifically but not exclusively including all claims against Executive of the type referenced in this Section 4, or otherwise arising from Executive's employment with Soffe, Delta Apparel or any of their respective parent companies or subsidiaries, the termination thereof or any other conduct or negotiations occurring on or prior to the date the parties sign this Release. All Soffe Party Claims are forever barred by this Release whether they arise in contract or tort or under a statute or any other law.

SECTION 5. LIMITATIONS ON RELEASES.

Notwithstanding anything to the contrary herein, the waivers, releases and discharges contained in Section 4 do not waive or otherwise affect any of the following claims:

(a) Claims relating to Executive's continuing obligations under (i) the Employment Agreement (including without limitation obligations under Sections 6, 7 and 8 thereof) and (ii) the Employee Confidentiality, Non-Solicitation, and

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Non-Competition Agreement by and between Executive, Delta Apparel and Soffe dated on or about the date of the Employment Agreement;

(b) Claims that Soffe, Delta Apparel or any of their affiliates may have under the Stock Purchase Agreement and/or any Related Agreements;

(c) Claims arising from fraud or illegal activities of Executive; and

(d) Any claims prohibited by applicable law from being included in this release.

SECTION 6. LEGAL PROCEEDINGS; RELEASE AS A DEFENSE. This Release may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against, any action, suit, or other proceeding which may be instituted, prosecuted or attempted in breach of this Release, except for an action based on a breach of this Release or a claim to determine the validity of the Release under the OWBPA or the ADEA.

SECTION 7. GOVERNING LAW. This Release shall be governed by the laws of the State of North Carolina. This Release shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any of the parties hereto.

SECTION 8. NO ADMISSIONS. Each of Executive, Soffe and Delta Apparel acknowledges and agrees that the releases and other consideration described in this Release are offered and exchanged in good faith and will not, for any purpose, be considered as admissions of liability on the part of any party, which liability is expressly denied, and no past or present wrongdoing on the part of any party is implied by such releases or other consideration under the terms of this Release.

SECTION 9. SEVERABILITY. In the event any provision of this Release is determined by a court or other tribunal to be unenforceable for any reason, the remaining provisions hereof shall remain in full force and effect and the unenforceable provision(s) shall be interpreted and rewritten to give effect to the parties' economic intentions.

SECTION 10. ASSIGNMENT OF CLAIMS. Each party warrants to the other parties that it has not assigned any claim or cause of action released herein.

SECTION 11. COUNTERPARTS. This document may be executed in multiple counterparts, each of which shall be considered an original.

SECTION 12. BINDING EFFECT. This release shall be binding upon and inure to the benefit of the parties hereto, Executive's personal representatives, and heirs, and the successors and assigns of each of Delta Apparel and Soffe.

SECTION 13. VOLUNTARY AGREEMENT. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS BEEN ADVISED THAT THIS RELEASE IS A BINDING LEGAL DOCUMENT. EXECUTIVE FURTHER AGREES THAT HE HAS HAD ADEQUATE TIME AND A REASONABLE OPPORTUNITY TO REVIEW THE PROVISIONS OF THIS RELEASE, HAS BEEN ADVISED TO SEEK LEGAL ADVICE REGARDING ALL ITS ASPECTS, AND THAT IN EXECUTING THIS RELEASE EXECUTIVE HAS

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ACTED VOLUNTARILY AND HAS NOT RELIED UPON ANY REPRESENTATION MADE BY SOFFE OR DELTA APPAREL OR ANY OF THEIR EXECUTIVES OR REPRESENTATIVES REGARDING THIS RELEASE'S SUBJECT MATTER AND/OR EFFECT. EXECUTIVE HAS READ AND FULLY UNDERSTANDS THIS RELEASE AND VOLUNTARILY AGREES TO ITS TERMS.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, each of Soffe and Delta Apparel has caused this Release to be executed by its duly authorized officers, and Executive has executed this Release, all as of the date first set forth above.

M. J. SOFFE CO.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: Vice President

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: President and CEO

EXECUTIVE:

/s/ James F. Soffe

James F. Soffe

EXHIBIT 2

EMPLOYEE CONFIDENTIALITY, NON-SOLICITATION, AND NON-COMPETITION AGREEMENT

This Employee Confidentiality, Non-Solicitation and Non-Competition Agreement (the "Agreement") is made a part of that certain Employment and Non-Solicitation Agreement (the "Employment Agreement") made and entered into on the date hereof by and between DELTA APPAREL, INC., a Georgia corporation ("Delta Apparel"), M.J. SOFFE CO., a North Carolina corporation ("Soffe"), and JAMES F. SOFFE ("Executive").

WHEREAS, MJS Acquisition Company, a North Carolina corporation and wholly-owned subsidiary of Delta Apparel ("MJS"), has agreed to acquire the outstanding stock of Soffe pursuant to the terms of that certain Amended and Restated Stock Purchase Agreement (the "Stock Purchase Agreement") by and among MJS, Delta Apparel, Soffe and the shareholders of Soffe, including the Executive, thereby providing valuable consideration to Executive, upon the condition that Executive execute, enter into and agree to abide by the provisions of the Employment Agreement and this Agreement;

WHEREAS, following the consummation of the transactions described in the Stock Purchase Agreement, Soffe will be a wholly-owned subsidiary of MJS and

will be merged with and into MJS, with MJS as the surviving corporation in such merger and successor in interest to Soffe under this Agreement;

WHEREAS, Soffe and Delta Apparel are (1) engaged in the business of manufacturing, marketing, and selling casual and athletic apparel, and (2) may in the future engage in and/or actively be considering other activities or businesses, of which Executive may be aware at the termination of Executive's employment;

WHEREAS, Executive acknowledges that he has been employed at the highest levels of Soffe where he has had access to its confidential information and that following consummation of the transactions contemplated by the Stock Purchase Agreement he may have access in his position to the most sensitive and confidential information of Soffe, Delta Apparel and their affiliates (as used in this Agreement, the term "affiliates" shall have the meaning as set forth in the Stock Purchase Agreement), including long-range projections, marketing strategies, customer information and other confidential data; Executive also acknowledges that the Company (as defined below) intends to utilize Executive's experience and compensate him to seek customers in and expand the distribution of Soffe's products throughout the United States, that Executive will be working and servicing customers throughout the United States, and Executive acknowledges that a more limited geographic area will not sufficiently protect Soffe, Delta Apparel or their affiliates from future competition by Executive.

WHEREAS, Executive understands and agrees that Delta Apparel, Soffe and their affiliates will suffer substantial and irreparable loss and damage if Executive violates the provisions of this Agreement; and

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WHEREAS, Executive agrees that the provisions and restrictions contained in this Agreement are fair and reasonable and required for the protection of the legitimate interests of Delta Apparel, Soffe and their affiliates, that such restrictions are reasonable in scope, area, and time, and will not unreasonably prevent Executive from pursuing other business ventures or employment opportunities or otherwise cause a financial hardship upon Executive.

NOW, THEREFORE, in consideration of the foregoing and the promises contained in the Stock Purchase Agreement and the Employment Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is covenanted and agreed as follows:

1. Definition of "Company." For purposes of this Agreement, the parties agree that the "Company" shall mean Soffe and Delta Apparel. In the event that the preceding definition of the "Company" shall be determined by judicial action to be too broad to be enforceable, the "Company" shall mean Soffe.

2. No Conflicts. Executive represents and warrants that he is not subject to any non-competition or non-solicitation agreement or other agreement with any person, firm, corporation, or business entity (a "Third Party") that would prohibit him from taking employment with Soffe or would interfere with the performance of his duties to the Company. Executive represents that he will not bring with him to the Company or use in the performance of his duties any documents or materials of a former employer (other than Soffe and its affiliates) or other party that are not generally available to the public or have not been legally transferred to the Company. Conversely, without breaching the confidentiality provisions of this Agreement, Executive agrees to disclose the existence of this Agreement and the Employment Agreement to any subsequent employer.

3. Non-Solicitation and Non-Competition. Executive covenants and agrees that, during the period of his employment and for a period of thirty-six (36) months after Executive's last day of employment with Soffe (the "Restricted Period"), regardless of the manner or cause of his termination of employment with Soffe, he will not, for himself or on behalf of any Third Party, directly or indirectly:

(a) sell, market or distribute any Products (as hereafter defined) or seek to sell or solicit the opportunity to sell any Products (either on behalf of himself or directly or indirectly on behalf of or in association with any Third Party) to any of the Company's Customers (as defined below) anywhere in the Territory (as defined below).

For purposes of this Agreement, the term "Customer" shall be limited to customers or accounts that fall within any of the following categories:

(i) actual customers or accounts of the Company that Executive solicited, influenced, contacted, sold to, serviced or dealt with (collectively, "Solicited") at any time during the last thirty-six (36) months of his employment with the Company;

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(ii) in the event that the preceding subparagraph shall be determined by judicial action to be too broad, the following shall be substituted in its place: actual customers or accounts of the Company that Executive solicited, influenced, contacted, sold to, serviced or dealt with (collectively, "Solicited") at any time during the last twelve (12) months of his employment with the Company;

(iii) actual customers or accounts of the Company about whom Executive has had access to financial or other confidential information;

(iv) actual customers or accounts of the Company with whom Executive communicated on behalf of the Company personally or in combination with others;

(v) actual customers or accounts of the Company for whom Executive played a significant role in the provision of goods on behalf of the Company; and/or

(vi) customers or accounts whom Executive knows to have been Solicited by or on behalf of the Company during the twelve-month period prior to the termination of Executive's employment.

Notwithstanding the foregoing, a person or entity shall not be deemed to be included within the definition of "Customer" unless such person or entity has purchased goods or supplies from the Company during the one-year period ending on the last day of Executive's employment with the Company.

For purposes of this Agreement, the term "Products," shall mean products that are substantially similar to or of the type of products manufactured, developed, marketed, sold or distributed by the Company or its affiliates during the one-year period ending on the last day of Executive's employment with Soffe, which generally includes, on the date of this Agreement, casual and athletic apparel. Notwithstanding the foregoing, no product that the Company has ceased to sell or to consider selling at the time of termination of Executive's employment with Soffe shall be included within the definition of "Products."

(b) sell, market or distribute any Products or seek to sell or Solicit the opportunity to sell Products (either on behalf of himself or directly or indirectly on behalf of, or in association with, any Third Party) to any of the Company's prospective customers, accounts or buyers anywhere in the Territory to whom the Company has submitted a proposal or solicitation at any time within the six-month period ending on the last day of Executive's employment with Soffe (and where Executive either (i) personally or in combination with others communicated with such prospective customer or played any material role in the Company's solicitation or submission of a proposal to such prospect provision or (ii) received confidential information regarding the Company's proposal or solicitation to such prospective customer).

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(c) operate, develop or own any interest (other than the ownership of less than 5% of the equity securities of a publicly traded company) in any business or entity which is engaged in the:

(i) manufacture, (ii) distribution, (iii) marketing, or (iv) sale

of any Products (a "Competitive Manufacturer") in the Territory;

(d) be employed as an employee or independent contractor for a Competitive Manufacturer in the Territory:

(i) in a sales-related capacity, (ii) in a managerial capacity, (iii) with manufacturing oversight responsibility, or (iv) in a product development role;

(e) be employed by or consult with any Competitive Manufacturer anywhere in the Territory in any sort of position or capacity related to the

services performed by Executive while he was an employee of Soffe;

(f) interfere with, solicit, disrupt or attempt to disrupt any past, present or prospective relationship, contractual or otherwise, between the Company and any Customer, client, supplier or Company Employee (as defined below);

(g) induce or attempt to induce any of the Customers of the Company to limit, reduce or discontinue obtaining any goods or services from the Company;

(h) solicit, hire, or attempt to hire any employee of the Company who is then employed by the Company or has been employed by the Company at any time in the six-month period ending on the last day of Executive's employment with Soffe (collectively, a "Company Employee") to work for any other person or entity;

(i) solicit, hire, or attempt to hire any Company Employee to accept employment with or provide services to any Third Party that competes, directly or indirectly, with the Company for the sale or distribution of the Products; or

(j) induce or attempt to induce any Company Employee of or service-provider to the Company to discontinue providing services to the Company.

For purposes of this Agreement, the term "Territory" shall mean:

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(i) the states in the United States where the Company has shipped its products for sale to Customers at any time in the one-year period ending on the last day of Executive's employment with Soffe;

(ii) in the event that the preceding paragraphs shall be determined by judicial action to define too broad a territory to be enforceable, the "Territory" shall mean the Southeastern United States;

(iii) in the event that the preceding paragraphs shall be determined by judicial action to define too broad a territory to be enforceable, the "Territory" shall mean the entire state of North Carolina; or

(iv) in the event that the preceding paragraphs shall be determined by judicial action to define too broad a territory to be enforceable, the "Territory" shall mean the location of any Customer facility.

4. Legitimate Business Interests and Irreparable Harm. Executive agrees that the covenants and restrictions contained in this Agreement are reasonable and necessary to protect the legitimate interests of the Company in its existing relationships with its customers and its legitimate business needs and that any breach by him of any of the provisions of this Agreement will cause irreparable damage to the Company, the exact amount of which would be difficult to determine, and that the remedies at law for any such breach would be inadequate. Executive acknowledges that he can reasonably find other suitable employment opportunities that would not violate the covenants contained in this Agreement.

5. Enforcement. Executive agrees that upon Executive's violation or threatened violation of any of the provisions of this Agreement, the Company shall, in addition to any other rights and remedies available to it, at law, in equity, or otherwise, be entitled to specific performance and injunctive relief including, without limitation, an injunction to be issued by any court of competent jurisdiction enjoining and restraining Executive from committing any violation or threatened violation of the provisions of this Agreement and Executive consents to the issuance of such injunction without the necessity of bond or other security in the event of a breach or threatened breach by him of this Agreement.

6. Severability. The parties hereto intend all provisions of this Agreement to be enforced to the fullest extent permitted by law. The provisions of this Agreement are severable and shall survive this Agreement for the period indicated. The covenants on the part of the Executive contained in this Agreement shall be construed as independent covenants and agreements of the Executive, independently supported by good and adequate consideration, and, except as otherwise provided herein, shall be construed independently of the other provisions of this Agreement. In the event that any of these provisions, clauses, sentences, or paragraphs, or portions ("provisions") of this Agreement shall be held to be invalid or unenforceable, such provision shall be fully

severable and the remaining provisions hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. The parties in no way intend to include a provision that contravenes public policy. Therefore, if any provision of this Agreement is unlawful, against public policy, or otherwise declared void or unenforceable, such provision shall be deemed excluded from this Agreement, which shall in all other respects remain in effect. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable. If any Court should construe any portion of this Agreement to be too broad to prevent enforcement to its fullest extent then such restrictions shall be enforced to the maximum extent that the Court finds reasonable and enforceable. Notwithstanding anything to the contrary contained in this Agreement, if Soffe fails or refuses to pay, when due, any amounts required by Section 5 of the

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Employment Agreement to be paid to Executive or his estate, and such failure continues for a period of thirty (30) days after written notice of such failure is given by Executive or his estate to Soffe, then the covenants of Executive contained in this Agreement shall be null and void after expiration of such thirty (30) day period (but shall remain in full force and effect during such thirty (30) day period).

7. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for any purpose whatsoever.

8. Waiver. The waiver by the Company of a breach of any provision of this Agreement by Executive may not operate or be construed as a waiver of any subsequent breach.

9. Construction. The parties agree that this Agreement was freely negotiated among the parties and that Executive had the advice of an attorney in negotiating its terms. Accordingly, the parties agree that this Agreement shall not be construed in favor of any party or against any party. The parties further agree that the headings and subheadings are for convenience of the parties only and shall not be given effect in the construction of this Agreement.

10. Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, each party shall bear its own costs and expenses.

11. Governing Law and Venue. The parties acknowledge and agree that this Agreement and the obligations and undertakings of the parties under this Agreement will be enforceable in North Carolina. This Agreement is governed by, and construed in accordance with, the laws of the State of North Carolina. If any action is brought to enforce or interpret this Agreement, venue for the action will be in North Carolina.

12. Assignment. The rights, duties and benefits to Executive hereunder are personal to him, and no such right, duty or benefit may be assigned by him without the prior written consent of the Company. The rights and obligations of each of the entities included within the definition of the "Company" shall inure

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to the benefit and be binding upon each of such entities and their successors and assigns, which assignment shall not require the consent of Executive.

13. Binding Effect. This Agreement is binding upon and shall inure to the benefit of the parties hereto, their respective executors, administrators, successors, personal representatives, heirs and assigns permitted under Section 12 above.

14. Third-Party Beneficiaries. Except as expressly provided in this Agreement, nothing in this Agreement is intended to or shall confer upon any other person or entity any rights, benefits or remedies of any nature whatsoever

under or by reason of this Agreement.

15. Modification. No change or modification of this Agreement is valid or binding upon the parties, nor will any waiver, termination or discharge of any term or condition of this Agreement be so binding, unless confirmed in writing and signed by the parties to this Agreement.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

IMPORTANT: READ CAREFULLY BEFORE SIGNING

"Soffe"

M.J. SOFFE CO.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Vice President

"Delta Apparel"

DELTA APPAREL, INC

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: President and CEO

"Executive"

/s/ James F. Soffe

James F. Soffe

EMPLOYMENT AND NON-SOLICITATION AGREEMENT

THIS EMPLOYMENT AND NON-SOLICITATION AGREEMENT (this agreement, including all annexes and exhibits hereto, collectively, the "Agreement"), dated as of October 3, 2003, is by and between DELTA APPAREL, INC., a Georgia corporation ("Delta Apparel"), M.J. SOFFE CO., a North Carolina corporation ("Soffe"), and JOHN D. SOFFE, a North Carolina resident ("Executive").

WHEREAS, Executive, Delta Apparel and Soffe are parties to that certain Amended and Restated Stock Purchase Agreement dated as of the date hereof (the "Stock Purchase Agreement") pursuant to which Executive and the other shareholders of Soffe are selling to MJS Acquisition Company, a North Carolina corporation and wholly-owned subsidiary of Delta Apparel ("MJS"), all of their stock in Soffe; and

WHEREAS, one of the conditions to closing the transactions contemplated by the Stock Purchase Agreement is Executive's entering into this Agreement and the agreements contemplated hereby; and

WHEREAS, following the consummation of the transactions contemplated by the Stock Purchase Agreement, Soffe will be a wholly-owned subsidiary of MJS and will be merged with and into MJS, with MJS as the surviving corporation in such merger and successor in interest to Soffe under this Agreement; and

WHEREAS, Executive agrees that Delta Apparel's agreeing to close the transactions contemplated by the Stock Purchase Agreement, along with Soffe's promises contained in this Agreement, constitute good and sufficient consideration for Executive's promises in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment. Executive agrees to be employed by Soffe, and Soffe agrees to employ Executive, on the terms and conditions set forth in this Agreement. Executive agrees during the term of this Agreement to devote substantially all of his business time, efforts, skills and abilities to the performance of such duties and to the furtherance of Soffe's business; provided, however, that Executive shall not be required to work more than forty (40) hours per work week.

Executive's job title will be Vice President Textile & Apparel and his duties will be to (a) oversee Soffe's textile functions, both dying and knitting, (b) oversee Soffe's cutting and sewing operations, (c) oversee Soffe's procurement of yarn and fabric and all negotiation of all agreements with respect thereto and (d) oversee Soffe's quality control functions (including quality control of sourced products), all consistent with the ordinary, past practices of Soffe and his duties prior to the date of this Agreement.

2. Compensation and Benefits.

(a) Base Salary. During the term of Executive's employment with Soffe pursuant to this Agreement, Soffe shall pay to Executive as compensation for his services an annual base salary of not less than Executive's salary on the date of the signing of the Agreement ("Base Salary"). Executive's Base Salary will be payable in arrears in accordance with Soffe's normal payroll procedures. In no event shall Executive's Base Salary be decreased.

(b) Incentive Bonus. Executive shall be entitled to receive an incentive bonus calculated in the manner set forth below with respect to any Incentive Year (as defined below) during all or a portion of which he was employed by Soffe:

For each of the twelve-month periods ending on the Saturday nearest to September 30 of each of 2004, 2005 and 2006 (each, an "Incentive Year"), if EBITDA (as defined in Annex A) is greater than the Threshold Amount (as defined below) for such Incentive Year, then Soffe shall pay to Executive the product (subject to the Incentive Cap, as defined below) of (i) 37.5% and (ii) 33% of the amount by which EBITDA for such Incentive Year exceeds the Threshold Amount. Notwithstanding the foregoing, in no event shall Executive be entitled to be paid more than an aggregate of \$1 million (the "Incentive Cap") (such amount to be determined before deduction of amounts permitted to be deducted by subsection 2(c) below) pursuant to this subsection with respect to any Incentive Year. Any

compensation payable under this paragraph shall be referred to as "Incentive Compensation" in this Agreement. Amounts payable under this subsection shall be calculated and paid, and disputes shall be settled, in the manner described in Annex A.

For purposes of this subsection the Threshold Amount for the 2004 Incentive Year shall be \$16,200,000, the Threshold Amount for the 2005 Incentive Year shall be \$16,700,000, and the Threshold Amount for the 2006 Incentive Year shall be \$17,200,000.

If this Agreement is terminated for any reason, Executive shall be entitled to receive (and Soffe shall pay) any Incentive Compensation payable pursuant to this Section 2(b), which amount shall be prorated for the actual number of days that Executive was an employee of Soffe during the applicable Incentive Year in which such termination occurred.

(c) Tax Withholding. Soffe shall have the right to deduct from any compensation payable to Executive under this Agreement social security (FICA) taxes and all federal, state, municipal or other such required taxes or charges as may now be in effect or that may hereafter be enacted.

(d) Expense Reimbursements. Soffe shall pay or reimburse Executive for all reasonable business expenses incurred or paid by Executive in the course of performing his duties hereunder, including but not limited to reasonable travel expenses for Executive. As a condition to such payment or reimbursement, however, Executive shall maintain and provide to Soffe reasonable documentation and receipts for such expenses.

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(e) Vacation. Executive shall be entitled to four (4) weeks of paid vacation during each year of the Term (as defined below).

(f) Other Benefits. During the Term of this Agreement, Executive shall be entitled to participate in any group health insurance and other employee benefit plans generally provided or sponsored by Soffe to its active employees to the extent that he is eligible under and pursuant to the terms of such plans. Employee's participation in such plans (and the participation of his dependents), eligibility for benefits under such plans, and the premiums paid for coverage under such plans shall be determined under the terms of such plans. Executive shall pay premiums for coverage under such plans equal to the premiums payable for such coverage by similarly-situated, eligible active employees. Nothing contained herein shall alter or affect the right of Soffe, consistent with applicable law, to alter or amend such plans at any time. To the extent that Soffe establishes any new group health insurance plan or arrangement, it will (i) recognize any prior service of Executive as of his original hire date with Soffe for purposes of benefit accrual, participation, and vesting under such new plan or arrangement; (ii) waive any pre-existing condition (whether or not subject to an exclusion) that exists as of the date of this Agreement; and (iii) credit any paid-in or accrued deductibles within the same plan year.

Further, during the Term of this Agreement, Soffe shall pay all membership and related fees and dues associated with Executive's membership at The Country Club of North Carolina and Highland Country Club not to exceed an aggregate of \$4,224 per year.

3. Term. Unless sooner terminated pursuant to Section 4 of this Agreement, and subject to the provisions of Section 5 hereof, the term of this Agreement (the "Term") shall commence as of the date hereof and shall continue until the third anniversary (the "End Date") of the date of this Agreement.

4. Termination. Notwithstanding the provisions of Section 3 hereof, but subject to the provisions of Section 5 hereof, Executive's employment under this Agreement shall terminate as follows:

(a) Death. Executive's employment shall terminate upon the death of Executive; provided, however, that (i) Soffe shall continue to pay (in accordance with its normal payroll procedures) the Base Salary to Executive's estate for a period of six (6) months after the date of Executive's death if Executive is employed by Soffe on the date of his death; and (ii) Soffe shall pay to Executive's estate any Incentive Compensation payable pursuant to Section 2(b) of this Agreement, which amount shall be prorated for the actual number of days that Executive was an employee of Soffe during the applicable Incentive Year in which Executive's death occurred.

(b) Termination for Cause. Soffe may terminate Executive's employment at any time for "Cause" (as hereinafter defined) by delivering a written termination notice to Executive. For purposes of this Agreement, "Cause" shall mean any of the following: (i) conviction of Executive for commission of a felony; (ii) Executive's commission of an act constituting fraud, deceit or material misrepresentation with respect to his duties under this Agreement to

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Soffe, Delta Apparel and/or any of their affiliates; (iii) Executive's embezzlement of funds or assets from Soffe, Delta Apparel, or any of their affiliates; (iv) conclusive evidence that Executive is addicted to any controlled or illegal substance or drug without a valid prescription for such substance or drug; (v) Executive's commission of any act or omission of gross negligence or willful misconduct in the performance of his duties as an employee of Soffe as required by this Agreement, which act or omission Executive fails to cure within fifteen (15) days after receiving specific written notice of such act or omission from Soffe, which notice shall describe in reasonable detail the nature of the act or omission; or (vi) Executive's failure to correct or cure any material breach of or default under this Agreement not described in any of the preceding clauses within sixty (60) days after receiving specific written notice of such breach or default from Soffe, which notice shall describe in detail the nature of the breach or default.

(c) Termination Without Cause. Soffe may terminate Executive's employment at any time for any or no reason by delivering at least sixty (60) days' prior written termination notice to Executive.

(d) Termination by Executive.

(i) Without Cause. Executive may terminate his employment at any time for any or no reason by delivering at least sixty (60) days' prior written notice to the Chair of the Board of Directors of Soffe.

(ii) For Good Reason. Executive may terminate his employment at any time for "Good Reason" (as hereinafter defined) by delivering a written termination notice to the Chair of the Board of Directors of Soffe. For purposes of this Agreement, "Good Reason" shall mean any of the following: (A) any materially adverse change or diminution in the office, title, duties, powers, authority, responsibilities or compensation of Executive; (B) failure of Soffe to pay Executive any Base Salary, bonus or Incentive Compensation within fifteen (15) days after such payment is due; (C) failure of Soffe to pay Executive any amount due under Section 2(d) hereof within thirty (30) days after such payment is due; (D) a material adverse change in the benefits provided to Executive hereunder; (E) Soffe's or Delta Apparel's breach of any provision of this Agreement which breach is not cured within sixty (60) days after the Chair of the Board of Directors of Soffe received from Executive a written notice describing such breach; or (F) relocation of Executive to any location (or requiring Executive to perform his duties hereunder at any location) that is greater than twenty (20) miles from Soffe's current executive offices in Fayetteville, North Carolina.

(iii) Due to a Change in Control. Executive may terminate this Agreement upon a Change in Control (as defined in the Stock Purchase Agreement).

(e) Termination Following Disability. In the event Executive becomes "disabled" (as hereinafter defined), Soffe may terminate Executive's employment by delivering a written termination notice to Executive. Notwithstanding the foregoing, Executive shall continue to receive his (i) full Base Salary and benefits to which he is entitled under this Agreement for a period of six (6) months after the effective date of such termination, and (ii) any Incentive Compensation payable pursuant to Section 2(b) of this Agreement, which amount

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shall be prorated for the actual number of days that Executive was an employee of Soffe during the applicable Incentive Year in which such termination occurred. For purposes of this Agreement, "disability" shall mean acceptance of a claim for long-term disability benefits by Soffe's disability insurance carrier. If no such policy is in existence, "disability" shall mean a physical or mental illness, incompetency or incapacity which will result in Executive's inability to perform his essential functions as an employee of Soffe where such incapacity has continued for at least one hundred twenty (120) consecutive days. If Executive (or his representative) and Soffe do not agree that Executive has suffered a disability in accordance with this definition, a medical doctor who

is acceptable to both Executive and Soffe shall, in his discretion, determine whether Executive has suffered a disability as defined in this Agreement and, if so, the date upon which such disability occurred. Such determination shall be binding upon all parties to this Agreement. If Executive and Soffe do not agree upon a doctor, they shall each name a doctor and the two doctors so named shall name a third doctor who shall conduct the examination and make a determination as to whether Executive has suffered a disability as defined in this Agreement and, if so, the date upon which such disability occurred. Soffe shall pay all of the costs of the doctor's examination and determination.

(f) Payments and Benefits. Following any expiration or termination of this Agreement or Executive's employment hereunder, and in addition to (but not in duplication of) any amounts owed pursuant to Section 5 hereof, Soffe shall pay to Executive all amounts earned by Executive hereunder prior to the date of such expiration or termination, including without limitation any Incentive Compensation.

In addition, following any expiration or termination of this Agreement pursuant to Section 4(c), 4(d)(ii) or 4(d)(iii) (and, in the event of a termination pursuant to Section 4(c), 4(d)(ii) or 4(d)(iii), execution and delivery by Executive of the release contemplated by Section 5(f)):

(i) to the extent permitted by Soffe's group health plans in effect at the date of such termination or expiration or thereafter at any time prior to the date Executive reaches age 65, Soffe shall continue to offer Executive and his eligible dependents the opportunity to participate in Soffe's group health plans from time to time after the date of such termination or expiration until Executive reaches the age of 65; provided, however, that as a condition to maintaining such coverage, Executive shall pay the full COBRA rate in effect from time to time for former employees of Soffe continuing group health insurance benefits under COBRA; or

(ii) to the extent that Soffe's group health plans do not permit Executive to continue to participate in such plans until age 65, Soffe shall provide Executive and his dependents with the opportunity to receive substantially the same health benefits that they would have been entitled to receive under such plans if Executive were entitled to continue to participate, provided that (a) as a condition to maintaining such coverage, Executive shall pay the full COBRA rate in effect from time to time for former employees of Soffe continuing group health insurance benefits under COBRA; and (b) the aggregate of such

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benefits for Executive and/or his eligible dependents shall be subject to a per-year limitation of \$100,000 per covered person and a lifetime maximum of \$500,000 per covered person.

Nothing contained herein shall alter or affect the right of Soffe, consistent with applicable law, to alter or amend such plans at any time. To the extent that Soffe establishes any new group health insurance plan or arrangement while this paragraph (f) is in effect, it will (i) recognize any prior service of Executive as of his original hire date with Soffe for purposes of benefit accrual, participation, and vesting under such new plan or arrangement; (ii) waive any pre-existing condition (whether or not subject to an exclusion) that exists as of the date of this Agreement; and (iii) credit any paid-in or accrued deductibles within the same plan year.

5. Certain Termination Benefits. In the event that:

(i) either (A) Soffe terminates Executive's employment without Cause pursuant to Section 4(c) or (B) Executive terminates his employment pursuant to Section 4(d)(ii) or 4(d)(iii); and

(ii) Executive executes and delivers the release contemplated in Section 5(f) below,

then in such case Soffe will provide the benefits described in subsections (a)-(b) below to Executive.

(a) Base Salary and Incentive Compensation. Soffe shall continue to pay to Executive (i) his Base Salary (as in effect as of the date of such termination) that would have been payable hereunder to Executive from the date

of such termination through the End Date, and (ii) any Incentive Compensation payable pursuant to subsection 2(b) of this Agreement, calculated as if Executive were still an employee of Softe through the End Date.

(b) Life Insurance. Softe shall continue to provide Executive with group life insurance coverage through the End Date at coverage levels equal to those applicable to Executive immediately prior to termination. Softe may, at its option, purchase an insurance policy providing comparable coverage for the benefit of Executive to meet its obligations under this subsection for all or part of the period during which such obligation exists.

(c) Offset. Any life insurance benefits received by Executive in connection with any other employment accepted by Executive that are reasonably comparable to the life insurance benefits then being provided by Softe pursuant to subsection (b) of this Section 5, shall be deemed to be the equivalent of such benefits, and shall terminate Softe's responsibility to continue providing the life insurance benefits, taken as a whole, then being provided by Softe pursuant to subsection (b) of this Section 5.

(d) Treatment as Excess Parachute Payments. In the event that (i) Executive would otherwise be entitled to the compensation and benefits described in Subsections 5(a) and (b) hereof ("Compensation Payments"), and (ii) Softe determines, based upon the advice of tax counsel reasonably acceptable to Executive, that, as a result of such Compensation Payments and any other

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benefits or payments required to be taken into account under Internal Revenue Code of 1986, as amended (the "Code") Section 280G(b)(2) ("Parachute Payments"), any of such Parachute Payments would be reportable by Softe or Delta Apparel as an "excess parachute payment" under Code section 280G, such Compensation Payments shall be reduced to the extent necessary to cause the aggregate present value (determined in accordance with Code Section 280G and applicable regulations promulgated thereunder) of the Executive's Parachute Payments to equal 2.99 times the "base amount" as defined in Code Section 280G(b)(3) with respect to such Executive. However, such reduction in the Compensation Payments shall be made only if, in the opinion of such tax counsel, it would result in a larger Parachute Payment to the Executive than payment of the unreduced Parachute Payments after deduction in each case of tax imposed on and payable by the Executive under Section 4999 of the Code ("Excise Tax"). Softe's independent auditors shall determine the value of any non-cash benefits or any deferred payment or benefit for purposes of this paragraph.

The parties hereto agree that the payments provided under Subsections 5(a) and (b) above are reasonable compensation in light of Executive's services rendered to Softe and that neither party shall assert that the payment of such benefits constitutes an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

Unless Softe determines that any Parachute Payments made hereunder must be reported as "excess parachute payments" in accordance with the first paragraph of subsection 5(d) above, neither party shall file any return taking the position that the payment of such benefits constitutes an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

(e) Payment Default. Any amounts owed by Softe to Executive under this Section 5 that are not paid when due shall bear interest at a rate of 10% per annum.

(f) General Release. Subject to Executive's receipt of the full cash amounts then due pursuant to this Section 5, Executive will grant a full and complete release of any and all claims Executive may have against Delta Apparel or Softe, their officers, directors and affiliates, including, but not limited to, claims he might have relating to Executive's cessation of employment with Softe; provided, however, that there shall be excluded from the scope of such general release the following:

(i) claims relating to Softe's or Delta Apparel's continuing obligations under this Agreement (including without limitation the obligation to pay amounts due under this Section 5);

(ii) claims that Executive may have under the Stock Purchase Agreement or any Related Agreements (as defined in the Stock Purchase Agreement);

(iii) claims that Executive may have against Soffe for reimbursement of business expenses incurred by him during the course of his employment;

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(iv) claims that may be made by Executive for payment of Base Salary, Incentive Compensation, bonuses, or fringe benefits properly due to him, or other amounts or benefits due to him under this Agreement;

(v) claims respecting matters for which Executive is entitled to be indemnified under the Articles of Incorporation or By-laws of Delta Apparel or Soffe and applicable law respecting third party claims asserted or third party litigation pending or threatened against Executive;

(vi) claims arising from fraud or illegal activities of Soffe or Delta Apparel not attributable to Executive; and

(vii) any claims prohibited by applicable law from being included in the release.

As a condition to Executive's obligation to provide such a release, Soffe and Delta Apparel shall, if Executive's employment is terminated pursuant to Sections 4(c), 4(d)(ii) or 4(d)(iii), provide a reciprocal general release to Executive. The form of the mutual general release to be executed by Executive, Soffe and Delta Apparel is attached hereto as Exhibit 1. Notwithstanding anything to the contrary contained in this Agreement, if Soffe fails or refuses to pay, when due, any amounts required by Section 5 to be paid to Executive or his estate, and such failure continues for a period thirty (30) days after written notice of such failure is given by Executive or his estate to Soffe, then Executive's release and Executive's covenants contained in this Agreement shall be null and void after expiration of such thirty (30) day period (but shall remain in full force and effect during such thirty (30) day period).

6. Non-Competition. Executive agrees that he has read, is bound by, is subject to, and will abide by the obligations, covenants and agreements set forth in Soffe's Employee Confidentiality, Non-Solicitation and Non-Competition Agreement attached hereto as Exhibit 2 (the "Restrictive Agreement"), and he understands and acknowledges that Delta Apparel and Soffe agree to the consideration in the Stock Purchase Agreement and that Soffe agrees to the consideration and employment set forth herein on condition of Executive's consent to the obligations, covenants and agreements set forth in the Restrictive Agreement.

7. Non-Disclosure of Employees. During the Term of this Agreement and for a period of three (3) years after the later of the expiration of the Term or the termination or cessation of his employment with Soffe for any reason whatsoever, Executive shall not, on his own behalf or on behalf of any other person, partnership, association, corporation, or other entity, use or disclose to any person, partnership, association, corporation or other entity any information obtained while an employee of Soffe concerning the names and addresses of the employees of Soffe or Delta Apparel except for disclosure during the ordinary course of business during Executive's period of active employment under this Agreement as necessary to fulfill his duties and responsibilities hereunder.

8. Non-Disclosure of Trade Secrets. During the Term of this Agreement, Executive will have access to and become familiar with various trade secrets and proprietary and confidential information of Soffe and Delta Apparel and their

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affiliates, including, but not limited to, processes, computer programs, compilations of information, records, sales procedures, customer requirements, pricing techniques, customer lists, methods of doing business and other confidential information (collectively, referred to as "Trade Secrets") which are owned by Soffe, Delta Apparel, and/or their affiliates and regularly used in the operation of their business, and as to which Soffe, Delta Apparel, and/or their affiliates take precautions to prevent dissemination to persons other than certain directors, officers and employees. Executive acknowledges that the Trade Secrets (1) are secret and not known in the industry; (2) give Soffe, Delta Apparel, and/or their affiliates an advantage over competitors who do not know or use the Trade Secrets; (3) are of such value and nature as to make it reasonable and necessary to protect and preserve the confidentiality and secrecy of the Trade Secrets; and (4) are valuable, special and unique assets of Soffe,

Delta Apparel, and/or their affiliates, the disclosure of which could cause substantial injury and loss of profits and goodwill to Soffe, Delta Apparel, and/or their affiliates. Executive may not use in any way or disclose any of the Trade Secrets, directly or indirectly, either during the Term or at any time after the expiration of the Term or the termination of Executive's employment with Soffe for any reason whatsoever, except as required in the course of his employment under this Agreement, if required in connection with a judicial or administrative proceeding, or if the information becomes public knowledge other than as a result of an unauthorized disclosure by the Executive. All files, records, documents, information, data and similar items relating to the business of Soffe, Delta Apparel, and/or their affiliates, whether prepared by Executive or otherwise coming into his possession, will remain the exclusive property of Soffe, Delta Apparel, and/or their affiliates (as the case may be) and may not be removed from the premises under any circumstances without the prior written consent of Soffe, Delta Apparel and/or their affiliate (as the case may be) (except in the ordinary course of business during Executive's period of active employment under this Agreement), and in any event must be promptly delivered to Soffe upon termination of Executive's employment with Soffe. Executive agrees that upon his receipt of any subpoena, process or other request to produce or divulge, directly or indirectly, any Trade Secrets to any entity, agency, tribunal or person, Executive shall notify and promptly deliver a copy of the subpoena, process or other request to the Chair of the Board of Directors of Soffe and shall cooperate (at Soffe's expense) with Soffe in a prompt manner with respect to the defense of such matter. The rights granted to Soffe, Delta Apparel and/or their affiliates in this Section 8 are intended to be in addition to and not in replacement of any protection of Trade Secrets provided by equity, any statute, judicially created law or other agreement.

9. Remedies. Executive acknowledges and agrees that any breach of any of the provisions of Sections 6, 7, or 8 hereof or the Restrictive Agreement (collectively, the "Protective Covenants") by him will cause irreparable damage to Soffe and Delta Apparel and/or their affiliates, the exact amount of which will be difficult to determine, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that, in addition to any other

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remedy that may be available at law, in equity or hereunder, Soffe, Delta Apparel and their affiliates shall be entitled to specific performance and injunctive relief, without posting bond or other security, to enforce or prevent any violation of any of the Protective Covenants by him.

10. Severability. The parties hereto intend all provisions of this Agreement to be enforced to the fullest extent permitted by law. The provisions of this Agreement are severable. The covenants on the part of the Executive contained in the Protective Covenants shall be construed as independent covenants and agreements of the Executive, independently supported by good and adequate consideration, shall be construed independently of the other provisions in this Agreement and shall survive this Agreement for the period indicated. In the event that any of the provisions, clauses, sentences, or paragraphs, or portions ("provisions") in this Agreement shall be held to be invalid or unenforceable, such provision shall be fully severable and the remaining provisions hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. The parties in no way intend to include a provision that contravenes public policy. Therefore, if any provision of this Agreement is unlawful, against public policy, or otherwise declared void or unenforceable, such provision shall be deemed excluded from this Agreement, which shall in all other respects remain in effect. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable. If any Court should construe any portion of this Agreement to be too broad to prevent enforcement to its fullest extent then such restrictions shall be enforced to the maximum extent that the Court finds reasonable and enforceable.

11. Miscellaneous.

- a. Notices. Any notices, consents, demands, requests, approvals and other communications to be given under this Agreement (including, without limitation, the Restrictive Agreement) by either party to the other must be in writing and must be either (i) personally delivered, (ii) mailed by registered or certified mail, postage prepaid with return receipt requested, (iii) delivered by reputable overnight express delivery

service or reputable same-day local courier service, or (iv) delivered by telex or facsimile transmission, with confirmed receipt, to the address set forth below, or to such other address as may be designated by the parties from time to time in accordance with this Section 11(a):

If to Soffe:
M.J. Soffe Co.
One Soffe Drive
Fayetteville, North Carolina 28312

If to Delta Apparel:
Delta Apparel, Inc.
2750 Premiere Parkway
Suite 100
Duluth, Georgia 30047
Attn: Chief Executive Officer
Fax No.: (678) 775-6999

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If to Executive:
John D. Soffe
309 Sylvan Drive
Fayetteville, NC 28305

Notices delivered personally or by overnight express delivery service or by local courier service are deemed given as of actual receipt. Mailed notices are deemed given three business days after mailing. Notices delivered by telex or facsimile transmission are deemed given upon receipt by the sender of the answer back (in the case of a telex) or transmission confirmation (in the case of a facsimile transmission).

b. Entire Agreement. This Agreement supersedes any and all other agreements other than the Stock Purchase Agreement, either oral or written, between the parties with respect to the subject matter of this Agreement and contains all of the covenants and agreements between the parties with respect to the subject matter of this Agreement.

c. Modification. No change or modification of this Agreement is valid or binding upon the parties, nor will any waiver, termination or discharge of any term or condition of this Agreement be so binding, unless confirmed in writing and signed by the parties to this Agreement.

d. Governing Law and Venue. The parties acknowledge and agree that this Agreement and the obligations and undertakings of the parties under this Agreement will be performable in North Carolina. This Agreement is governed by, and construed in accordance with, the laws of the State of North Carolina. If any action is brought to enforce or interpret this Agreement, venue for the action will be in North Carolina.

e. Dispute Resolution. Except for (i) matters relating to specific performance, injunctive relief, or other equitable remedies, including without limitation, the provisions of the Protective Covenants and the Restrictive Agreement, or (ii) matters that Executive may bring before any governmental or administrative agency (including, without limitation, the National Labor Relations Board, the Equal Employment Opportunity Commission or the Department of Labor, or similar state agencies), disputes hereunder shall be settled in the manner described in Section 13.4 of the Stock Purchase Agreement.

f. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for any purpose whatsoever.

g. Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, each party shall bear its own costs and expenses.

h. Estate. If Executive dies prior to the expiration of the term of employment or during a period when monies are owing to him, any monies that may be due him from Soffe under this Agreement as of the date of his death shall be paid to his estate and as when otherwise payable.

i. Assignment. The rights, duties and benefits to Executive hereunder are personal to him, and no such right, duty or benefit may be assigned by him without the prior written consent of Soffe. The rights and obligations of each of Soffe and Delta Apparel shall inure to the benefit and be binding upon each of such entities and their successors and assigns, which assignment shall not require the consent of Executive.

j. Binding Effect. This Agreement is binding upon and shall inure to the benefit of the parties hereto, their respective executors, administrators, successors, personal representatives, heirs and assigns permitted under subsection 11(i) above.

k. Third-Party Beneficiaries. Except as expressly provided in this Agreement, nothing in this Agreement is intended to or shall confer upon any other person or entity any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

l. Waiver of Breach. The waiver by Soffe, Delta Apparel or Executive of a breach of any provision of this Agreement by Executive, Soffe, Delta Apparel or their affiliates may not operate or be construed as a waiver of any subsequent breach.

m. Construction. The parties agree that this Agreement was freely negotiated among the parties and that Executive has had the advice of an attorney in negotiating its terms. Accordingly, the parties agree that this Agreement shall not be construed in favor of any party or against any party. The parties further agree that the headings and subheadings are for convenience of the parties only and shall not be given effect in the construction of this Agreement.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

IMPORTANT: READ CAREFULLY BEFORE SIGNING

"Soffe"

M.J. SOFFE CO.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Vice President

"Delta Apparel"

DELTA APPAREL, INC

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: President and CEO

"Executive"

/s/ John D. Soffe

John D. Soffe

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ANNEX A

"EBITDA" means the earnings of Soffe (including income received in the Ordinary Course of Business from sources other than sales of inventory) before interest expense and income Taxes, plus depreciation and amortization, determined in accordance with GAAP consistently applied and using methodologies that are consistent with those used on Soffe's opening balance sheet (which opening balance sheet shall be prepared in accordance with the methodologies set forth on Schedule X attached to the Stock Purchase Agreement).

"ORDINARY COURSE OF BUSINESS" means, with respect to an action taken by a party, only an action that (i) is consistent in nature, scope, and magnitude with the past practices of such party and is taken in the ordinary course of the normal, day-to-day operations of such party; and (ii) does not require authorization by the board of directors or shareholders of such party and does not require any other separate or special authorization of any nature.

"TAX" means any federal, state, local, foreign or other governmental net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, use, withholding, payroll, social security, employment, unemployment, excise, occupation, property, customs, duties or other tax, together with any interest and any penalties with respect thereto.

"TAXES" means more than one Tax.

"GAAP" means those generally accepted accounting principles and practices which are used in the United States and recognized as such by the American Institute of Certified Public Accountants acting through its Accounting Principles Board or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof, except that any accounting principle or practice required to be changed by the Accounting Principles Board or Financial Accounting Standards Board (or other appropriate board or committee) in order to continue as a generally accepted accounting principle or practice may be so changed.

EBITDA shall be calculated to reflect the continued, ordinary course, independent operation of Soffe, and no new or increased costs or expenses shall be charged to the calculation of EBITDA, except such reasonable costs and expenses as are incurred in the Ordinary Course of Business of Soffe; provided, however, that if James F. Soffe, John D. Soffe, and Anthony M. Cimaglia determine in their reasonable good faith judgment that they would not have incurred any such new or increased cost or expense, then such new cost and/or expense shall not be charged to the calculation of EBITDA hereunder. Notwithstanding the foregoing, the following costs and expenses shall not be charged to the calculation of EBITDA for purposes of this Agreement: (1) management fees or administrative or overhead charges charged to Soffe by MJS, Delta, or any other of the Affiliates of MJS (except for a management fee charged by Delta that shall not exceed a maximum annual amount of \$370,000 (the "MANAGEMENT FEE")), (2) compensation to any new executive officers of Soffe or

MJS (i.e. an individual not currently an executive officer of Soffe) (except for reasonable compensation for any new executive officer who is appointed upon the death, removal or resignation of an executive officer serving Soffe on the date hereof (such compensation not to exceed the annual compensation of such deceased, removed or resigned executive officer)), (3) the payment of any EBITDA Earnout Amount or Return Rate Earnout Amount (as such terms are defined in the Stock Purchase Agreement) under the Stock Purchase Agreement, (4) the Incentive Compensation payable hereunder and any increased benefits costs associated therewith, (5) any costs and expenses related to the negotiation and closing of

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the transactions contemplated by the Stock Purchase Agreement or any Related Agreement (as defined in the Stock Purchase Agreement) or the merger of Soffe with and into MJS, (6) any new or increased opening balance sheet reserves, or (7) any costs triggered by changes in employee benefit plans and programs (including costs to terminate plans). Notwithstanding the foregoing, the following costs and expenses may be charged to the calculation of EBITDA for purposes of this Agreement: (i) the Management Fee; and (ii) subject to a maximum aggregate annual amount of \$375,000: (A) additional costs to comply with applicable securities laws, rules and regulations and the listing requirements of the American Stock Exchange, and (B) reasonable compensation (including salary, bonuses, and costs of retirement, insurance and fringe benefits) for one new executive officer who shall provide services with respect to transition matters following the closing of the transactions described in the Stock Purchase Agreement. Further, notwithstanding the foregoing, nothing contained herein shall be construed to limit MJS's or Delta's authority to allocate management fees or administrative, overhead, or other charges to Soffe for purposes other than the calculation of Incentive Compensation hereunder, to consolidate Soffe with MJS or Delta or any subsidiary of Delta for accounting purposes, or to change accounting methods or principles for purposes other than the calculation of Incentive Compensation; provided, however, that in the event that MJS or Delta allocates management fees or administrative, overhead, or other charges to Soffe, consolidates Soffe with MJS or Delta or any subsidiary of Delta, or changes the accounting methods or principles of Soffe, MJS and Delta shall maintain a separate set of books and records for Soffe from which EBITDA and Incentive Compensation hereunder can be calculated without such allocations, consolidations or changes. All matters related to costs and expenses that may or may not be charged to the calculation of EBITDA and Incentive Compensation hereunder are subject to challenge and dispute by Executive pursuant to the procedures set forth below.

Not later than five (5) days after Delta's Form 10-Q is due for the first quarter of each of Delta's fiscal years 2005, 2006 and 2007, Soffe shall deliver to Executive a written notice of Soffe's calculation of EBITDA and the Incentive Compensation for the applicable Incentive Year 2004, 2005 and 2006 (a "BONUS Calculation"). Soffe shall make available to Executive and Executive's accountants the books, records, work papers, ledgers, back-up information and personnel of Soffe which Executive and Executive's accountants reasonably require in order to examine the Incentive Compensation. Together with the Bonus Calculation for each year, Soffe shall pay to Executive (in cash or immediately available funds) the Incentive Compensation, if any, for such year. The Incentive Compensation, if not paid when due, shall bear interest at the pre-default rate set forth in the Promissory Notes (as defined in the Stock Purchase Agreement), plus two percent (2%), from the date on which Delta's Form 10-Q was due following such year until such Incentive Compensation has been paid in full.

Disputes with respect to any Bonus Calculation shall be resolved as follows:

Executive shall have ninety (90) days after receipt of a Bonus Calculation (the "BONUS DISPUTE PERIOD") to assert that any of the elements of or amounts reflected on the Bonus Calculation (including, without limitation, new or increased costs and/or expenses) are not correct or appropriate under

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this Agreement, or that the Bonus Calculation was arrived at other than in accordance with the provisions of this Annex A (a "BONUS DISPUTE"). If Executive has a Bonus Dispute, then he shall give Soffe (with a copy to Delta) written notice of such dispute (a "BONUS DISPUTE NOTICE") within the Bonus Dispute Period, setting forth in reasonable detail the items with which Executive disagrees, together with supporting calculations. Within thirty (30) days after delivery of such Bonus Dispute Notice, Soffe and Executive shall attempt to

resolve such Bonus Dispute.

If Soffe and Executive are unable to resolve any Bonus Dispute within the thirty (30) day period after the Soffe's receipt of a Bonus Dispute Notice, Soffe and Executive shall jointly engage Deloitte & Touche LLP, or another mutually acceptable independent third party, to act as arbitrator with respect to the Bonus Dispute. The arbitration of any Bonus Dispute shall be conducted in Charlotte, North Carolina. In connection with the resolution of any Bonus Dispute, the arbitrator shall have access to all documents, records, work papers, facilities and personnel reasonably necessary to perform its function as arbitrator. The arbitrator's function shall be to resolve the Bonus Dispute regarding the Bonus Calculation, so that the items that are the subject of the Bonus Dispute conform to the requirements of this Agreement. The arbitrator shall allow Soffe and Executive to present their respective positions regarding the Bonus Dispute and shall thereafter as promptly as possible provide the parties hereto a written determination of the Bonus Dispute. Such written determination shall be final and binding upon the parties hereto and not subject to appeal on any ground, and judgment may be entered on the award. Upon the resolution of all Bonus Disputes, the applicable Bonus Calculation shall be revised to reflect such resolution. The arbitrator shall promptly, and in any event within sixty (60) calendar days after the date of its appointment, render its decision on the question in writing and finalize the Bonus Calculation. The arbitrator may, at its discretion, conduct a conference concerning the Bonus Dispute with Soffe and Executive, at which conference each party shall have the right to present additional documents, materials and other information and to have present its advisors, counsel and accountants. In connection with such process, there shall be no hearings, oral examinations, testimony, depositions, discovery or other similar proceedings. The arbitrator shall determine the proportion of its fees and expenses to be paid by Soffe and Executive, based on the arbitrator's determination as to the degree to which it has accepted the positions of the respective parties. If the arbitrator determines that additional funds are due to the Executive, Soffe shall pay the additional amount within five (5) business days of the date on which the arbitrator rendered its decision, plus interest at the pre-default rate set forth in the Promissory Notes (as defined in the Stock Purchase Agreement) from the date on which Delta's Form 10-Q was due for the first quarter following the applicable Bonus Year 2004, 2005 or 2006 until such additional amount has been paid in full. Likewise, if the arbitrator determines that Soffe overpaid the Incentive Compensation for a year, Executive shall refund to Soffe the amount of the overpayment within five (5) business days of the date on which the arbitrator rendered its decision, plus interest at the pre-default rate set forth in the Promissory Notes (as defined in the Stock Purchase Agreement) from the date on which Soffe initially made the payment until such overpayment has been refunded in full.

If Executive does not deliver a Bonus Dispute Notice to Soffe within the Bonus Dispute Period, the applicable Bonus Calculation delivered by Soffe

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shall be deemed to have been accepted by Executive in the form in which it was delivered by Soffe and shall be final and binding upon the parties.

EXHIBIT 1

MUTUAL GENERAL RELEASE

THIS MUTUAL GENERAL RELEASE ("Release") is made and entered into by and between John D. Soffe ("Executive"), on the one hand, and M. J. Soffe Co., a North Carolina corporation ("Soffe"), and Delta Apparel, Inc., a Georgia corporation ("Delta Apparel"), on the other hand;

W I T N E S S E T H:

WHEREAS, Executive, Soffe and Delta Apparel entered into that certain Employment and Non-Solicitation Agreement dated as of _____, 2003 (the "Employment Agreement");

WHEREAS, Executive's employment with Soffe ended on _____; and

WHEREAS, Executive, Soffe and Delta Apparel now desire to memorialize, by the execution of this Release, their understanding with respect to certain matters relating to Executive's termination of employment;

NOW, THEREFORE, in consideration of the premises and mutual promises contained herein, as well as the payment of the monies and other benefits to Executive as required by Section 5 of the Employment Agreement, the receipt and sufficiency of which are hereby acknowledged by Executive, it is agreed as follows:

SECTION 1. RELEASE OF CLAIMS. In consideration of (and subject to) the payments required by Section 5 of the Employment Agreement, the receipt and sufficiency of which are hereby acknowledged, and subject to the limitations contained in Section 2 hereof, Executive, on behalf of himself and his heirs and assigns, hereby irrevocably and unconditionally releases and forever discharges, individually and collectively, Soffe and Delta Apparel, and each of their respective officers, directors, employees, parent companies, subsidiaries, successors and assigns (hereinafter the "Soffe Parties"), of and from any and all charges, claims, complaints, demands, liabilities, causes of action, losses, costs or expenses of any kind whatsoever (including related attorneys' fees and costs), known or unknown, suspected or unsuspected, that Executive may now have or has ever had against the Soffe Parties by reason of any act, omission, transaction, or event occurring up to and including the date of the signing of this Release.

The release set forth in this Section 1 includes without limitation (other than as set forth in Section 2), claims related to any wrongful or unlawful discharge, discipline or retaliation, any contract of employment, whether express or implied, any promotions or demotions, compensation including commissions, short term or long term incentives, Soffe's and Delta Apparel's benefit plan(s) and the management thereof, defamation, slander, libel, invasion of privacy, misrepresentation, fraud, infliction of emotional distress, stress, breach of any covenant of good faith and fair dealing, and any other claims relating to the Executive's employment as an employee, officer or director with Soffe, Delta Apparel or any of their respective affiliates and the termination thereof. This waiver, release and discharge further applies but is not limited to any claims based on Title VII of the Civil Rights Act of 1964, the Post Civil War Civil Rights Act (41 U.S.C. ss. 1981 - 88), the Civil Rights Act of 1991,

the Equal Pay Act, the Age Discrimination in Employment Act (ADEA), the Older Workers Benefit Protection Act (OWBPA), the Rehabilitation Act of 1973, the Americans with Disabilities Act, the Vietnam Era Veterans' Readjustment Act, the Fair Labor Standards Act, the Workers Adjustment and Retraining Notification Act, Executive Order 11246, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act (all as they may be amended), and any other applicable federal, state or local laws, ordinances and regulations including those relating to discrimination to the extent permitted by law.

Executive expressly waives all claims (other than as set forth in Section 2), including those which he does not know or suspect to exist in his favor as of the date of this Release against the Soffe Parties. As used herein, the parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown (other than as set

forth in Section 2), and specifically but not exclusively including all claims against the Soffe Parties of the type referenced in this Section 1 or otherwise arising from Executive's employment with Soffe, the termination thereof or any other conduct or negotiations occurring on or prior to the date Executive signs this Release. All claims of Executive or those claiming on his behalf, except those listed in Section 2 hereof, are forever barred by this Release whether they arise in contract or tort or under a statute or any other law. The final release of all claims by Executive against the Soffe Parties constitutes a material part of the consideration flowing from Executive to the Soffe Parties under this Release, and each of the individuals and entities included within the term "Soffe Parties" is an intended beneficiary of this consideration.

Notwithstanding anything to the contrary contained in this Release, if Soffe fails or refuses to pay, when due, any amounts required by Section 5 of the Employment Agreement to be paid to Executive or his estate, and such failure continues for a period of thirty (30) days after written notice of such failure is given by Executive or his estate to Soffe, then Executive's covenants, agreements, waivers, obligations and releases contained in this Agreement shall be null and void after expiration of such thirty (30) day period (but shall remain in full force and effect during such thirty (30) day period). The provisions of this paragraph shall not constitute Executive's exclusive remedy for any non-payment by Soffe and shall not prevent or preclude Executive from seeking any and all remedies available to him at law or in equity with respect to any non-payment by Soffe.

SECTION 2. LIMITATIONS ON RELEASES. Executive has accrued as of his termination certain vested rights to benefits under Soffe's and/or Delta Apparel's benefit plans. Executive shall be entitled to receive his vested accrued benefits under such benefit plans in accordance with their respective terms. Notwithstanding anything to the contrary herein, the releases contained in Section 1 hereof do not waive or otherwise affect Executive's rights to such vested accrued benefits. Moreover, notwithstanding anything to the contrary herein, the waivers, releases and discharges contained in Section 1 do not waive or otherwise affect any of the following claims:

(a) Claims relating to Soffe's or Delta Apparel's continuing obligations under the Employment Agreement (including without limitation the obligation to pay amounts due under Section 5 thereof);

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(b) Claims that Executive may have under that certain Amended and Restated Stock Purchase Agreement dated as of _____, 2003, by and among Executive, Soffe, Delta Apparel, MJS Acquisition Company and the other shareholders of Soffe (the "Stock Purchase Agreement") and/or any Related Agreements (as defined in the Stock Purchase Agreement);

(c) Claims that Executive may have against Soffe for reimbursement of business expenses incurred by him during the course of his employment;

(d) Claims that Executive may have for payment of Base Salary, Incentive Compensation (as such terms are defined in the Employment Agreement), bonuses, or fringe benefits properly due to him, or other amounts or benefits due to him under the Employment Agreement;

(e) Claims respecting matters for which Executive is entitled to be indemnified under the Articles of Incorporation or Bylaws of Soffe or Delta Apparel and applicable law respecting third party claims asserted or third party litigation pending or threatened against Executive;

(f) Claims arising from fraud or illegal activities of Soffe or Delta Apparel not attributable to Executive; and

(g) Any claims prohibited by applicable law from being included in this Release.

SECTION 3. EXECUTIVE ACKNOWLEDGEMENTS. Executive understands and agrees that he:

(a) Has carefully read and fully understands all of the provisions of this Release;

(b) Was advised and is hereby advised in writing to consider the terms of this Release and to consult with an attorney of his choice prior to executing this Release;

(c) Has been offered a full twenty-one (21) days from notice of the termination of his employment with Soffe and the delivery of this Release to consider the terms of this Release, and having had adequate opportunity to consider the terms and consult with advisors of his choice, has elected to waive the 21-day period and sign the Release as of the date hereof;

(d) Is, through this Release, releasing the Soffe Parties from any and all claims he may have against the Soffe Parties that arose from events occurring on or before the date this Agreement is executed, including but not limited to claims under the Age Discrimination in Employment Act (ADEA), as amended;

(e) Is receiving valid consideration beyond anything of value to which Executive already is entitled;

(f) Knowingly and voluntarily agrees to all of the terms set forth in this Release;

(g) Knowingly and voluntarily intends to be legally bound by the same;
and

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(h) Has a full seven (7) days following his execution of this Release to revoke this Release and has been and hereby is advised in writing that this Release shall not become effective or enforceable until the revocation period has expired. Revocation must occur by delivery of a letter of revocation to the Chair of the Board of Directors of Soffe.

SECTION 4. RELEASE BY SOFFE AND DELTA APPAREL. In consideration of the mutual promises herein and subject to the limitations contains in Section 5 hereof, Soffe and Delta Apparel, for themselves and their respective parent companies, subsidiaries, successors, assigns, officers, directors and representatives, hereby irrevocably and unconditionally release and forever discharge Executive, his heirs, agents, personal representatives and assigns, of and from any and all charges, claims, complaints, demands, liabilities, causes of action, losses, costs or expenses of any kind whatsoever (including related attorneys' fees and costs), known or unknown, suspected or unsuspected, that Soffe, Delta Apparel and/or their respective parent companies, subsidiaries, successors, assigns, officers, directors and representatives may now have or have ever had against Executive by reason of any act, omission, transaction, or event occurring up to and including the date of the signing of this Release other than as set forth in Section 5 hereof (the "Soffe Party Claims"). The waiver, release and discharge contained in this Section 4 includes without limitation (other than as set forth in Section 5) claims related to any act as an officer, director or employee of Soffe, Delta Apparel and/or any of their respective parent companies and subsidiaries and/or the management thereof, including defamation, slander, libel, invasion of privacy, misrepresentation, infliction of emotional distress, stress, breach of any covenant of good faith and fair dealing, and any other claims relating to Executive's employment as an employee, officer or director of Soffe, Delta Apparel or any of their respective parent companies and subsidiaries and the termination thereof.

Each of Soffe, Delta Apparel and their respective parent companies and subsidiaries expressly waives all Soffe Party Claims, including those which it does not know or suspect to exist in its favor as of the date of this Release against Executive. As used herein, the parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown (other than as set forth in Section 5), and specifically but not exclusively including all claims against Executive of the type referenced in this Section 4, or otherwise arising from Executive's employment with Soffe, Delta Apparel or any of their respective parent companies or subsidiaries, the termination thereof or any other conduct or negotiations occurring on or prior to the date the parties sign this Release. All Soffe Party Claims are forever barred by this Release whether they arise in contract or tort or under a statute or any other law.

SECTION 5. LIMITATIONS ON RELEASES.

Notwithstanding anything to the contrary herein, the waivers, releases and discharges contained in Section 4 do not waive or otherwise affect any of the following claims:

(a) Claims relating to Executive's continuing obligations under (i) the

Employment Agreement (including without limitation obligations under Sections 6, 7 and 8 thereof) and (ii) the Employee Confidentiality, Non-Solicitation, and

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Non-Competition Agreement by and between Executive, Delta Apparel and Soffe dated on or about the date of the Employment Agreement;

(b) Claims that Soffe, Delta Apparel or any of their affiliates may have under the Stock Purchase Agreement and/or any Related Agreements;

(c) Claims arising from fraud or illegal activities of Executive; and

(d) Any claims prohibited by applicable law from being included in this release.

SECTION 6. LEGAL PROCEEDINGS; RELEASE AS A DEFENSE. This Release may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against, any action, suit, or other proceeding which may be instituted, prosecuted or attempted in breach of this Release, except for an action based on a breach of this Release or a claim to determine the validity of the Release under the OWBPA or the ADEA.

SECTION 7. GOVERNING LAW. This Release shall be governed by the laws of the State of North Carolina. This Release shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any of the parties hereto.

SECTION 8. NO ADMISSIONS. Each of Executive, Soffe and Delta Apparel acknowledges and agrees that the releases and other consideration described in this Release are offered and exchanged in good faith and will not, for any purpose, be considered as admissions of liability on the part of any party, which liability is expressly denied, and no past or present wrongdoing on the part of any party is implied by such releases or other consideration under the terms of this Release.

SECTION 9. SEVERABILITY. In the event any provision of this Release is determined by a court or other tribunal to be unenforceable for any reason, the remaining provisions hereof shall remain in full force and effect and the unenforceable provision(s) shall be interpreted and rewritten to give effect to the parties' economic intentions.

SECTION 10. ASSIGNMENT OF CLAIMS. Each party warrants to the other parties that it has not assigned any claim or cause of action released herein.

SECTION 11. COUNTERPARTS. This document may be executed in multiple counterparts, each of which shall be considered an original.

SECTION 12. BINDING EFFECT. This release shall be binding upon and inure to the benefit of the parties hereto, Executive's personal representatives, and heirs, and the successors and assigns of each of Delta Apparel and Soffe.

SECTION 13. VOLUNTARY AGREEMENT. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS BEEN ADVISED THAT THIS RELEASE IS A BINDING LEGAL DOCUMENT. EXECUTIVE FURTHER AGREES THAT HE HAS HAD ADEQUATE TIME AND A REASONABLE OPPORTUNITY TO REVIEW THE PROVISIONS OF THIS RELEASE, HAS BEEN ADVISED TO SEEK LEGAL ADVICE REGARDING ALL ITS ASPECTS, AND THAT IN EXECUTING THIS RELEASE EXECUTIVE HAS ACTED VOLUNTARILY AND HAS NOT RELIED UPON ANY REPRESENTATION MADE BY SOFFE OR

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DELTA APPAREL OR ANY OF THEIR EXECUTIVES OR REPRESENTATIVES REGARDING THIS RELEASE'S SUBJECT MATTER AND/OR EFFECT. EXECUTIVE HAS READ AND FULLY UNDERSTANDS THIS RELEASE AND VOLUNTARILY AGREES TO ITS TERMS.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, each of Soffe and Delta Apparel has caused this Release to be executed by its duly authorized officers, and Executive has executed this Release, all as of the date first set forth above.

M. J. SOFFE CO.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: Vice President

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: President and CEO

EXECUTIVE:

/s/ John D. Soffe

John D. Soffe

EXHIBIT 2

EMPLOYEE CONFIDENTIALITY, NON-SOLICITATION, AND NON-COMPETITION AGREEMENT

This Employee Confidentiality, Non-Solicitation and Non-Competition Agreement (the "Agreement") is made a part of that certain Employment and Non-Solicitation Agreement (the "Employment Agreement") made and entered into on the date hereof by and between DELTA APPAREL, INC., a Georgia corporation ("Delta Apparel"), M.J. SOFFE CO., a North Carolina corporation ("Soffe"), and JOHN D. SOFFE ("Executive").

WHEREAS, MJS Acquisition Company, a North Carolina corporation and wholly-owned subsidiary of Delta Apparel ("MJS"), has agreed to acquire the outstanding stock of Soffe pursuant to the terms of that certain Amended and Restated Stock Purchase Agreement (the "Stock Purchase Agreement") by and among MJS, Delta Apparel, Soffe and the shareholders of Soffe, including the Executive, thereby providing valuable consideration to Executive, upon the condition that Executive execute, enter into and agree to abide by the provisions of the Employment Agreement and this Agreement;

WHEREAS, following the consummation of the transactions described in

the Stock Purchase Agreement, Soffe will be a wholly-owned subsidiary of MJS and will be merged with and into MJS, with MJS as the surviving corporation in such merger and successor in interest to Soffe under this Agreement;

WHEREAS, Soffe and Delta Apparel are (1) engaged in the business of manufacturing, marketing, and selling casual and athletic apparel, and (2) may in the future engage in and/or actively be considering other activities or businesses, of which Executive may be aware at the termination of Executive's employment;

WHEREAS, Executive acknowledges that he has been employed at the highest levels of Soffe where he has had access to its confidential information and that following consummation of the transactions contemplated by the Stock Purchase Agreement he may have access in his position to the most sensitive and confidential information of Soffe, Delta Apparel and their affiliates (as used in this Agreement, the term "affiliates" shall have the meaning as set forth in the Stock Purchase Agreement), including long-range projections, marketing strategies, customer information and other confidential data; Executive also acknowledges that the Company (as defined below) intends to utilize Executive's experience and compensate him to seek customers in and expand the distribution of Soffe's products throughout the United States, that Executive will be working and servicing customers throughout the United States, and Executive acknowledges that a more limited geographic area will not sufficiently protect Soffe, Delta Apparel or their affiliates from future competition by Executive.

WHEREAS, Executive understands and agrees that Delta Apparel, Soffe and their affiliates will suffer substantial and irreparable loss and damage if Executive violates the provisions of this Agreement; and

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WHEREAS, Executive agrees that the provisions and restrictions contained in this Agreement are fair and reasonable and required for the protection of the legitimate interests of Delta Apparel, Soffe and their affiliates, that such restrictions are reasonable in scope, area, and time, and will not unreasonably prevent Executive from pursuing other business ventures or employment opportunities or otherwise cause a financial hardship upon Executive.

NOW, THEREFORE, in consideration of the foregoing and the promises contained in the Stock Purchase Agreement and the Employment Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is covenanted and agreed as follows:

1. Definition of "Company." For purposes of this Agreement, the parties agree that the "Company" shall mean Soffe and Delta Apparel. In the event that the preceding definition of the "Company" shall be determined by judicial action to be too broad to be enforceable, the "Company" shall mean Soffe.

2. No Conflicts. Executive represents and warrants that he is not subject to any non-competition or non-solicitation agreement or other agreement with any person, firm, corporation, or business entity (a "Third Party") that would prohibit him from taking employment with Soffe or would interfere with the performance of his duties to the Company. Executive represents that he will not bring with him to the Company or use in the performance of his duties any documents or materials of a former employer (other than Soffe and its affiliates) or other party that are not generally available to the public or have not been legally transferred to the Company. Conversely, without breaching the confidentiality provisions of this Agreement, Executive agrees to disclose the existence of this Agreement and the Employment Agreement to any subsequent employer.

3. Non-Solicitation and Non-Competition. Executive covenants and agrees that, during the period of his employment and for a period of thirty-six (36) months after Executive's last day of employment with Soffe (the "Restricted Period"), regardless of the manner or cause of his termination of employment with Soffe, he will not, for himself or on behalf of any Third Party, directly or indirectly:

(a) sell, market or distribute any Products (as hereafter defined) or seek to sell or solicit the opportunity to sell any Products (either on behalf of himself or directly or indirectly on behalf of or in association with any Third Party) to any of the Company's Customers (as defined below) anywhere in the Territory (as defined below).

For purposes of this Agreement, the term "Customer" shall be limited to

customers or accounts that fall within any of the following categories:

(i) actual customers or accounts of the Company that Executive solicited, influenced, contacted, sold to, serviced or dealt with (collectively, "Solicited") at any time during the last thirty-six (36) months of his employment with the Company;

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(ii) in the event that the preceding subparagraph shall be determined by judicial action to be too broad, the following shall be substituted in its place: actual customers or accounts of the Company that Executive solicited, influenced, contacted, sold to, serviced or dealt with (collectively, "Solicited") at any time during the last twelve (12) months of his employment with the Company;

(iii) actual customers or accounts of the Company about whom Executive has had access to financial or other confidential information;

(iv) actual customers or accounts of the Company with whom Executive communicated on behalf of the Company personally or in combination with others;

(v) actual customers or accounts of the Company for whom Executive played a significant role in the provision of goods on behalf of the Company; and/or

(vi) customers or accounts whom Executive knows to have been Solicited by or on behalf of the Company during the twelve-month period prior to the termination of Executive's employment.

Notwithstanding the foregoing, a person or entity shall not be deemed to be included within the definition of "Customer" unless such person or entity has purchased goods or supplies from the Company during the one-year period ending on the last day of Executive's employment with the Company.

For purposes of this Agreement, the term "Products," shall mean products that are substantially similar to or of the type of products manufactured, developed, marketed, sold or distributed by the Company or its affiliates during the one-year period ending on the last day of Executive's employment with Soffe, which generally includes, on the date of this Agreement, casual and athletic apparel. Notwithstanding the foregoing, no product that the Company has ceased to sell or to consider selling at the time of termination of Executive's employment with Soffe shall be included within the definition of "Products."

(b) sell, market or distribute any Products or seek to sell or Solicit the opportunity to sell Products (either on behalf of himself or directly or indirectly on behalf of, or in association with, any Third Party) to any of the Company's prospective customers, accounts or buyers anywhere in the Territory to whom the Company has submitted a proposal or solicitation at any time within the six-month period ending on the last day of Executive's employment with Soffe (and where Executive either (i) personally or in combination with others communicated with such prospective customer or played any material role in the Company's solicitation or submission of a proposal to such prospect provision or (ii) received confidential information regarding the Company's proposal or solicitation to such prospective customer).

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(c) operate, develop or own any interest (other than the ownership of less than 5% of the equity securities of a publicly traded company) in any business or entity which is engaged in the:

- (i) manufacture,
- (ii) distribution,
- (iii) marketing, or
- (iv) sale

of any Products (a "Competitive Manufacturer") in the Territory;

(d) be employed as an employee or independent contractor for a Competitive Manufacturer in the Territory:

- (i) in a sales-related capacity,
- (ii) in a managerial capacity,
- (iii) with manufacturing oversight responsibility, or
- (iv) in a product development role;

(e) be employed by or consult with any Competitive Manufacturer anywhere in the Territory in any sort of position or capacity related to the services performed by Executive while he was an employee of Soffe;

(f) interfere with, solicit, disrupt or attempt to disrupt any past, present or prospective relationship, contractual or otherwise, between the Company and any Customer, client, supplier or Company Employee (as defined below);

(g) induce or attempt to induce any of the Customers of the Company to limit, reduce or discontinue obtaining any goods or services from the Company;

(h) solicit, hire, or attempt to hire any employee of the Company who is then employed by the Company or has been employed by the Company at any time in the six-month period ending on the last day of Executive's employment with Soffe (collectively, a "Company Employee") to work for any other person or entity;

(i) solicit, hire, or attempt to hire any Company Employee to accept employment with or provide services to any Third Party that competes, directly or indirectly, with the Company for the sale or distribution of the Products; or

(j) induce or attempt to induce any Company Employee of or service-provider to the Company to discontinue providing services to the Company.

For purposes of this Agreement, the term "Territory" shall mean:

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(i) the states in the United States where the Company has shipped its products for sale to Customers at any time in the one-year period ending on the last day of Executive's employment with Soffe;

(ii) in the event that the preceding paragraphs shall be determined by judicial action to define too broad a territory to be enforceable, the "Territory" shall mean the Southeastern United States;

(iii) in the event that the preceding paragraphs shall be determined by judicial action to define too broad a territory to be enforceable, the "Territory" shall mean the entire state of North Carolina; or

(iv) in the event that the preceding paragraphs shall be determined by judicial action to define too broad a territory to be enforceable, the "Territory" shall mean the location of any Customer facility.

4. Legitimate Business Interests and Irreparable Harm. Executive agrees that the covenants and restrictions contained in this Agreement are reasonable and necessary to protect the legitimate interests of the Company in its existing relationships with its customers and its legitimate business needs and that any breach by him of any of the provisions of this Agreement will cause irreparable damage to the Company, the exact amount of which would be difficult to determine, and that the remedies at law for any such breach would be inadequate. Executive acknowledges that he can reasonably find other suitable employment opportunities that would not violate the covenants contained in this Agreement.

5. Enforcement. Executive agrees that upon Executive's violation or threatened violation of any of the provisions of this Agreement, the Company shall, in addition to any other rights and remedies available to it, at law, in equity, or otherwise, be entitled to specific performance and injunctive relief including, without limitation, an injunction to be issued by any court of competent jurisdiction enjoining and restraining Executive from committing any violation or threatened violation of the provisions of this Agreement and Executive consents to the issuance of such injunction without the necessity of bond or other security in the event of a breach or threatened breach by him of this Agreement.

6. Severability. The parties hereto intend all provisions of this Agreement to be enforced to the fullest extent permitted by law. The provisions of this Agreement are severable and shall survive this Agreement for the period indicated. The covenants on the part of the Executive contained in this Agreement shall be construed as independent covenants and agreements of the Executive, independently supported by good and adequate consideration, and, except as otherwise provided herein, shall be construed independently of the

other provisions of this Agreement. In the event that any of these provisions, clauses, sentences, or paragraphs, or portions ("provisions") of this Agreement shall be held to be invalid or unenforceable, such provision shall be fully severable and the remaining provisions hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. The parties in no way intend to include a provision that contravenes public policy. Therefore, if any provision of this Agreement is unlawful, against public policy, or otherwise declared void or unenforceable, such provision shall be deemed excluded from this Agreement, which shall in all

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other respects remain in effect. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable. If any Court should construe any portion of this Agreement to be too broad to prevent enforcement to its fullest extent then such restrictions shall be enforced to the maximum extent that the Court finds reasonable and enforceable. Notwithstanding anything to the contrary contained in this Agreement, if Soffe fails or refuses to pay, when due, any amounts required by Section 5 of the Employment Agreement to be paid to Executive or his estate, and such failure continues for a period of thirty (30) days after written notice of such failure is given by Executive or his estate to Soffe, then the covenants of Executive contained in this Agreement shall be null and void after expiration of such thirty (30) day period (but shall remain in full force and effect during such thirty (30) day period).

7. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for any purpose whatsoever.

8. Waiver. The waiver by the Company of a breach of any provision of this Agreement by Executive may not operate or be construed as a waiver of any subsequent breach.

9. Construction. The parties agree that this Agreement was freely negotiated among the parties and that Executive had the advice of an attorney in negotiating its terms. Accordingly, the parties agree that this Agreement shall not be construed in favor of any party or against any party. The parties further agree that the headings and subheadings are for convenience of the parties only and shall not be given effect in the construction of this Agreement.

10. Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, each party shall bear its own costs and expenses.

11. Governing Law and Venue. The parties acknowledge and agree that this Agreement and the obligations and undertakings of the parties under this Agreement will be performable in North Carolina. This Agreement is governed by, and construed in accordance with, the laws of the State of North Carolina. If any action is brought to enforce or interpret this Agreement, venue for the action will be in North Carolina.

12. Assignment. The rights, duties and benefits to Executive hereunder are personal to him, and no such right, duty or benefit may be assigned by him without the prior written consent of the Company. The rights and obligations of

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each of the entities included within the definition of the "Company" shall inure to the benefit and be binding upon each of such entities and their successors and assigns, which assignment shall not require the consent of Executive.

13. Binding Effect. This Agreement is binding upon and shall inure to the benefit of the parties hereto, their respective executors, administrators, successors, personal representatives, heirs and assigns permitted under Section 12 above.

14. Third-Party Beneficiaries. Except as expressly provided in this Agreement, nothing in this Agreement is intended to or shall confer upon any other person or entity any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

15. Modification. No change or modification of this Agreement is valid or binding upon the parties, nor will any waiver, termination or discharge of any term or condition of this Agreement be so binding, unless confirmed in writing and signed by the parties to this Agreement.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

IMPORTANT: READ CAREFULLY BEFORE SIGNING

"Soffe"

M.J. SOFFE CO.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Vice President

"Delta Apparel"

DELTA APPAREL, INC

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: President and CEO

"Executive"

/s/ John D. Soffe

John D. Soffe

EMPLOYMENT AND NON-SOLICITATION AGREEMENT

THIS EMPLOYMENT AND NON-SOLICITATION AGREEMENT (this agreement, including all annexes and exhibits hereto, collectively, the "Agreement"), dated as of October 3, 2003, is by and between DELTA APPAREL, INC., a Georgia corporation ("Delta Apparel"), M.J. SOFFE CO., a North Carolina corporation ("Soffe"), and ANTHONY M. CIMAGLIA, a North Carolina resident ("Executive").

WHEREAS, Executive, Delta Apparel and Soffe are parties to that certain Amended and Restated Stock Purchase Agreement dated as of the date hereof (the "Stock Purchase Agreement") pursuant to which Executive and the other shareholders of Soffe are selling to MJS Acquisition Company, a North Carolina corporation and wholly-owned subsidiary of Delta Apparel ("MJS"), all of their stock in Soffe; and

WHEREAS, one of the conditions to closing the transactions contemplated by the Stock Purchase Agreement is Executive's entering into this Agreement and the agreements contemplated hereby; and

WHEREAS, following the consummation of the transactions contemplated by the Stock Purchase Agreement, Soffe will be a wholly-owned subsidiary of MJS and will be merged with and into MJS, with MJS as the surviving corporation in such merger and successor in interest to Soffe under this Agreement; and

WHEREAS, Executive agrees that Delta Apparel's agreeing to close the transactions contemplated by the Stock Purchase Agreement, along with Soffe's promises contained in this Agreement, constitute good and sufficient consideration for Executive's promises in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment. Executive agrees to be employed by Soffe, and Soffe agrees to employ Executive, on the terms and conditions set forth in this Agreement. Executive agrees during the term of this Agreement to devote substantially all of his business time, efforts, skills and abilities to the performance of such duties and to the furtherance of Soffe's business; provided, however, that Executive shall not be required to work more than forty (40) hours per work week.

Executive's job title will be Vice President Operations and his duties will be to (a) oversee all distribution, traffic, decoration and information technology functions and (b) oversee maintenance functions, all consistent with the ordinary, past practices of Soffe and his duties prior to the date of this Agreement.

2. Compensation and Benefits.

(a) Base Salary. During the term of Executive's employment with Soffe pursuant to this Agreement, Soffe shall pay to Executive as compensation for his services an annual base salary of not less than Executive's salary on the date of the signing of the Agreement ("Base Salary"). Executive's Base Salary will be payable in arrears in accordance with Soffe's normal payroll procedures. In no event shall Executive's Base Salary be decreased.

(b) Incentive Bonus. Executive shall be entitled to receive an incentive bonus calculated in the manner set forth below with respect to any Incentive Year (as defined below) during all or a portion of which he was employed by Soffe:

For each of the twelve-month periods ending on the Saturday nearest to September 30 of each of 2004, 2005 and 2006 (each, an "Incentive Year"), if EBITDA (as defined in Annex A) is greater than the Threshold Amount (as defined below) for such Incentive Year, then Soffe shall pay to Executive the product (subject to the Incentive Cap, as defined below) of (i) 25% and (ii) 33% of the amount by which EBITDA for such Incentive Year exceeds the Threshold Amount. Notwithstanding the foregoing, in no event shall Executive be entitled to be paid more than an aggregate of \$1 million (the "Incentive Cap") (such amount to be determined before deduction of amounts permitted to be deducted by subsection 2(c) below) pursuant to this subsection with respect to any Incentive Year. Any compensation payable under this paragraph shall be referred to as "Incentive

Compensation" in this Agreement. Amounts payable under this subsection shall be calculated and paid, and disputes shall be settled, in the manner described in Annex A.

For purposes of this subsection the Threshold Amount for the 2004 Incentive Year shall be \$16,200,000, the Threshold Amount for the 2005 Incentive Year shall be \$16,700,000, and the Threshold Amount for the 2006 Incentive Year shall be \$17,200,000.

If this Agreement is terminated for any reason, Executive shall be entitled to receive (and Soffe shall pay) any Incentive Compensation payable pursuant to this Section 2(b), which amount shall be prorated for the actual number of days that Executive was an employee of Soffe during the applicable Incentive Year in which such termination occurred.

(c) Tax Withholding. Soffe shall have the right to deduct from any compensation payable to Executive under this Agreement social security (FICA) taxes and all federal, state, municipal or other such required taxes or charges as may now be in effect or that may hereafter be enacted.

(d) Expense Reimbursements. Soffe shall pay or reimburse Executive for all reasonable business expenses incurred or paid by Executive in the course of performing his duties hereunder, including but not limited to reasonable travel expenses for Executive. As a condition to such payment or reimbursement, however, Executive shall maintain and provide to Soffe reasonable documentation and receipts for such expenses.

(e) Vacation. Executive shall be entitled to four (4) weeks of paid vacation during each year of the Term (as defined below).

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(f) Other Benefits. During the Term of this Agreement, Executive shall be entitled to participate in any group health insurance and other employee benefit plans generally provided or sponsored by Soffe to its active employees to the extent that he is eligible under and pursuant to the terms of such plans. Employee's participation in such plans (and the participation of his dependents), eligibility for benefits under such plans, and the premiums paid for coverage under such plans shall be determined under the terms of such plans. Executive shall pay premiums for coverage under such plans equal to the premiums payable for such coverage by similarly-situated, eligible active employees. Nothing contained herein shall alter or affect the right of Soffe, consistent with applicable law, to alter or amend such plans at any time. To the extent that Soffe establishes any new group health insurance plan or arrangement, it will (i) recognize any prior service of Executive as of his original hire date with Soffe for purposes of benefit accrual, participation, and vesting under such new plan or arrangement; (ii) waive any pre-existing condition (whether or not subject to an exclusion) that exists as of the date of this Agreement; and (iii) credit any paid-in or accrued deductibles within the same plan year.

Further, during the Term of this Agreement, Soffe shall pay all membership and related fees and dues associated with Executive's membership at The Highland Country Club not to exceed an aggregate of \$1,320 per year.

3. Term. Unless sooner terminated pursuant to Section 4 of this Agreement, and subject to the provisions of Section 5 hereof, the term of this Agreement (the "Term") shall commence as of the date hereof and shall continue until the third anniversary (the "End Date") of the date of this Agreement.

4. Termination. Notwithstanding the provisions of Section 3 hereof, but subject to the provisions of Section 5 hereof, Executive's employment under this Agreement shall terminate as follows:

(a) Death. Executive's employment shall terminate upon the death of Executive; provided, however, that (i) Soffe shall continue to pay (in accordance with its normal payroll procedures) the Base Salary to Executive's estate for a period of six (6) months after the date of Executive's death if Executive is employed by Soffe on the date of his death; and (ii) Soffe shall pay to Executive's estate any Incentive Compensation payable pursuant to Section 2(b) of this Agreement, which amount shall be prorated for the actual number of days that Executive was an employee of Soffe during the applicable Incentive Year in which Executive's death occurred.

(b) Termination for Cause. Soffe may terminate Executive's employment at any time for "Cause" (as hereinafter defined) by delivering a written

termination notice to Executive. For purposes of this Agreement, "Cause" shall mean any of the following: (i) conviction of Executive for commission of a felony; (ii) Executive's commission of an act constituting fraud, deceit or material misrepresentation with respect to his duties under this Agreement to Soffe, Delta Apparel and/or any of their affiliates; (iii) Executive's embezzlement of funds or assets from Soffe, Delta Apparel, or any of their affiliates; (iv) conclusive evidence that Executive is addicted to any

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controlled or illegal substance or drug without a valid prescription for such substance or drug; (v) Executive's commission of any act or omission of gross negligence or willful misconduct in the performance of his duties as an employee of Soffe as required by this Agreement, which act or omission Executive fails to cure within fifteen (15) days after receiving specific written notice of such act or omission from Soffe, which notice shall describe in reasonable detail the nature of the act or omission; or (vi) Executive's failure to correct or cure any material breach of or default under this Agreement not described in any of the preceding clauses within sixty (60) days after receiving specific written notice of such breach or default from Soffe, which notice shall describe in detail the nature of the breach or default.

(c) Termination Without Cause. Soffe may terminate Executive's employment at any time for any or no reason by delivering at least sixty (60) days' prior written termination notice to Executive.

(d) Termination by Executive.

(i) Without Cause. Executive may terminate his employment at any time for any or no reason by delivering at least sixty (60) days' prior written notice to the Chair of the Board of Directors of Soffe.

(ii) For Good Reason. Executive may terminate his employment at any time for "Good Reason" (as hereinafter defined) by delivering a written termination notice to the Chair of the Board of Directors of Soffe. For purposes of this Agreement, "Good Reason" shall mean any of the following: (A) any materially adverse change or diminution in the office, title, duties, powers, authority, responsibilities or compensation of Executive; (B) failure of Soffe to pay Executive any Base Salary, bonus or Incentive Compensation within fifteen (15) days after such payment is due; (C) failure of Soffe to pay Executive any amount due under Section 2(d) hereof within thirty (30) days after such payment is due; (D) a material adverse change in the benefits provided to Executive hereunder; (E) Soffe's or Delta Apparel's breach of any provision of this Agreement which breach is not cured within sixty (60) days after the Chair of the Board of Directors of Soffe received from Executive a written notice describing such breach; or (F) relocation of Executive to any location (or requiring Executive to perform his duties hereunder at any location) that is greater than twenty (20) miles from Soffe's current executive offices in Fayetteville, North Carolina.

(iii) Due to a Change in Control. Executive may terminate this Agreement upon a Change in Control (as defined in the Stock Purchase Agreement).

(e) Termination Following Disability. In the event Executive becomes "disabled" (as hereinafter defined), Soffe may terminate Executive's employment by delivering a written termination notice to Executive. Notwithstanding the foregoing, Executive shall continue to receive his (i) full Base Salary and benefits to which he is entitled under this Agreement for a period of six (6) months after the effective date of such termination, and (ii) any Incentive Compensation payable pursuant to Section 2(b) of this Agreement, which amount shall be prorated for the actual number of days that Executive was an employee of Soffe during the applicable Incentive Year in which such termination occurred. For purposes of this Agreement, "disability" shall mean acceptance of a claim for long-term disability benefits by Soffe's disability insurance

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carrier. If no such policy is in existence, "disability" shall mean a physical or mental illness, incompetency or incapacity which will result in Executive's inability to perform his essential functions as an employee of Soffe where such incapacity has continued for at least one hundred twenty (120) consecutive days. If Executive (or his representative) and Soffe do not agree that Executive has suffered a disability in accordance with this definition, a medical doctor who is acceptable to both Executive and Soffe shall, in his discretion, determine whether Executive has suffered a disability as defined in this Agreement and, if

so, the date upon which such disability occurred. Such determination shall be binding upon all parties to this Agreement. If Executive and Soffe do not agree upon a doctor, they shall each name a doctor and the two doctors so named shall name a third doctor who shall conduct the examination and make a determination as to whether Executive has suffered a disability as defined in this Agreement and, if so, the date upon which such disability occurred. Soffe shall pay all of the costs of the doctor's examination and determination.

(f) Payments and Benefits. Following any expiration or termination of this Agreement or Executive's employment hereunder, and in addition to (but not in duplication of) any amounts owed pursuant to Section 5 hereof, Soffe shall pay to Executive all amounts earned by Executive hereunder prior to the date of such expiration or termination, including without limitation any Incentive Compensation.

In addition, following any expiration or termination of this Agreement pursuant to Section 4(c), 4(d)(ii) or 4(d)(iii) (and, in the event of a termination pursuant to Section 4(c), 4(d)(ii) or 4(d)(iii), execution and delivery by Executive of the release contemplated by Section 5(f)):

(i) to the extent permitted by Soffe's group health plans in effect at the date of such termination or expiration or thereafter at any time prior to the date Executive reaches age 65, Soffe shall continue to offer Executive and his eligible dependents the opportunity to participate in Soffe's group health plans from time to time after the date of such termination or expiration until Executive reaches the age of 65; provided, however, that as a condition to maintaining such coverage, Executive shall pay the full COBRA rate in effect from time to time for former employees of Soffe continuing group health insurance benefits under COBRA; or

(ii) to the extent that Soffe's group health plans do not permit Executive to continue to participate in such plans until age 65, Soffe shall provide Executive and his dependents with the opportunity to receive substantially the same health benefits that they would have been entitled to receive under such plans if Executive were entitled to continue to participate, provided that (a) as a condition to maintaining such coverage, Executive shall pay the full COBRA rate in effect from time to time for former employees of Soffe continuing group health insurance benefits under COBRA; and (b) the aggregate of such benefits for Executive and/or his eligible dependents shall be subject to a per-year limitation of \$100,000 per covered person and a lifetime maximum of \$500,000 per covered person.

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Nothing contained herein shall alter or affect the right of Soffe, consistent with applicable law, to alter or amend such plans at any time. To the extent that Soffe establishes any new group health insurance plan or arrangement while this paragraph (f) is in effect, it will (i) recognize any prior service of Executive as of his original hire date with Soffe for purposes of benefit accrual, participation, and vesting under such new plan or arrangement; (ii) waive any pre-existing condition (whether or not subject to an exclusion) that exists as of the date of this Agreement; and (iii) credit any paid-in or accrued deductibles within the same plan year.

5. Certain Termination Benefits. In the event that:

(i) either (A) Soffe terminates Executive's employment without Cause pursuant to Section 4(c) or (B) Executive terminates his employment pursuant to Section 4(d)(ii) or 4(d)(iii); and

(ii) Executive executes and delivers the release contemplated in Section 5(f) below,

then in such case Soffe will provide the benefits described in subsections (a)-(b) below to Executive.

(a) Base Salary and Incentive Compensation. Soffe shall continue to pay to Executive (i) his Base Salary (as in effect as of the date of such termination) that would have been payable hereunder to Executive from the date of such termination through the End Date, and (ii) any Incentive Compensation payable pursuant to subsection 2(b) of this Agreement, calculated as if Executive were still an employee of Soffe through the End Date.

(b) Life Insurance. Soffe shall continue to provide Executive with group life insurance coverage through the End Date at coverage levels equal to those applicable to Executive immediately prior to termination. Soffe may, at its option, purchase an insurance policy providing comparable coverage for the benefit of Executive to meet its obligations under this subsection for all or part of the period during which such obligation exists.

(c) Offset. Any life insurance benefits received by Executive in connection with any other employment accepted by Executive that are reasonably comparable to the life insurance benefits then being provided by Soffe pursuant to subsection (b) of this Section 5, shall be deemed to be the equivalent of such benefits, and shall terminate Soffe's responsibility to continue providing the life insurance benefits, taken as a whole, then being provided by Soffe pursuant to subsection (b) of this Section 5.

(d) Treatment as Excess Parachute Payments. In the event that (i) Executive would otherwise be entitled to the compensation and benefits described in Subsections 5(a) and (b) hereof ("Compensation Payments"), and (ii) Soffe determines, based upon the advice of tax counsel reasonably acceptable to Executive, that, as a result of such Compensation Payments and any other benefits or payments required to be taken into account under Internal Revenue Code of 1986, as amended (the "Code") Section 280G(b)(2) ("Parachute Payments"),

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any of such Parachute Payments would be reportable by Soffe or Delta Apparel as an "excess parachute payment" under Code section 280G, such Compensation Payments shall be reduced to the extent necessary to cause the aggregate present value (determined in accordance with Code Section 280G and applicable regulations promulgated thereunder) of the Executive's Parachute Payments to equal 2.99 times the "base amount" as defined in Code Section 280G(b)(3) with respect to such Executive. However, such reduction in the Compensation Payments shall be made only if, in the opinion of such tax counsel, it would result in a larger Parachute Payment to the Executive than payment of the unreduced Parachute Payments after deduction in each case of tax imposed on and payable by the Executive under Section 4999 of the Code ("Excise Tax"). Soffe's independent auditors shall determine the value of any non-cash benefits or any deferred payment or benefit for purposes of this paragraph.

The parties hereto agree that the payments provided under Subsections 5(a) and (b) above are reasonable compensation in light of Executive's services rendered to Soffe and that neither party shall assert that the payment of such benefits constitutes an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

Unless Soffe determines that any Parachute Payments made hereunder must be reported as "excess parachute payments" in accordance with the first paragraph of subsection 5(d) above, neither party shall file any return taking the position that the payment of such benefits constitutes an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

(e) Payment Default. Any amounts owed by Soffe to Executive under this Section 5 that are not paid when due shall bear interest at a rate of 10% per annum.

(f) General Release. Subject to Executive's receipt of the full cash amounts then due pursuant to this Section 5, Executive will grant a full and complete release of any and all claims Executive may have against Delta Apparel or Soffe, their officers, directors and affiliates, including, but not limited to, claims he might have relating to Executive's cessation of employment with Soffe; provided, however, that there shall be excluded from the scope of such general release the following:

(i) claims relating to Soffe's or Delta Apparel's continuing obligations under this Agreement (including without limitation the obligation to pay amounts due under this Section 5);

(ii) claims that Executive may have under the Stock Purchase Agreement or any Related Agreements (as defined in the Stock Purchase Agreement);

(iii) claims that Executive may have against Soffe for reimbursement of business expenses incurred by him during the course of his employment;

(iv) claims that may be made by Executive for payment of Base Salary, Incentive Compensation, bonuses, or fringe benefits properly due to him, or other amounts or benefits due to him under this Agreement;

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(v) claims respecting matters for which Executive is entitled to be indemnified under the Articles of Incorporation or By-laws of Delta Apparel or Soffe and applicable law respecting third party claims asserted or third party litigation pending or threatened against Executive;

(vi) claims arising from fraud or illegal activities of Soffe or Delta Apparel not attributable to Executive; and

(vii) any claims prohibited by applicable law from being included in the release.

As a condition to Executive's obligation to provide such a release, Soffe and Delta Apparel shall, if Executive's employment is terminated pursuant to Sections 4(c), 4(d)(ii) or 4(d)(iii), provide a reciprocal general release to Executive. The form of the mutual general release to be executed by Executive, Soffe and Delta Apparel is attached hereto as Exhibit 1. Notwithstanding anything to the contrary contained in this Agreement, if Soffe fails or refuses to pay, when due, any amounts required by Section 5 to be paid to Executive or his estate, and such failure continues for a period thirty (30) days after written notice of such failure is given by Executive or his estate to Soffe, then Executive's release and Executive's covenants contained in this Agreement shall be null and void after expiration of such thirty (30) day period (but shall remain in full force and effect during such thirty (30) day period).

6. Non-Competition. Executive agrees that he has read, is bound by, is subject to, and will abide by the obligations, covenants and agreements set forth in Soffe's Employee Confidentiality, Non-Solicitation and Non-Competition Agreement attached hereto as Exhibit 2 (the "Restrictive Agreement"), and he understands and acknowledges that Delta Apparel and Soffe agree to the consideration in the Stock Purchase Agreement and that Soffe agrees to the consideration and employment set forth herein on condition of Executive's consent to the obligations, covenants and agreements set forth in the Restrictive Agreement.

7. Non-Disclosure of Employees. During the Term of this Agreement and for a period of three (3) years after the later of the expiration of the Term or the termination or cessation of his employment with Soffe for any reason whatsoever, Executive shall not, on his own behalf or on behalf of any other person, partnership, association, corporation, or other entity, use or disclose to any person, partnership, association, corporation or other entity any information obtained while an employee of Soffe concerning the names and addresses of the employees of Soffe or Delta Apparel except for disclosure during the ordinary course of business during Executive's period of active employment under this Agreement as necessary to fulfill his duties and responsibilities hereunder.

8. Non-Disclosure of Trade Secrets. During the Term of this Agreement, Executive will have access to and become familiar with various trade secrets and proprietary and confidential information of Soffe and Delta Apparel and their affiliates, including, but not limited to, processes, computer programs, compilations of information, records, sales procedures, customer requirements, pricing techniques, customer lists, methods of doing business and other confidential information (collectively, referred to as "Trade Secrets") which

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are owned by Soffe, Delta Apparel, and/or their affiliates and regularly used in the operation of their business, and as to which Soffe, Delta Apparel, and/or their affiliates take precautions to prevent dissemination to persons other than certain directors, officers and employees. Executive acknowledges that the Trade Secrets (1) are secret and not known in the industry; (2) give Soffe, Delta Apparel, and/or their affiliates an advantage over competitors who do not know or use the Trade Secrets; (3) are of such value and nature as to make it reasonable and necessary to protect and preserve the confidentiality and secrecy of the Trade Secrets; and (4) are valuable, special and unique assets of Soffe, Delta Apparel, and/or their affiliates, the disclosure of which could cause substantial injury and loss of profits and goodwill to Soffe, Delta Apparel, and/or their affiliates. Executive may not use in any way or disclose any of the

Trade Secrets, directly or indirectly, either during the Term or at any time after the expiration of the Term or the termination of Executive's employment with Soffe for any reason whatsoever, except as required in the course of his employment under this Agreement, if required in connection with a judicial or administrative proceeding, or if the information becomes public knowledge other than as a result of an unauthorized disclosure by the Executive. All files, records, documents, information, data and similar items relating to the business of Soffe, Delta Apparel, and/or their affiliates, whether prepared by Executive or otherwise coming into his possession, will remain the exclusive property of Soffe, Delta Apparel, and/or their affiliates (as the case may be) and may not be removed from the premises under any circumstances without the prior written consent of Soffe, Delta Apparel and/or their affiliate (as the case may be) (except in the ordinary course of business during Executive's period of active employment under this Agreement), and in any event must be promptly delivered to Soffe upon termination of Executive's employment with Soffe. Executive agrees that upon his receipt of any subpoena, process or other request to produce or divulge, directly or indirectly, any Trade Secrets to any entity, agency, tribunal or person, Executive shall notify and promptly deliver a copy of the subpoena, process or other request to the Chair of the Board of Directors of Soffe and shall cooperate (at Soffe's expense) with Soffe in a prompt manner with respect to the defense of such matter. The rights granted to Soffe, Delta Apparel and/or their affiliates in this Section 8 are intended to be in addition to and not in replacement of any protection of Trade Secrets provided by equity, any statute, judicially created law or other agreement.

9. Remedies. Executive acknowledges and agrees that any breach of any of the provisions of Sections 6, 7, or 8 hereof or the Restrictive Agreement (collectively, the "Protective Covenants") by him will cause irreparable damage to Soffe and Delta Apparel and/or their affiliates, the exact amount of which will be difficult to determine, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that, in addition to any other remedy that may be available at law, in equity or hereunder, Soffe, Delta Apparel and their affiliates shall be entitled to specific performance and injunctive relief, without posting bond or other security, to enforce or prevent any violation of any of the Protective Covenants by him.

10. Severability. The parties hereto intend all provisions of this Agreement to be enforced to the fullest extent permitted by law. The provisions of this Agreement are severable. The covenants on the part of the Executive contained in the Protective Covenants shall be construed as independent covenants and agreements of the Executive, independently supported by good and

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adequate consideration, shall be construed independently of the other provisions in this Agreement and shall survive this Agreement for the period indicated. In the event that any of the provisions, clauses, sentences, or paragraphs, or portions ("provisions") in this Agreement shall be held to be invalid or unenforceable, such provision shall be fully severable and the remaining provisions hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. The parties in no way intend to include a provision that contravenes public policy. Therefore, if any provision of this Agreement is unlawful, against public policy, or otherwise declared void or unenforceable, such provision shall be deemed excluded from this Agreement, which shall in all other respects remain in effect. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable. If any Court should construe any portion of this Agreement to be too broad to prevent enforcement to its fullest extent then such restrictions shall be enforced to the maximum extent that the Court finds reasonable and enforceable.

11. Miscellaneous.

- a. Notices. Any notices, consents, demands, requests, approvals and other communications to be given under this Agreement (including, without limitation, the Restrictive Agreement) by either party to the other must be in writing and must be either (i) personally delivered, (ii) mailed by registered or certified mail, postage prepaid with return receipt requested, (iii) delivered by reputable overnight express delivery service or reputable same-day local courier service, or (iv) delivered by telex or facsimile transmission, with confirmed receipt, to the address set forth below, or to such other

address as may be designated by the parties from time to time in accordance with this Section 11(a):

If to Soffe:
M.J. Soffe Co.
One Soffe Drive
Fayetteville, North Carolina 28312

If to Delta Apparel:
Delta Apparel, Inc.
2750 Premiere Parkway
Suite 100
Duluth, Georgia 30047
Attn: Chief Executive Officer
Fax No.: (678) 775-6999

If to Executive:
Anthony M. Cimaglia
600 Forest Lake Road
Fayetteville, NC 28305

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Notices delivered personally or by overnight express delivery service or by local courier service are deemed given as of actual receipt. Mailed notices are deemed given three business days after mailing. Notices delivered by telex or facsimile transmission are deemed given upon receipt by the sender of the answer back (in the case of a telex) or transmission confirmation (in the case of a facsimile transmission).

b. Entire Agreement. This Agreement supersedes any and all other agreements other than the Stock Purchase Agreement, either oral or written, between the parties with respect to the subject matter of this Agreement and contains all of the covenants and agreements between the parties with respect to the subject matter of this Agreement.

c. Modification. No change or modification of this Agreement is valid or binding upon the parties, nor will any waiver, termination or discharge of any term or condition of this Agreement be so binding, unless confirmed in writing and signed by the parties to this Agreement.

d. Governing Law and Venue. The parties acknowledge and agree that this Agreement and the obligations and undertakings of the parties under this Agreement will be performable in North Carolina. This Agreement is governed by, and construed in accordance with, the laws of the State of North Carolina. If any action is brought to enforce or interpret this Agreement, venue for the action will be in North Carolina.

e. Dispute Resolution. Except for (i) matters relating to specific performance, injunctive relief, or other equitable remedies, including without limitation, the provisions of the Protective Covenants and the Restrictive Agreement, or (ii) matters that Executive may bring before any governmental or administrative agency (including, without limitation, the National Labor Relations Board, the Equal Employment Opportunity Commission or the Department of Labor, or similar state agencies), disputes hereunder shall be settled in the manner described in Section 13.4 of the Stock Purchase Agreement.

f. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for any purpose whatsoever.

g. Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, each party shall bear its own costs and expenses.

h. Estate. If Executive dies prior to the expiration of the term of employment or during a period when monies are owing to him, any monies that may

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be due him from Soffe under this Agreement as of the date of his death shall be paid to his estate and as when otherwise payable.

i. Assignment. The rights, duties and benefits to Executive hereunder are personal to him, and no such right, duty or benefit may be assigned by him without the prior written consent of Soffe. The rights and obligations of each of Soffe and Delta Apparel shall inure to the benefit and be binding upon each of such entities and their successors and assigns, which assignment shall not require the consent of Executive.

j. Binding Effect. This Agreement is binding upon and shall inure to the benefit of the parties hereto, their respective executors, administrators, successors, personal representatives, heirs and assigns permitted under subsection 11(i) above.

k. Third-Party Beneficiaries. Except as expressly provided in this Agreement, nothing in this Agreement is intended to or shall confer upon any other person or entity any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

l. Waiver of Breach. The waiver by Soffe, Delta Apparel or Executive of a breach of any provision of this Agreement by Executive, Soffe, Delta Apparel or their affiliates may not operate or be construed as a waiver of any subsequent breach.

m. Construction. The parties agree that this Agreement was freely negotiated among the parties and that Executive has had the advice of an attorney in negotiating its terms. Accordingly, the parties agree that this Agreement shall not be construed in favor of any party or against any party. The parties further agree that the headings and subheadings are for convenience of the parties only and shall not be given effect in the construction of this Agreement.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

IMPORTANT: READ CAREFULLY BEFORE SIGNING

"Soffe"

M.J. SOFFE CO.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Vice President

"Delta Apparel"

DELTA APPAREL, INC

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: President and CEO

"Executive"

/s/ Anthony M. Cimaglia

Anthony M. Cimaglia

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ANNEX A

"EBITDA" means the earnings of Soffe (including income received in the Ordinary Course of Business from sources other than sales of inventory) before interest expense and income Taxes, plus depreciation and amortization, determined in accordance with GAAP consistently applied and using methodologies that are consistent with those used on Soffe's opening balance sheet (which opening balance sheet shall be prepared in accordance with the methodologies set forth on Schedule X attached to the Stock Purchase Agreement).

"ORDINARY COURSE OF BUSINESS" means, with respect to an action taken by a party, only an action that (i) is consistent in nature, scope, and magnitude with the past practices of such party and is taken in the ordinary course of the normal, day-to-day operations of such party; and (ii) does not require authorization by the board of directors or shareholders of such party and does not require any other separate or special authorization of any nature.

"TAX" means any federal, state, local, foreign or other governmental net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, use, withholding, payroll, social security, employment, unemployment, excise, occupation, property, customs, duties or other tax, together with any interest and any penalties with respect thereto.

"TAXES" means more than one Tax.

"GAAP" means those generally accepted accounting principles and practices which are used in the United States and recognized as such by the American Institute of Certified Public Accountants acting through its Accounting Principles Board or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof, except that any accounting principle or practice required to be changed by the Accounting Principles Board or Financial Accounting Standards Board (or other appropriate board or committee) in order to continue as a generally accepted accounting principle or practice may be so changed.

EBITDA shall be calculated to reflect the continued, ordinary course, independent operation of Soffe, and no new or increased costs or expenses shall be charged to the calculation of EBITDA, except such reasonable costs and expenses as are incurred in the Ordinary Course of Business of Soffe; provided, however, that if James F. Soffe, John D. Soffe, and Anthony M. Cimaglia determine in their reasonable good faith judgment that they would not have incurred any such new or increased cost or expense, then such new cost and/or expense shall not be charged to the calculation of EBITDA hereunder. Notwithstanding the foregoing, the following costs and expenses shall not be charged to the calculation of EBITDA for purposes of this Agreement: (1) management fees or administrative or overhead charges charged to Soffe by MJS, Delta, or any other of the Affiliates of MJS (except for a management fee charged by Delta that shall not exceed a maximum annual amount of \$370,000 (the "MANAGEMENT FEE")), (2) compensation to any new executive officers of Soffe or MJS (i.e. an individual not currently an executive officer of Soffe) (except for reasonable compensation for any new executive officer who is appointed upon the death, removal or resignation of an executive officer serving Soffe on the date hereof (such compensation not to exceed the annual compensation of such deceased, removed or resigned executive officer)), (3) the payment of any EBITDA

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Earnout Amount or Return Rate Earnout Amount (as such terms are defined in the Stock Purchase Agreement) under the Stock Purchase Agreement, (4) the Incentive Compensation payable hereunder and any increased benefits costs associated therewith, (5) any costs and expenses related to the negotiation and closing of the transactions contemplated by the Stock Purchase Agreement or any Related Agreement (as defined in the Stock Purchase Agreement) or the merger of Softe with and into MJS, (6) any new or increased opening balance sheet reserves, or (7) any costs triggered by changes in employee benefit plans and programs (including costs to terminate plans). Notwithstanding the foregoing, the following costs and expenses may be charged to the calculation of EBITDA for purposes of this Agreement: (i) the Management Fee; and (ii) subject to a maximum aggregate annual amount of \$375,000: (A) additional costs to comply with applicable securities laws, rules and regulations and the listing requirements of the American Stock Exchange, and (B) reasonable compensation (including salary, bonuses, and costs of retirement, insurance and fringe benefits) for one new executive officer who shall provide services with respect to transition matters following the closing of the transactions described in the Stock Purchase Agreement. Further, notwithstanding the foregoing, nothing contained herein shall be construed to limit MJS's or Delta's authority to allocate management fees or administrative, overhead, or other charges to Softe for purposes other than the calculation of Incentive Compensation hereunder, to consolidate Softe with MJS or Delta or any subsidiary of Delta for accounting purposes, or to change accounting methods or principles for purposes other than the calculation of Incentive Compensation; provided, however, that in the event that MJS or Delta allocates management fees or administrative, overhead, or other charges to Softe, consolidates Softe with MJS or Delta or any subsidiary of Delta, or changes the accounting methods or principles of Softe, MJS and Delta shall maintain a separate set of books and records for Softe from which EBITDA and Incentive Compensation hereunder can be calculated without such allocations, consolidations or changes. All matters related to costs and expenses that may or may not be charged to the calculation of EBITDA and Incentive Compensation hereunder are subject to challenge and dispute by Executive pursuant to the procedures set forth below.

Not later than five (5) days after Delta's Form 10-Q is due for the first quarter of each of Delta's fiscal years 2005, 2006 and 2007, Softe shall deliver to Executive a written notice of Softe's calculation of EBITDA and the Incentive Compensation for the applicable Incentive Year 2004, 2005 and 2006 (a "BONUS Calculation"). Softe shall make available to Executive and Executive's accountants the books, records, work papers, ledgers, back-up information and personnel of Softe which Executive and Executive's accountants reasonably require in order to examine the Incentive Compensation. Together with the Bonus Calculation for each year, Softe shall pay to Executive (in cash or immediately available funds) the Incentive Compensation, if any, for such year. The Incentive Compensation, if not paid when due, shall bear interest at the pre-default rate set forth in the Promissory Notes (as defined in the Stock Purchase Agreement), plus two percent (2%), from the date on which Delta's Form 10-Q was due following such year until such Incentive Compensation has been paid in full.

Disputes with respect to any Bonus Calculation shall be resolved as follows:

Executive shall have ninety (90) days after receipt of a Bonus Calculation (the "BONUS DISPUTE PERIOD") to assert that any of the elements of or amounts reflected on the Bonus Calculation (including, without limitation, new or increased costs and/or expenses) are not correct or appropriate under

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this Agreement, or that the Bonus Calculation was arrived at other than in accordance with the provisions of this Annex A (a "BONUS DISPUTE"). If Executive has a Bonus Dispute, then he shall give Softe (with a copy to Delta) written notice of such dispute (a "BONUS DISPUTE NOTICE") within the Bonus Dispute Period, setting forth in reasonable detail the items with which Executive disagrees, together with supporting calculations. Within thirty (30) days after delivery of such Bonus Dispute Notice, Softe and Executive shall attempt to resolve such Bonus Dispute.

If Softe and Executive are unable to resolve any Bonus Dispute within the thirty (30) day period after the Softe's receipt of a Bonus Dispute Notice, Softe and Executive shall jointly engage Deloitte & Touche LLP, or another mutually acceptable independent third party, to act as arbitrator with respect to the Bonus Dispute. The arbitration of any Bonus Dispute shall be conducted in Charlotte, North Carolina. In connection with the resolution of any Bonus

Dispute, the arbitrator shall have access to all documents, records, work papers, facilities and personnel reasonably necessary to perform its function as arbitrator. The arbitrator's function shall be to resolve the Bonus Dispute regarding the Bonus Calculation, so that the items that are the subject of the Bonus Dispute conform to the requirements of this Agreement. The arbitrator shall allow Soffe and Executive to present their respective positions regarding the Bonus Dispute and shall thereafter as promptly as possible provide the parties hereto a written determination of the Bonus Dispute. Such written determination shall be final and binding upon the parties hereto and not subject to appeal on any ground, and judgment may be entered on the award. Upon the resolution of all Bonus Disputes, the applicable Bonus Calculation shall be revised to reflect such resolution. The arbitrator shall promptly, and in any event within sixty (60) calendar days after the date of its appointment, render its decision on the question in writing and finalize the Bonus Calculation. The arbitrator may, at its discretion, conduct a conference concerning the Bonus Dispute with Soffe and Executive, at which conference each party shall have the right to present additional documents, materials and other information and to have present its advisors, counsel and accountants. In connection with such process, there shall be no hearings, oral examinations, testimony, depositions, discovery or other similar proceedings. The arbitrator shall determine the proportion of its fees and expenses to be paid by Soffe and Executive, based on the arbitrator's determination as to the degree to which it has accepted the positions of the respective parties. If the arbitrator determines that additional funds are due to the Executive, Soffe shall pay the additional amount within five (5) business days of the date on which the arbitrator rendered its decision, plus interest at the pre-default rate set forth in the Promissory Notes (as defined in the Stock Purchase Agreement) from the date on which Delta's Form 10-Q was due for the first quarter following the applicable Bonus Year 2004, 2005 or 2006 until such additional amount has been paid in full. Likewise, if the arbitrator determines that Soffe overpaid the Incentive Compensation for a year, Executive shall refund to Soffe the amount of the overpayment within five (5) business days of the date on which the arbitrator rendered its decision, plus interest at the pre-default rate set forth in the Promissory Notes (as defined in the Stock Purchase Agreement) from the date on which Soffe initially made the payment until such overpayment has been refunded in full.

If Executive does not deliver a Bonus Dispute Notice to Soffe within the Bonus Dispute Period, the applicable Bonus Calculation delivered by Soffe

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shall be deemed to have been accepted by Executive in the form in which it was delivered by Soffe and shall be final and binding upon the parties.

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EXHIBIT 1

MUTUAL GENERAL RELEASE

THIS MUTUAL GENERAL RELEASE ("Release") is made and entered into by and between Anthony M. Cimaglia ("Executive"), on the one hand, and M. J. Soffe Co., a North Carolina corporation ("Soffe"), and Delta Apparel, Inc., a Georgia corporation ("Delta Apparel"), on the other hand;

W I T N E S S E T H:

WHEREAS, Executive, Soffe and Delta Apparel entered into that certain Employment and Non-Solicitation Agreement dated as of _____, 2003 (the "Employment Agreement");

WHEREAS, Executive's employment with Soffe ended on _____; and

WHEREAS, Executive, Soffe and Delta Apparel now desire to memorialize, by the execution of this Release, their understanding with respect to certain matters relating to Executive's termination of employment;

NOW, THEREFORE, in consideration of the premises and mutual promises contained herein, as well as the payment of the monies and other benefits to Executive as required by Section 5 of the Employment Agreement, the receipt and sufficiency of which are hereby acknowledged by Executive, it is agreed as follows:

SECTION 1. RELEASE OF CLAIMS. In consideration of (and subject to) the payments required by Section 5 of the Employment Agreement, the receipt and sufficiency of which are hereby acknowledged, and subject to the limitations contained in Section 2 hereof, Executive, on behalf of himself and his heirs and assigns, hereby irrevocably and unconditionally releases and forever discharges, individually and collectively, Soffe and Delta Apparel, and each of their respective officers, directors, employees, parent companies, subsidiaries, successors and assigns (hereinafter the "Soffe Parties"), of and from any and all charges, claims, complaints, demands, liabilities, causes of action, losses, costs or expenses of any kind whatsoever (including related attorneys' fees and costs), known or unknown, suspected or unsuspected, that Executive may now have or has ever had against the Soffe Parties by reason of any act, omission, transaction, or event occurring up to and including the date of the signing of this Release.

The release set forth in this Section 1 includes without limitation (other than as set forth in Section 2), claims related to any wrongful or unlawful discharge, discipline or retaliation, any contract of employment, whether express or implied, any promotions or demotions, compensation including commissions, short term or long term incentives, Soffe's and Delta Apparel's benefit plan(s) and the management thereof, defamation, slander, libel, invasion of privacy, misrepresentation, fraud, infliction of emotional distress, stress, breach of any covenant of good faith and fair dealing, and any other claims relating to the Executive's employment as an employee, officer or director with Soffe, Delta Apparel or any of their respective affiliates and the termination

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thereof. This waiver, release and discharge further applies but is not limited to any claims based on Title VII of the Civil Rights Act of 1964, the Post Civil War Civil Rights Act (41 U.S.C. ss. 1981 - 88), the Civil Rights Act of 1991, the Equal Pay Act, the Age Discrimination in Employment Act (ADEA), the Older Workers Benefit Protection Act (OWBPA), the Rehabilitation Act of 1973, the Americans with Disabilities Act, the Vietnam Era Veterans' Readjustment Act, the Fair Labor Standards Act, the Workers Adjustment and Retraining Notification Act, Executive Order 11246, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act (all as they may be amended), and any other applicable federal, state or local laws, ordinances and regulations including those relating to discrimination to the extent permitted by law.

Executive expressly waives all claims (other than as set forth in Section 2), including those which he does not know or suspect to exist in his favor as of the date of this Release against the Soffe Parties. As used herein, the parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown (other than as set forth in Section 2), and specifically but not exclusively including all claims against the Soffe Parties of the type referenced in this Section 1 or otherwise arising from Executive's employment with Soffe, the termination thereof or any

other conduct or negotiations occurring on or prior to the date Executive signs this Release. All claims of Executive or those claiming on his behalf, except those listed in Section 2 hereof, are forever barred by this Release whether they arise in contract or tort or under a statute or any other law. The final release of all claims by Executive against the Soffe Parties constitutes a material part of the consideration flowing from Executive to the Soffe Parties under this Release, and each of the individuals and entities included within the term "Soffe Parties" is an intended beneficiary of this consideration.

Notwithstanding anything to the contrary contained in this Release, if Soffe fails or refuses to pay, when due, any amounts required by Section 5 of the Employment Agreement to be paid to Executive or his estate, and such failure continues for a period of thirty (30) days after written notice of such failure is given by Executive or his estate to Soffe, then Executive's covenants, agreements, waivers, obligations and releases contained in this Agreement shall be null and void after expiration of such thirty (30) day period (but shall remain in full force and effect during such thirty (30) day period). The provisions of this paragraph shall not constitute Executive's exclusive remedy for any non-payment by Soffe and shall not prevent or preclude Executive from seeking any and all remedies available to him at law or in equity with respect to any non-payment by Soffe.

SECTION 2. LIMITATIONS ON RELEASES. Executive has accrued as of his termination certain vested rights to benefits under Soffe's and/or Delta Apparel's benefit plans. Executive shall be entitled to receive his vested accrued benefits under such benefit plans in accordance with their respective terms. Notwithstanding anything to the contrary herein, the releases contained in Section 1 hereof do not waive or otherwise affect Executive's rights to such vested accrued benefits. Moreover, notwithstanding anything to the contrary herein, the waivers, releases and discharges contained in Section 1 do not waive or otherwise affect any of the following claims:

(a) Claims relating to Soffe's or Delta Apparel's continuing obligations under the Employment Agreement (including without limitation the obligation to pay amounts due under Section 5 thereof);

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(b) Claims that Executive may have under that certain Amended and Restated Stock Purchase Agreement dated as of _____, 2003, by and among Executive, Soffe, Delta Apparel, MJS Acquisition Company, and the other shareholders of Soffe (the "Stock Purchase Agreement") and/or any Related Agreements (as defined in the Stock Purchase Agreement);

(c) Claims that Executive may have against Soffe for reimbursement of business expenses incurred by him during the course of his employment;

(d) Claims that Executive may have for payment of Base Salary, Incentive Compensation (as such terms are defined in the Employment Agreement), bonuses, or fringe benefits properly due to him, or other amounts or benefits due to him under the Employment Agreement;

(e) Claims respecting matters for which Executive is entitled to be indemnified under the Articles of Incorporation or Bylaws of Soffe or Delta Apparel and applicable law respecting third party claims asserted or third party litigation pending or threatened against Executive;

(f) Claims arising from fraud or illegal activities of Soffe or Delta Apparel not attributable to Executive; and

(g) Any claims prohibited by applicable law from being included in this Release.

SECTION 3. EXECUTIVE ACKNOWLEDGEMENTS. Executive understands and agrees that he:

(a) Has carefully read and fully understands all of the provisions of this Release;

(b) Was advised and is hereby advised in writing to consider the terms of this Release and to consult with an attorney of his choice prior to executing this Release;

(c) Has been offered a full twenty-one (21) days from notice of the termination of his employment with Soffe and the delivery of this Release to

consider the terms of this Release, and having had adequate opportunity to consider the terms and consult with advisors of his choice, has elected to waive the 21-day period and sign the Release as of the date hereof;

(d) Is, through this Release, releasing the Soffe Parties from any and all claims he may have against the Soffe Parties that arose from events occurring on or before the date this Agreement is executed, including but not limited to claims under the Age Discrimination in Employment Act (ADEA), as amended;

(e) Is receiving valid consideration beyond anything of value to which Executive already is entitled;

(f) Knowingly and voluntarily agrees to all of the terms set forth in this Release;

(g) Knowingly and voluntarily intends to be legally bound by the same;
and

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(h) Has a full seven (7) days following his execution of this Release to revoke this Release and has been and hereby is advised in writing that this Release shall not become effective or enforceable until the revocation period has expired. Revocation must occur by delivery of a letter of revocation to the Chair of the Board of Directors of Soffe.

SECTION 4. RELEASE BY SOFFE AND DELTA APPAREL. In consideration of the mutual promises herein and subject to the limitations contains in Section 5 hereof, Soffe and Delta Apparel, for themselves and their respective parent companies, subsidiaries, successors, assigns, officers, directors and representatives, hereby irrevocably and unconditionally release and forever discharge Executive, his heirs, agents, personal representatives and assigns, of and from any and all charges, claims, complaints, demands, liabilities, causes of action, losses, costs or expenses of any kind whatsoever (including related attorneys' fees and costs), known or unknown, suspected or unsuspected, that Soffe, Delta Apparel and/or their respective parent companies, subsidiaries, successors, assigns, officers, directors and representatives may now have or have ever had against Executive by reason of any act, omission, transaction, or event occurring up to and including the date of the signing of this Release other than as set forth in Section 5 hereof (the "Soffe Party Claims"). The waiver, release and discharge contained in this Section 4 includes without limitation (other than as set forth in Section 5) claims related to any act as an officer, director or employee of Soffe, Delta Apparel and/or any of their respective parent companies and subsidiaries and/or the management thereof, including defamation, slander, libel, invasion of privacy, misrepresentation, infliction of emotional distress, stress, breach of any covenant of good faith and fair dealing, and any other claims relating to Executive's employment as an employee, officer or director of Soffe, Delta Apparel or any of their respective parent companies and subsidiaries and the termination thereof.

Each of Soffe, Delta Apparel and their respective parent companies and subsidiaries expressly waives all Soffe Party Claims, including those which it does not know or suspect to exist in its favor as of the date of this Release against Executive. As used herein, the parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown (other than as set forth in Section 5), and specifically but not exclusively including all claims against Executive of the type referenced in this Section 4, or otherwise arising from Executive's employment with Soffe, Delta Apparel or any of their respective parent companies or subsidiaries, the termination thereof or any other conduct or negotiations occurring on or prior to the date the parties sign this Release. All Soffe Party Claims are forever barred by this Release whether they arise in contract or tort or under a statute or any other law.

SECTION 5. LIMITATIONS ON RELEASES.

Notwithstanding anything to the contrary herein, the waivers, releases and discharges contained in Section 4 do not waive or otherwise affect any of the following claims:

(a) Claims relating to Executive's continuing obligations under (i) the Employment Agreement (including without limitation obligations under Sections 6, 7 and 8 thereof) and (ii) the Employee Confidentiality, Non-Solicitation, and

Non-Competition Agreement by and between Executive, Delta Apparel and Soffe dated on or about the date of the Employment Agreement;

(b) Claims that Soffe, Delta Apparel or any of their affiliates may have under the Stock Purchase Agreement and/or any Related Agreements;

(c) Claims arising from fraud or illegal activities of Executive; and

(d) Any claims prohibited by applicable law from being included in this release.

SECTION 6. LEGAL PROCEEDINGS; RELEASE AS A DEFENSE. This Release may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against, any action, suit, or other proceeding which may be instituted, prosecuted or attempted in breach of this Release, except for an action based on a breach of this Release or a claim to determine the validity of the Release under the OWBPA or the ADEA.

SECTION 7. GOVERNING LAW. This Release shall be governed by the laws of the State of North Carolina. This Release shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any of the parties hereto.

SECTION 8. NO ADMISSIONS. Each of Executive, Soffe and Delta Apparel acknowledges and agrees that the releases and other consideration described in this Release are offered and exchanged in good faith and will not, for any purpose, be considered as admissions of liability on the part of any party, which liability is expressly denied, and no past or present wrongdoing on the part of any party is implied by such releases or other consideration under the terms of this Release.

SECTION 9. SEVERABILITY. In the event any provision of this Release is determined by a court or other tribunal to be unenforceable for any reason, the remaining provisions hereof shall remain in full force and effect and the unenforceable provision(s) shall be interpreted and rewritten to give effect to the parties' economic intentions.

SECTION 10. ASSIGNMENT OF CLAIMS. Each party warrants to the other parties that it has not assigned any claim or cause of action released herein.

SECTION 11. COUNTERPARTS. This document may be executed in multiple counterparts, each of which shall be considered an original.

SECTION 12. BINDING EFFECT. This release shall be binding upon and inure to the benefit of the parties hereto, Executive's personal representatives, and heirs, and the successors and assigns of each of Delta Apparel and Soffe.

SECTION 13. VOLUNTARY AGREEMENT. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS BEEN ADVISED THAT THIS RELEASE IS A BINDING LEGAL DOCUMENT. EXECUTIVE FURTHER AGREES THAT HE HAS HAD ADEQUATE TIME AND A REASONABLE OPPORTUNITY TO REVIEW THE PROVISIONS OF THIS RELEASE, HAS BEEN ADVISED TO SEEK LEGAL ADVICE REGARDING ALL ITS ASPECTS, AND THAT IN EXECUTING THIS RELEASE EXECUTIVE HAS ACTED VOLUNTARILY AND HAS NOT RELIED UPON ANY REPRESENTATION MADE BY SOFFE OR DELTA APPAREL OR ANY OF THEIR EXECUTIVES OR REPRESENTATIVES REGARDING THIS

RELEASE'S SUBJECT MATTER AND/OR EFFECT. EXECUTIVE HAS READ AND FULLY UNDERSTANDS THIS RELEASE AND VOLUNTARILY AGREES TO ITS TERMS.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, each of Soffe and Delta Apparel has caused this Release to be executed by its duly authorized officers, and Executive has executed this Release, all as of the date first set forth above.

M. J. SOFFE CO.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: Vice President

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title: President and CEO

EXECUTIVE:

/s/ Anthony M. Cimaglia

Anthony M. Cimaglia

EXHIBIT 2

EMPLOYEE CONFIDENTIALITY, NON-SOLICITATION, AND NON-COMPETITION AGREEMENT

This Employee Confidentiality, Non-Solicitation and Non-Competition Agreement (the "Agreement") is made a part of that certain Employment and Non-Solicitation Agreement (the "Employment Agreement") made and entered into on the date hereof by and between DELTA APPAREL, INC., a Georgia corporation ("Delta Apparel"), M.J. SOFFE CO., a North Carolina corporation ("Soffe"), and ANTHONY M. CIMAGLIA ("Executive").

WHEREAS, MJS Acquisition Company, a North Carolina corporation and wholly-owned subsidiary of Delta Apparel ("MJS"), has agreed to acquire the outstanding stock of Soffe pursuant to the terms of that certain Amended and Restated Stock Purchase Agreement (the "Stock Purchase Agreement") by and among MJS, Delta Apparel, Soffe and the shareholders of Soffe, including the Executive, thereby providing valuable consideration to Executive, upon the condition that Executive execute, enter into and agree to abide by the provisions of the Employment Agreement and this Agreement;

WHEREAS, following the consummation of the transactions described in the Stock Purchase Agreement, Soffe will be a wholly-owned subsidiary of MJS and will be merged with and into MJS, with MJS as the surviving corporation in such merger and successor in interest to Soffe under this Agreement;

WHEREAS, Soffe and Delta Apparel are (1) engaged in the business of manufacturing, marketing, and selling casual and athletic apparel, and (2) may in the future engage in and/or actively be considering other activities or businesses, of which Executive may be aware at the termination of Executive's employment;

WHEREAS, Executive acknowledges that he has been employed at the highest levels of Soffe where he has had access to its confidential information and that following consummation of the transactions contemplated by the Stock Purchase Agreement he may have access in his position to the most sensitive and confidential information of Soffe, Delta Apparel and their affiliates (as used in this Agreement, the term "affiliates" shall have the meaning as set forth in the Stock Purchase Agreement), including long-range projections, marketing strategies, customer information and other confidential data; Executive also acknowledges that the Company (as defined below) intends to utilize Executive's experience and compensate him to seek customers in and expand the distribution of Soffe's products throughout the United States, that Executive will be working and servicing customers throughout the United States, and Executive acknowledges that a more limited geographic area will not sufficiently protect Soffe, Delta Apparel or their affiliates from future competition by Executive.

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WHEREAS, Executive understands and agrees that Delta Apparel, Soffe and their affiliates will suffer substantial and irreparable loss and damage if Executive violates the provisions of this Agreement; and

WHEREAS, Executive agrees that the provisions and restrictions contained in this Agreement are fair and reasonable and required for the protection of the legitimate interests of Delta Apparel, Soffe and their affiliates, that such restrictions are reasonable in scope, area, and time, and will not unreasonably prevent Executive from pursuing other business ventures or employment opportunities or otherwise cause a financial hardship upon Executive.

NOW, THEREFORE, in consideration of the foregoing and the promises contained in the Stock Purchase Agreement and the Employment Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is covenanted and agreed as follows:

1. Definition of "Company." For purposes of this Agreement, the parties agree that the "Company" shall mean Soffe and Delta Apparel. In the event that the preceding definition of the "Company" shall be determined by judicial action to be too broad to be enforceable, the "Company" shall mean Soffe.

2. No Conflicts. Executive represents and warrants that he is not subject to any non-competition or non-solicitation agreement or other agreement with any person, firm, corporation, or business entity (a "Third Party") that would prohibit him from taking employment with Soffe or would interfere with the performance of his duties to the Company. Executive represents that he will not bring with him to the Company or use in the performance of his duties any documents or materials of a former employer (other than Soffe and its affiliates) or other party that are not generally available to the public or have not been legally transferred to the Company. Conversely, without breaching the confidentiality provisions of this Agreement, Executive agrees to disclose the existence of this Agreement and the Employment Agreement to any subsequent employer.

3. Non-Solicitation and Non-Competition. Executive covenants and agrees that, during the period of his employment and for a period of thirty-six (36) months after Executive's last day of employment with Soffe (the "Restricted Period"), regardless of the manner or cause of his termination of employment with Soffe, he will not, for himself or on behalf of any Third Party, directly or indirectly:

(a) sell, market or distribute any Products (as hereafter defined) or seek to sell or solicit the opportunity to sell any Products (either on behalf of himself or directly or indirectly on behalf of or in association with any Third Party) to any of the Company's Customers (as defined below) anywhere in the Territory (as defined below).

For purposes of this Agreement, the term "Customer" shall be limited to customers or accounts that fall within any of the following categories:

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(i) actual customers or accounts of the Company that Executive solicited, influenced, contacted, sold to, serviced or dealt with (collectively, "Solicited") at any time during the last thirty-six (36) months of his employment with the Company;

(ii) in the event that the preceding subparagraph shall be determined by judicial action to be too broad, the following shall be substituted in its place: actual customers or accounts of the Company that Executive solicited, influenced, contacted, sold to, serviced or dealt with (collectively, "Solicited") at any time during the last twelve (12) months of his employment with the Company;

(iii) actual customers or accounts of the Company about whom Executive has had access to financial or other confidential information;

(iv) actual customers or accounts of the Company with whom Executive communicated on behalf of the Company personally or in combination with others;

(v) actual customers or accounts of the Company for whom Executive played a significant role in the provision of goods on behalf of the Company; and/or

(vi) customers or accounts whom Executive knows to have been Solicited by or on behalf of the Company during the twelve-month period prior to the termination of Executive's employment.

Notwithstanding the foregoing, a person or entity shall not be deemed to be included within the definition of "Customer" unless such person or entity has purchased goods or supplies from the Company during the one-year period ending on the last day of Executive's employment with the Company.

For purposes of this Agreement, the term "Products," shall mean products that are substantially similar to or of the type of products manufactured, developed, marketed, sold or distributed by the Company or its affiliates during the one-year period ending on the last day of Executive's employment with Soffe, which generally includes, on the date of this Agreement, casual and athletic apparel. Notwithstanding the foregoing, no product that the Company has ceased to sell or to consider selling at the time of termination of Executive's employment with Soffe shall be included within the definition of "Products."

(b) sell, market or distribute any Products or seek to sell or Solicit the opportunity to sell Products (either on behalf of himself or directly or indirectly on behalf of, or in association with, any Third Party) to any of the Company's prospective customers, accounts or buyers anywhere in the Territory to whom the Company has submitted a proposal or solicitation at any time within the six-month period ending on the last day of Executive's employment with Soffe (and where Executive either (i) personally or in combination with others communicated with such prospective customer or played any material role in the Company's solicitation or submission of a proposal to such prospect provision or (ii) received confidential information regarding the Company's proposal or solicitation to such prospective customer).

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(c) operate, develop or own any interest (other than the ownership of less than 5% of the equity securities of a publicly traded company) in any business or entity which is engaged in the:

- (i) manufacture,
- (ii) distribution,
- (iii) marketing, or
- (iv) sale

of any Products (a "Competitive Manufacturer") in the Territory;

(d) be employed as an employee or independent contractor for a Competitive Manufacturer in the Territory:

- (i) in a sales-related capacity,
- (ii) in a managerial capacity,
- (iii) with manufacturing oversight responsibility, or
- (iv) in a product development role;

(e) be employed by or consult with any Competitive Manufacturer

anywhere in the Territory in any sort of position or capacity related to the services performed by Executive while he was an employee of Soffe;

(f) interfere with, solicit, disrupt or attempt to disrupt any past, present or prospective relationship, contractual or otherwise, between the Company and any Customer, client, supplier or Company Employee (as defined below);

(g) induce or attempt to induce any of the Customers of the Company to limit, reduce or discontinue obtaining any goods or services from the Company;

(h) solicit, hire, or attempt to hire any employee of the Company who is then employed by the Company or has been employed by the Company at any time in the six-month period ending on the last day of Executive's employment with Soffe (collectively, a "Company Employee") to work for any other person or entity;

(i) solicit, hire, or attempt to hire any Company Employee to accept employment with or provide services to any Third Party that competes, directly or indirectly, with the Company for the sale or distribution of the Products; or

(j) induce or attempt to induce any Company Employee of or service-provider to the Company to discontinue providing services to the Company.

For purposes of this Agreement, the term "Territory" shall mean:

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(i) the states in the United States where the Company has shipped its products for sale to Customers at any time in the one-year period ending on the last day of Executive's employment with Soffe;

(ii) in the event that the preceding paragraphs shall be determined by judicial action to define too broad a territory to be enforceable, the "Territory" shall mean the Southeastern United States;

(iii) in the event that the preceding paragraphs shall be determined by judicial action to define too broad a territory to be enforceable, the "Territory" shall mean the entire state of North Carolina; or

(iv) in the event that the preceding paragraphs shall be determined by judicial action to define too broad a territory to be enforceable, the "Territory" shall mean the location of any Customer facility.

4. Legitimate Business Interests and Irreparable Harm. Executive agrees that the covenants and restrictions contained in this Agreement are reasonable and necessary to protect the legitimate interests of the Company in its existing relationships with its customers and its legitimate business needs and that any breach by him of any of the provisions of this Agreement will cause irreparable damage to the Company, the exact amount of which would be difficult to determine, and that the remedies at law for any such breach would be inadequate. Executive acknowledges that he can reasonably find other suitable employment opportunities that would not violate the covenants contained in this Agreement.

5. Enforcement. Executive agrees that upon Executive's violation or threatened violation of any of the provisions of this Agreement, the Company shall, in addition to any other rights and remedies available to it, at law, in equity, or otherwise, be entitled to specific performance and injunctive relief including, without limitation, an injunction to be issued by any court of competent jurisdiction enjoining and restraining Executive from committing any violation or threatened violation of the provisions of this Agreement and Executive consents to the issuance of such injunction without the necessity of bond or other security in the event of a breach or threatened breach by him of this Agreement.

6. Severability. The parties hereto intend all provisions of this Agreement to be enforced to the fullest extent permitted by law. The provisions of this Agreement are severable and shall survive this Agreement for the period indicated. The covenants on the part of the Executive contained in this Agreement shall be construed as independent covenants and agreements of the Executive, independently supported by good and adequate consideration, and, except as otherwise provided herein, shall be construed independently of the other provisions of this Agreement. In the event that any of these provisions, clauses, sentences, or paragraphs, or portions ("provisions") of this Agreement

shall be held to be invalid or unenforceable, such provision shall be fully severable and the remaining provisions hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. The parties in no way intend to include a provision that contravenes public policy. Therefore, if any provision of this Agreement is

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unlawful, against public policy, or otherwise declared void or unenforceable, such provision shall be deemed excluded from this Agreement, which shall in all other respects remain in effect. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable. If any Court should construe any portion of this Agreement to be too broad to prevent enforcement to its fullest extent then such restrictions shall be enforced to the maximum extent that the Court finds reasonable and enforceable. Notwithstanding anything to the contrary contained in this Agreement, if Soffe fails or refuses to pay, when due, any amounts required by Section 5 of the Employment Agreement to be paid to Executive or his estate, and such failure continues for a period of thirty (30) days after written notice of such failure is given by Executive or his estate to Soffe, then the covenants of Executive contained in this Agreement shall be null and void after expiration of such thirty (30) day period (but shall remain in full force and effect during such thirty (30) day period).

7. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for any purpose whatsoever.

8. Waiver. The waiver by the Company of a breach of any provision of this Agreement by Executive may not operate or be construed as a waiver of any subsequent breach.

9. Construction. The parties agree that this Agreement was freely negotiated among the parties and that Executive had the advice of an attorney in negotiating its terms. Accordingly, the parties agree that this Agreement shall not be construed in favor of any party or against any party. The parties further agree that the headings and subheadings are for convenience of the parties only and shall not be given effect in the construction of this Agreement.

10. Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, each party shall bear its own costs and expenses.

11. Governing Law and Venue. The parties acknowledge and agree that this Agreement and the obligations and undertakings of the parties under this Agreement will be performable in North Carolina. This Agreement is governed by, and construed in accordance with, the laws of the State of North Carolina. If any action is brought to enforce or interpret this Agreement, venue for the action will be in North Carolina.

12. Assignment. The rights, duties and benefits to Executive hereunder are personal to him, and no such right, duty or benefit may be assigned by him without the prior written consent of the Company. The rights and obligations of each of the entities included within the definition of the "Company" shall inure

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to the benefit and be binding upon each of such entities and their successors and assigns, which assignment shall not require the consent of Executive.

13. Binding Effect. This Agreement is binding upon and shall inure to the benefit of the parties hereto, their respective executors, administrators, successors, personal representatives, heirs and assigns permitted under Section 12 above.

14. Third-Party Beneficiaries. Except as expressly provided in this Agreement, nothing in this Agreement is intended to or shall confer upon any

other person or entity any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

15. Modification. No change or modification of this Agreement is valid or binding upon the parties, nor will any waiver, termination or discharge of any term or condition of this Agreement be so binding, unless confirmed in writing and signed by the parties to this Agreement.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

IMPORTANT: READ CAREFULLY BEFORE SIGNING

"Soffe"

M.J. SOFFE CO.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Vice President

"Delta Apparel"

DELTA APPAREL, INC

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: President and CEO

"Executive"

/s/ Anthony M. Cimaglia

Anthony M. Cimaglia

STATE OF NORTH CAROLINA

CUMBERLAND COUNTY

REAL ESTATE EXCHANGE CONTRACT

THIS REAL ESTATE EXCHANGE CONTRACT (the "Contract"), made and entered into this 3rd day of October, 2003, by and among MJS ACQUISITION COMPANY, a North Carolina corporation hereinafter referred to as "MJS," and MIDDLE ROAD PROPERTIES, LLC, a North Carolina limited liability company, hereinafter referred to as "MRP."

W I T N E S S E T H:

WHEREAS, MJS is the owner of certain real property located in or near the City of Fayetteville, in Cumberland County, North Carolina, with property addresses of:

- (1) 613 Middle Road, Fayetteville, North Carolina (PIN 0447-45-1359) and known as the "McLaurin Land" containing approximately 20 acres and more fully described on Exhibit A, attached hereto and made a part hereof;
- (2) 2.0 acres (approximately) of 1 Soffe Drive, Fayetteville, North Carolina (a part of PIN 0447-55-7744) to be surveyed and more fully described on Exhibit B, attached hereto and made a part hereof;
- (3) 1030 Forth Worth Avenue, Fayetteville, North Carolina (PIN 0447-76-8931 and 0447-87-7488) known as the "Distribution Center" containing approximately 16.82 acres and 6.98 acres respectively and more fully described on Exhibit C, attached hereto and made a part hereof; and
- (4) three-quarters undivided interest as tenants in common in 126 and 128 Maxwell Street, Fayetteville, North Carolina (PIN 0437-54-4163, 0437-54-4164 and 0437-54-4150) and known as the "Clark Building" and more fully described on Exhibit D, attached hereto and made a part hereof (collectively, the real property described in 1-4 above shall be referred to as "MJS Real Property;")

WHEREAS, MRP is the owner of certain real property located in or near the City of Fayetteville, in Cumberland County, North Carolina, as follows:

- (1) 713 Middle Road, Fayetteville, North Carolina, containing approximately 21.75 acres with a property address of and more particularly described on Exhibit E, attached hereto and made a part hereof; and
- (2) 3.72 acre tract in Cumberland County, North Carolina, and more fully described on described on Exhibit F, attached hereto and

made a part hereof (collectively, the real property described in 1 - 2 above shall be referred to as "MRP Real Property");

WHEREAS, MJS desires to exchange the aforesaid MJS Real Property and the improvements located thereon for the aforesaid MRP Real Property upon the terms and conditions hereinafter set forth; and

WHEREAS, MRP desires to exchange the aforesaid MRP Real Property and the improvements located thereon for the aforesaid MJS Real Property upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. MJS Property. MJS agrees to exchange the real property described as MJS Real Property, together with all improvements and structures located

thereon, and all rights, privileges, members, licenses and easements appurtenant thereto (hereinafter called the "MJS Property") for the MRP Real Property and MRP Property (as hereinafter defined).

2. MRP Property. MRP agrees to exchange the real property described as MRP Real Property, together with all improvements and structures located thereon, and all rights, privileges, members, licenses and easements appurtenant thereto (hereinafter called the "MRP Property") for the MJS Real Property and MJS Property. "Grantor" shall refer to either party with respect to the property that it is transferring to the other party. "Grantee" shall refer to either party with respect to the property it is receiving from the other party.

3. Earnest Money. Intentionally deleted.

4. Exchange Value. The exchange value attributed to the MJS Property (the "MJS Exchange Value") shall be Three Million One Hundred Twenty-Five Thousand and no/100 Dollars (\$3,125,000.00). The exchange value attributed to the MRP Property (the "MRP Exchange Value") shall be Three Million One Hundred Twenty-Five Thousand and no/100 Dollars (\$3,125,000.00). Collectively, the MJS Exchange Value and MRP Exchange Value shall be referred to as "Exchange Values". The Exchange Values shall be satisfied at Closing by each party delivering a deed(s) for its respective property. There shall be no payments of cash for the Exchange Values as the transaction is to be a relinquishment and replacement of real property in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended. The parties agree that the MJS Exchange Value and the MRP Exchange Value shall be used by the parties to complete IRS Form 8824, and the parties agree to cooperate with each other regarding the exchange of real property hereunder.

5. Costs and Prorations. Each party shall pay the transfer or grantor tax applicable to the sale of the property it is transferring, the cost of preparation of the deed(s) to the property it is transferring and the costs of recording all documents, other than the deed(s) to be recorded in connection with the transaction. Each party shall pay the cost of recording the deed(s) for

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the property it is receiving. Each party shall pay its own attorney's fees, costs of its title examination, title insurance and any survey it obtains. The ad valorem real estate taxes for the properties shall be prorated as of the date of Closing.

6. Closing. The closing or settlement of this transaction (the "Closing") shall be held at the office of Poyner & Spruill LLP at 3600 Glenwood Avenue, Raleigh, North Carolina immediately following and in conjunction with the closing pursuant to that certain Stock Purchase Agreement dated as of July 3, 2003 by and between Delta Apparel, Inc., as buyer, and James F. Soffe, John D. Soffe, Anthony M. Cimaglia and M.J. Soffe Co. collectively, as seller (as amended, "Stock Purchase Agreement"), unless MJS and MRP shall mutually agree upon another date, time or place.

7. Title to Property. At the Closing, each party shall convey to the other, his heirs, or successors and assigns, indefeasible, marketable and insurable fee simple title to its property free and clear of all objections, easements, liens, encumbrances, restrictions, encroachments and other survey exceptions except those set forth on Exhibit G hereto (the "Permitted Encumbrances"), which include only the lien of 2003 ad valorem taxes, customary general delivery utility easements not adversely affecting the use of the property for commercial purposes, and any other encumbrances upon which the parties agree; provided, however, it is known that MJS owns only an undivided 3/4 interest as tenant in common in the fee estate of the Clark Building.

8. Inspection Period. Intentionally deleted.

9. Brokerage. Intentionally deleted.

10. Access to Property. Intentionally deleted.

11. Eminent Domain. If, at any time prior to Closing, any Grantor receives notice of the commencement or threatened commencement of eminent domain or other like proceedings against the property or any portion thereof, such Grantor shall immediately give Notice (as hereinafter defined) thereof to Grantee. Within five (5) days after receipt of such Notice by Grantor, Grantee shall elect by Notice to the other party either (i) to terminate this Contract, or (ii) to close the transaction contemplated hereby in accordance with its

giving to the other party at least ten (10) days' prior Notice thereof. For purposes hereof, "business days" shall mean Monday through Friday, excluding federal holidays.

14. Covenants, Representations and Warranties. MJS and MRP make the following respective covenants, representations and warranties for the reliance of the other in entering this Contract:

14.1 MJS's Covenants, Warranties and Representations as to Authority, Etc. MJS covenants, represents and warrants (which covenants, representations and warranties shall also be true at the time of Closing) as follows:

(a) The execution, delivery and performance of this Contract by MJS does not and will not result in any violation of, or be in conflict with or constitute a default under, any provisions of any agreement, mortgage, deed of trust, indenture, license, security agreement, or any other instrument or any judgment, decree, order, statute, rule or governmental regulation to which MJS is a party or which affects the MJS Property.

(b) MJS is a corporation duly organized, validly existing and in good standing under North Carolina law. All action required for the approval of this Contract has been taken and this Contract is the legally binding, valid and enforceable obligation of MJS.

(c) There is not any action, suit, investigation or proceeding by or before any Court, arbitrator, administrative agency or other governmental authority initiated at any time, now pending or, to the best of MJS's knowledge, threatened which involves MJS which if adversely determined would have a material adverse effect on the MJS Property or which involves the transactions contemplated by this agreement or the properties covered hereby, nor is there, to the best of MJS's knowledge, any state of facts, or occurrence of any event which might give rise to any of the foregoing.

(d) Based upon the title insurance commitments obtained from Investors Title Insurance Company on behalf of MJS, MJS has good, marketable, indefeasible and insurable fee simple title to the MJS Property, free and clear of any objections, easements, liens, encumbrances, restrictions, encroachments or other survey exceptions of every nature, other than the Permitted Encumbrances. To the best of MJS's knowledge none of the Permitted Encumbrances in any material respect detracts from the value of the MJS Property or interferes with or impairs the present and continued use thereof in the normal conduct of business of commercial business.

(e) To the best of MJS's knowledge, no consent or approval of, prior filing with or notice to, or other action by, any governmental body or agency, or any other third party is required in connection with the execution and delivery of this agreement by MJS, or the consummation of the transactions provided for herein.

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14.2 MRP's Covenants, Warranties and Representations as to Authority, Etc.

(a) The execution, delivery and performance of this Contract by MRP does not and will not result in any violation of, or be in conflict with or constitute a default under, any provisions of any agreement, mortgage, deed of trust, indenture, license, security agreement, or any other instrument or any judgment, decree, order, statute, rule or governmental regulation to which MRP is a party or which affects the MRP Property.

(b) MRP is a limited liability company duly organized and validly existing under North Carolina law as evidenced by a Certificate of Existence issued by the North Carolina Secretary of State dated September 23, 2003. All action required for the approval of this Contract has been taken and this Contract is the legally binding, valid and enforceable obligation of MRP.

(c) There is not any action, suit, investigation or proceeding

by or before any Court, arbitrator, administrative agency or other governmental authority initiated at any time, now pending or, to the best of MRP's knowledge, threatened which involves MRP or, the MRP Property which if adversely determined would have a material adverse effect on the MRP Property or which involves the transactions contemplated by this agreement or the properties covered hereby, nor is there, to the best of MRP's knowledge, any state of facts, or occurrence of any event which might give rise to any of the foregoing.

(d) Based upon the title commitments issued by Investors Title Insurance Company, MRP has good, marketable, indefeasible and insurable fee simple title to the MRP Property, free and clear of any objections, easements, liens, encumbrances, restrictions, encroachments or other survey exceptions of every nature, other than the Permitted Encumbrances. None of the Permitted Encumbrances in any material respect detracts from the value of the MRP Property or interferes with or impairs the present and continued use thereof in the normal conduct of business of commercial business.

(e) All buildings, structures, and improvements, if any, upon the MRP Property and all electric, gas, water and sewer utilities serving the MRP Property are structurally sound and in good condition and repair, ordinary wear and tear excepted. All improvements on the MRP Property have been constructed in compliance with all applicable building codes, ordinances, regulations and laws, including without limitation the Americans with Disabilities Act and the Fair Housing Act, and with the plans and the approvals and permits obtained therefor from all governmental authorities, and certificates of occupancy and approval by all applicable governmental authorities have been obtained. There are no zoning or similar land use restrictions presently in effect with respect to the MRP Property which would impair the use of such MRP Property for commercial purposes for which it is now being used or for which MJS intends to use it, and the real property is in compliance with all applicable zoning or similar land use restrictions of all governmental authorities having jurisdiction thereof. There are no proceedings for the taking of any of the MRP Property by eminent

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domain nor for changing the public access thereto from abutting streets by any governmental authority pending or, to the knowledge of MRP, threatened.

(f) No consent or approval of, prior filing with or notice to, or other action by, any governmental body or agency, or any other third party is required in connection with the execution and delivery of this agreement by MRP, or the consummation of the transactions provided for herein.

(g) There are no contracts affecting the MRP Property which will survive the Closing, except the contracts set forth on Exhibit I (the "MRP Property Contracts"), if any, which MRP Property Contracts shall be assumable by MJS without the consent of any other party except parties whose consent shall have been obtained by Closing.

(h) MRP has conducted its business on the MRP Property so as to comply with all laws, statutes, regulations, rules and other requirements of any governmental authority applicable to it, the noncompliance with which would have a materially adverse effect on the MRP Property, and there are no outstanding judgments, orders, writs or decrees of any judicial or other governmental authority binding specifically against MRP and pertaining to the MRP Property.

(i) MRP at all times during its ownership and/or occupancy of the property has used the MRP Property only for the conduct of and, to the best of MRP's knowledge, the uses of the property prior to MRP's ownership and/or occupancy thereof are as listed on Exhibit I; and, the MRP Property (i) is not being and has not been used as a sanitary landfill, and no activity is or has been conducted thereon which is subject to regulation under the North Carolina Solid Waste Management Act or any similar state or federal statute or regulation; (ii) does not consist of or contain wetlands as such term is used in Section 404 of the Clean Water Act, or such wetlands as do exist on the MRP Property are not of such size or location as to interfere with, prevent or impact the continued operation of the business; (iii) does not

consist of filled land; and (iv) is not located in a special flood hazard area as such term is used in the Flood Disaster Protection Act of 1973 or in a floodway as such term is used in the North Carolina Water and Air Resources Act or any similar state or federal statute or regulation.

The MRP Property and the uses thereof comply in all material respects with all federal, state and local laws, rules, regulations, orders and requirements relating to health, safety or the environment, including without limitation those relating to ambient air, surface and ground water, surface and subsurface soils and other natural resources and those relating to the manufacture, processing, distribution, use, treatment, storage, handling, transportation, release, disposal or importing and exporting of hazardous substances, hazardous wastes, pollutants, contaminants, toxic substances, asbestos, oil, other petroleum or chemical, biological or radioactive substances (said laws, rules, regulations, orders and requirements hereinafter collectively referred to as "Environmental Laws"). (i) MRP has received no notice from any governmental authority having jurisdiction thereof that the

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MRP Property or equipment and the respective uses thereof are now or have previously been in violation of any Environmental Laws; (ii) there does not exist on the MRP Property any hazardous substance, hazardous waste, pollutant, contaminant, toxic substance, asbestos, oil, or other petroleum or chemical, biological or radioactive substance which is subject to regulation under any Environmental Laws or any storage tank used for the storage thereof, whether above-ground or underground; (iii) except as set forth on Exhibit I there has been no discharge, storage or disposal of any hazardous substance, hazardous waste, pollutant, contaminant, toxic substance, asbestos, oil, other petroleum or chemical, biological or radioactive substance which is subject to regulation under any of the Environmental Laws on or from the MRP Property and any storage or utilization of any such substance by MRP as set forth on Exhibit I is and at all times has been in full compliance with Environmental Laws; and (iv) any and all reports, analyses, studies or other documentation owned or controlled by MRP identifying or relating to any hazardous substance, hazardous waste, pollutant, contaminant, toxic substance, asbestos, oil, or other petroleum or chemical, biological or radioactive substance which is subject to regulation under any Environmental Laws or any storage tank used for the storage thereof, used in connection with, existing upon, stored upon or disposed or discharged on or from the MRP Property have been delivered to MJS and are listed on Exhibit I.

(j) MRP represents that it will conduct its business on the MRP Property only in the normal course through the Closing and that it will use its best efforts to preserve the business at the MRP Property and to preserve for MJS the goodwill of the tenants and others having business relations with MRP at the MRP Property.

15. Conditions Precedent to Each Grantee's Obligations. The obligation of the Grantee to consummate the transaction provided for herein at Closing is subject to the fulfilling of the following conditions at Closing, unless Grantee shall agree in writing to waive the same:

15.1 The representations and warranties of each party herein contained shall be true in all material respects on and as of the date and time of Closing with the same force and effect as if made on and as of such date and time, and the covenants of each party set forth herein shall have been complied with at or before the Closing.

15.2 Each party shall have obtained all consents, approvals and releases required for the transfer to the other party.

15.3 Grantee shall have determined that Grantor can convey title at Closing in accordance with the provisions hereof, and Grantee shall have obtained a commitment to issue title insurance insuring Grantee's title to the property in accordance herewith.

15.4 MJS shall have determined in its discretion that the existing improvements are in compliance with all applicable zoning, building and other governmental laws, ordinances and regulations,

including, without limitation, those applicable to disabled persons, that the use of the property for MJS's intended use is a permitted use by right under such laws and ordinances.

15.5 MJS shall have obtained a certification from the applicable governmental authorities that water, sewer, gas, and electrical utilities are available at the property; that there are no outstanding charges for extending any such utility to the property boundaries; and that utility service is available in quantities and rates deemed sufficient to MJS in its discretion for the operation of MJS's intended use on the property.

15.6 MJS shall have received engineering and other professional reports satisfactory to it in its discretion that the property is topographically, geologically and otherwise suitable for the location thereon of the existing improvements and the operation therein of MJS's intended use/business, all without necessitating the expenditures of any funds for unusual purposes such as pilings, foundation supports, removal of excessive rocks, or any other extraordinary excavation or grading, and that the property is properly drained.

15.7 MJS shall have received a certification from the proper governmental authorities to the effect that all improvements on the property, have been constructed in accordance with the plans therefor submitted to and approved by such governmental authorities and that certificates of occupancy have been issued therefor and are currently in effect.

15.8 MJS shall have reviewed all of the building and construction plans for the property and conducted a full physical inspection of the property, and shall have determined satisfactory to it in its discretion that the existing improvements are in a first-class condition and state of repair.

15.9 MJS's survey shall have disclosed that the property contains at least the amount of acreage set forth herein and that there are no encroachments, overlaps, set-back violations or boundary disputes affecting the property.

15.10 MJS shall have obtained such governmental assurances as it shall in its discretion require of adequate driveway access to and from the property and abutting public roads.

15.11 The Grantor shall have delivered to the Grantee such other and further certificates, assurances and documents as Grantee may reasonably request in order to evidence the accuracy of the representations and warranties herein, and the fulfillment of the conditions to Grantee's obligations.

15.12 MJS shall have obtained a report from an environmental consultant certifying that no petroleum or hazardous or toxic substances or materials are located on the property and that no violation of the federal, state, and local environmental laws exists, and the representations and warranties hereof shall be true at all times through and as of the date and time of Closing as if made as of

such times. Without limiting the generality of the foregoing, MJS shall have received an environmental report satisfactory to it in its discretion indicating the absence of any asbestos on the property.

15.13 MJS shall have obtained a report satisfactory to it in its discretion from an environmental or engineering consultant concerning any issues of wetlands upon the property.

15.14 There shall not have been any condemnation of or loss, damage or destruction to the property, unless Grantee shall have waived the same and proceeded in accordance with the terms hereof.

15.15 MJS's review of the leases, rent rolls and security deposits, if any, shall have been satisfactory to it in its discretion.

15.16 MRP shall have furnished MJS copies of all Contracts and MJS shall have reviewed and approved all such Contracts to be assumed by MJS and for which MJS shall have liability after closing. MRP shall have furnished MJS within ten (10) days after execution of this Contract, copies of all deeds, surveys, plats, appraisals, leases, and title insurance policies in MRP's possession pertaining to the title to the property and of all reports upon any investigation of environmental or other condition.

15.17 If any material adverse change shall occur with respect to any of the above-mentioned conditions prior to Closing, Grantee shall have no obligation to consummate the transaction provided for herein.

15.18 MRP and MJS shall execute a Lease Agreement for the Distribution Center in the form reasonably agreed to by the parties.

15.19 MRP and MJS shall have closed the transaction contemplated by the Stock Purchase Agreement.

16. Assignment of Warranties. Grantor shall assign and convey to Grantee at Closing all contractor's warranties relating to the construction of improvements on the property and all manufacturers' and other warranties relating to the improvements.

17. Documents. MRP shall convey title to the MRP Property to MJS in accordance with the provisions hereof by execution and delivery of a special warranty deed, in recordable form. MJS shall convey title to the MJS Property to MRP in accordance with the provisions hereof by execution and delivery of a quit claim deed, in recordable form. Grantor shall provide Grantee at Closing: (i) a FIRPTA certificate, evidencing that Grantor is not a foreign person as defined in Section 1445(f)(3) of the Internal Revenue Code; (iii) a Form 1099, if Grantor is not exempted from providing such form; (iv) an owner's affidavit and lien waiver in a form reasonably acceptable to the title insurance company of Grantee's choice (hereinafter the "Title Company"); and (v) such other documents and instruments as Grantee or the Title Company may reasonably require.

18. New Survey. Each Grantee shall have the right to cause a new survey of the property to be conducted at its expense prior to Closing, or, in the

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alternative, Grantee may accept and use any existing survey of Grantor. If Grantee obtains a new survey, Grantor will, if requested, use in the deed of conveyance the description which is in accordance with the new boundary survey of the property and which is approved by the Title Company.

19. Release and Indemnity.

19.1 MRP hereby releases and shall indemnify and hold MJS harmless from and against any and all liability, obligation, loss or damage of every nature ("loss") that MJS may suffer as a result of claims, demands, costs, expenses (including, without limitations reasonable attorneys' fees and costs), clean-up costs, fines, penalties, assessments, orders, rulings, judgments or other matters against MJS of any kind or character arising out of or in any manner incident or relating or attributable to (i) any untruth, breach, inadequacy, inaccuracy or incompleteness, in any material respect of any representation, covenant or warranty of MRP herein, (ii) any failure of MRP in a material respect to perform any covenant or obligation under this Contract, (iii) any underground storage tank, out-of-use transformers, oil, gasoline or other fuel, toxic, radioactive or hazardous material or substance or other contaminant located on the property prior to the date and time of Closing or the diffusion or other movement thereof to adjoining properties at any time, (iv) the removal from the property of any such underground storage tank, out-of-use transformer, gasoline, oil, other fuel, hazardous, radioactive or toxic material or substance, or contaminant at any time, (v) any violation of any environmental law, regulation or ordinance of any state, federal or local authority arising out of any material of any nature located on the property prior to the date and time of Closing, and (vi) in general, the ownership and operation of the property thereon prior to Closing.

19.2 Without limiting the generality of the foregoing indemnity, it is agreed that such indemnity shall cover any loss, including loss of rents or property, incurred by MJS by reason of (i) the disruption, cessation, or delay of business on the premises due to any action taken as a result of any such event, occurrence or circumstance as described in subparagraph 19.1 above; (ii) any expense of complying with any governmental monitoring or other preventive or corrective measure ordered by any governmental authority; and (iii) any costs of complying with any other state or federal directive relating to the existence of the contamination or other environmental violation or its clean-up.

19.3 The indemnity contained herein shall survive the Closing.

20. Time of Essence. Time is of the essence of this Contract.

21. Entire Agreement. This Contract merges all prior negotiations and understandings between the parties, and, with the Stock Purchase Agreement, constitutes their entire agreement for the exchange of the property and other assets described in paragraphs 1 and 2, which is binding upon Grantee and Grantor when executed by MJS and MRP, regardless of any written or verbal representations of any agent, manager, or other employees to the contrary. This Contract and the Stock Purchase Agreement constitute the entire agreement of the parties and may not be amended except by written instrument executed by MRP and MJS.

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22. Severability. Any provision of this Contract which is prohibited or unenforceable in any jurisdiction shall as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

23. Enforcement. This agreement shall be construed as a contract to exchange real estate binding upon the parties hereto, and the Grantee shall, without excluding his other remedies available to him at law or in equity, be entitled to the remedy of specific enforcement.

Interpretation. The paragraph headings are inserted for convenience only and are in no way intended to interpret, define, or limit the scope or content of this Contract or any provision hereof.

Possession. Grantor shall deliver actual possession of the property at Closing.

Survival and Termination.

23.1 The provisions of this Contract relating to Grantee's entering upon the property prior to Closing, and the indemnifications contained herein shall survive Closing or Termination (as hereinafter defined).

23.2 All warranties, representations and indemnifications set forth in this Contract shall survive Closing and any examination or investigation made by Grantee.

23.3 "Terminate" or "Termination" shall mean the termination of this Contract prior to Closing pursuant to a right to do so provided herein. Upon Termination, the parties shall have no further rights or duties under this Contract except as expressly provided herein.

23.4 If this Contract is terminated for any reason other than a breach or default by Grantor, Grantee shall furnish Grantor copies of all surveys and engineering and environmental reports obtained by Grantee relating to the property.

24. Applicable Law. This Contract shall be construed and interpreted in accordance with the laws of the State of North Carolina.

25. Successors and Assigns. This Contract shall be binding upon and inure to the benefit of the parties and their respective heirs, or successors and assigns, if any. Grantee shall have the right to assign his rights and obligations hereunder to and upon such assignment and the assumption of

Grantee's rights and obligations hereunder by such assignee, the assignee shall have all rights and liabilities of Grantee hereunder and Grantee shall have no further rights and liabilities hereunder.

26. Exhibits. The exhibits referred to in and attached to this Contract are incorporated herein in full by reference.

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27. Counterpart Execution. This Contract may be executed in separate counterparts, with each party to receive a fully executed counterpart.

28. Best Efforts. Grantor and Grantee agree to exercise all due diligence and their best efforts to take such action as shall be necessary by them respectively to cause the conditions of Closing to be satisfied at Closing.

29. Conditions of MJS's Agreement.

29.1 MJS has entered into this Contract for the purposes of consummating an exchange of real property in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended.

29.2 While MJS has agreed to assist with respect to the exchange in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended, MJS has not made any representations or warranties with respect to the subject exchange and shall have no liability or obligation of any nature to MRP relating to such exchange, including without limitation the status of title to the exchange property (except as set forth herein), the condition of the exchange property (except as set forth herein), or the economic or tax consequences of the exchange.

29.3 MJS makes no representation or warranty, nor shall MJS nor its counsel bear any responsibility or liability concerning the federal or state tax consequences to MRP of the transactions contemplated herein, including, without limitation, the status of any replacement property as "like-kind" property or the qualification of this transaction as a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code. MRP agrees to seek its own independent legal tax advice.

30. Conditions of MRP's Agreement.

30.1 MRP has entered into this Contract for the purposes of consummating an exchange of real property in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended.

30.2 While MRP has agreed to assist with respect to the exchange in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended, MRP has not made any representations or warranties with respect to the subject exchange and shall have no liability or obligation of any nature to MJS relating to such exchange, including without limitation the status of title to the exchange property (except as set forth herein), the condition of the exchange property (except as set forth herein), or the economic or tax consequences of the exchange.

30.3 MRP makes no representation or warranty, nor shall MRP nor its counsel bear any responsibility or liability concerning the federal or state tax consequences to MJS of the transactions contemplated herein, including, without limitation, the status of any replacement property as "like-kind" property or the qualification of

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this transaction as a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code. MJS agrees to seek its own independent legal tax advice.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Parties have set their hands and seals hereto as of the date and year indicated below their respective signatures.

Middle Road Properties, LLC (SEAL)

By: /s/ John D. Soffe

Name: John D. Soffe
Title: Manager

Date signed by MRP:

October 3, 2003

MJS ACQUISITION COMPANY

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: President and CEO

Date signed by MJS:

October 3, 2003

LIST OF EXHIBITS

- Exhibit A McLaurin Land - 20 acres
- Exhibit B 2.0 acres of 1 Soffe Drive
- Exhibit C Distribution Center (16.82 acres and 6.98 acres)
- Exhibit D Clark Property
- Exhibit E 713 Middle Road (21.75 acres)
- Exhibit F Vacant/Parking Area (3.72 acres)
- Exhibit G Permitted Exceptions
- Exhibit H Contracts for MRP Property
- Exhibit I Uses of MRP Property

INDUSTRIAL LEASE AGREEMENT

BETWEEN

MIDDLE ROAD PROPERTIES, LLC

AS LANDLORD

AND

M.J. SOFFE CO.

AS TENANT

INDUSTRIAL LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is made as of the 3rd day of October, 2003 ("Lease Date") by and between MIDDLE ROAD PROPERTIES, LLC, a North Carolina limited liability company ("Landlord"), and M.J. SOFFE Co., a North Carolina corporation ("Tenant") (the words "Landlord" and "Tenant" to include their respective legal representatives, successors and permitted assigns where the context requires or permits).

W I T N E S S E T H:

1. Basic Lease Provisions. The following constitute the basic provisions of this Lease:

- (a) Demised Premises Address: 1030 Fort Worth Avenue
Fayetteville, North Carolina
- (b) Demised Premises Square Footage: approximately 23.80 acres
- (c) Building Square Footage: approximately 128,550 sq. ft.
- (d) Annual Base Rent: \$565,620.00
- (e) Monthly Base Rent Installments: \$47,135.00.
- (f) Lease Commencement Date: October 3, 2003.
- (g) Base Rent Commencement Date: Lease Commencement Date.
- (h) Expiration Date of Initial Term: October 2, 2008.
- (i) Initial Term: Five (5) years.
- (j) Option Term: Five (5) years.
- (k) Address for notice:

Landlord: Middle Road Properties, LLC
822 Shannon Drive
Fayetteville, NC 28305
Attn: Manager

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Tenant: M.J. Soffe Co.
One Soffe Drive
Fayetteville, NC 28305
Attn: _____

(l) Address for rental payments:

Middle Road Properties, LLC
822 Shannon Drive
Fayetteville, NC 28305
Attn: Manager

2. Demised Premises. For and in consideration of the rent hereinafter reserved and the mutual covenants hereinafter contained, Landlord does hereby lease and demise unto Tenant, and Tenant does hereby hire, lease and accept, from Landlord all upon the terms and conditions hereinafter set forth the following premises, referred to as the "Demised Premises", as outlined on Exhibit A attached hereto and incorporated herein: approximately 23.80 acres located at 1030 Fort Worth Avenue, Fayetteville, Cumberland County, North Carolina, and the building (the "Building") and other improvements located thereon. The Building contains approximately 128,550 square feet.

3. Term. To have and to hold the Demised Premises for a term of five (5) years (the "Initial Term"), commencing on the Lease Commencement Date and terminating on the Expiration Date as such dates are set forth in Section 1 (f) and Section 1(h), respectively, as such Expiration Date may be extended by Tenant's exercise of the Option Term (as hereinafter defined) (the Initial Term and the Option Term, herein referred to as the "Term").

So long as there is no continuing event of default under this Lease, either at the time of exercise or at the time the Option Term commences, Tenant shall have the option to extend the Initial Term for an additional period of five (5) years (the "Option Term") on the same terms, covenants and conditions of this Lease, except that the Base Rent during the Option Term shall be determined pursuant to Section 6 hereof. Tenant shall exercise its option, if at all, by giving Landlord written notice thereof (the "Option Notice") at least one hundred eighty (180) days prior to the expiration of the Initial Term.

The term "Lease Year", as used in this Lease, shall mean the 12-month period commencing on the Lease Commencement Date, and each 12-month period thereafter during the Term; provided, however, that if the Lease Commencement Date is a day other than the first day of a calendar month, the first Lease Year shall include the period between the Lease Commencement Date and the end of the calendar month in which the Lease Commencement Date occurs and shall extend through the end of the twelfth (12th) full calendar month following the Lease Commencement Date.

4. Base Rent. Tenant shall pay to Landlord at the address set forth in Section 1(l), as base rent for the Demised Premises, commencing on the Base Rent Commencement Date and continuing throughout Initial Term in lawful money of the United States, the annual amount set forth in Section 1(d) payable in equal

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monthly installments as set forth in Section 1(e) (the "Base Rent"), payable in advance, without demand and without abatement, reduction, set-off or deduction, on the first day of each calendar month during the Initial Term. If the Base Rent Commencement Date shall fall on a day other than the first day of a calendar month, the Base Rent shall be apportioned pro rata on a per diem basis (i) for the period between the Base Rent Commencement Date and the first day of the following calendar month (which pro rata payment shall be due and payable on the Base Rent Commencement Date), and (ii) for the last partial month of the Initial Term, if applicable. No payment by Tenant or receipt by Landlord of rent hereunder shall be deemed to be other than on account of the amount due, and no endorsement or statement on any check or any letter accompanying any check or

payment of rent shall be deemed an accord and satisfaction, and Landlord may accept such check as payment without prejudice to Landlord's right to recover the balance of such installment or payment of rent or pursue any other remedies available to Landlord.

5. Taxes. Tenant shall at all times during the term of this Lease be liable for and pay: (i) all ad valorem taxes assessed on the Demised Premises and on Tenant's property located on the Demised Premises; (ii) any use taxes payable on account of the rent and other sums paid to Landlord hereunder; and (iii) except as otherwise provided herein, all assessments and other charges which may be imposed, levied or assessed by any governmental authority against or with respect to the Demised Premises including any taxes on the leasehold interest. Upon Landlord's written request to Tenant, Tenant shall pay any or all of such taxes (or pro-rata portion thereof) to Landlord on a monthly basis in advance with each installment of Base Rent. If not so requested, all such taxes and assessments described in this Section shall be paid by Tenant directly to the applicable governmental authority prior to the time when due. Upon payment of the taxes, Tenant shall provide Landlord with a receipt from the governmental authority evidencing such payment.

6. Option Term Rent. The Base Rent for the Option Term Period shall be determined as follows:

(a) Landlord and Tenant shall have fifteen (15) days after Landlord receives the Option Notice (the "Rent Agreement Deadline") within which to agree on the then-fair market rental value of the Demised Premises and rental increases to the Base Rent for the Option Term. If the parties agree on the Base Rent and rental increases for the Option Term on or prior to the Rent Agreement Deadline, the parties shall execute an amendment to this Lease setting forth the Base Rent and rental increases for the Option Term.

(b) If the parties are unable to agree on the Base Rent and rental increases for the Option Term on or prior to the Rent Agreement Deadline, the Base Rent for the Option Term shall be the then-fair market rental value of the Demised Premises as determined in accordance with Section 6(d) and the periodic rental increases shall be consistent with current market standards for rent increases at that time, in amounts and at frequencies determined by the brokers pursuant to Section 6(d).

(c) "Then-fair market rental value of the Demised Premises" means what a landlord under no compulsion to lease the Demised Premises and a tenant under no compulsion to lease the Demised Premises would determine as rents (including

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Base Rent and rental increases) for the Option Term, as of the commencement of the Option Term, taking into consideration the uses permitted under this Lease, the quality, size, design and location of the Demised Premises, and the rent for comparable buildings located in the vicinity of Fayetteville, North Carolina.

(d) Within seven (7) days after the Rent Agreement Deadline, Landlord and Tenant shall each select a real estate broker with at least five (5) years' full-time commercial real estate experience in the area in which the Demised Premises is located to appraise the then-fair market rental value of the Demised Premises. Each party shall be responsible for the payment of any costs associated with the selection of such party's broker, including without limitation, any fees charged by such broker. If either Landlord or Tenant fails to select a broker within ten (10) days after the other party has given notice of the name of its broker, the single broker selected shall be the sole broker and shall determine the then-fair market rental value of the Demised Premises. If two (2) brokers are selected pursuant to this Section, they shall meet promptly and attempt to determine the then-fair market rental value of the Demised Premises. If the brokers are unable to agree within thirty (30) days after the second broker has been selected (the "Broker Agreement Deadline"), the two brokers shall attempt to select a third broker meeting the qualifications stated in this Section within ten (10) days after the Broker Agreement Deadline. If the two brokers are unable to agree on the third broker, each broker shall submit its good-faith appraisal in writing to both Landlord and Tenant within thirty (30) days of the Broker Agreement Deadline. The two (2) appraisals shall be averaged and the average shall be deemed the then-fair market rental value of the Demised Premises. In the event the brokers are able to select such third broker, within thirty (30) days after the selection of the third broker, a majority of the brokers shall determine the then-fair market rental value of the Demised Premises. If a majority of the brokers are unable to determine the then-fair market rental value of the Demised Premises within thirty (30) days

after selection of the third broker, each broker shall submit its good-faith appraisal in writing to both Landlord and Tenant. The three (3) appraisals shall be averaged and the average shall be deemed the then-fair market rental value of the Demised Premises. Notwithstanding anything to the contrary or apparently to the contrary herein, no broker shall be selected to determine the then-fair market value of the Demised Premises in accordance with this Section if such broker has previously worked or acted in any capacity for either Landlord or Tenant.

7. Option to Purchase.

(a) Grant. Landlord hereby grants to Tenant the option to purchase the Demised Premises (the "Purchase Option"). Tenant must exercise its Purchase Option, if at all, by written notice to Landlord at least six (6) months prior to the expiration of the Initial Term. Such notice must state a closing date no more than thirty (30) days after the Expiration Date of the Initial Term.

(b) Assignment. The Purchase Option may not be assigned apart from this Lease.

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(c) Conditions. The Purchase Option is conditioned upon Tenant not being in default at either the time of its exercise of the Purchase Option or the time of closing of such option.

(d) Purchase Price. The purchase price is \$5,250,000 and shall be paid in cash or certified funds, as directed by Landlord, at closing.

(e) Closing. At closing, Landlord shall convey the Demised Premises to Tenant by special warranty deed, subject to all exceptions or matters of record at the time of closing. Landlord shall pay the cost of any transfer taxes and its attorney's fees. Tenant shall pay recording fees and charges, its attorney's fees and any other costs and expenses it incurs in connection herewith. At closing, Landlord shall deliver the special warranty deed, and Tenant shall pay the purchase price to Landlord.

8. Use of Demised Premises.

(a) During the continuation of this Lease, the Demised Premises shall be used and occupied for storage and distribution of apparel, ancillary office purposes and operation of a retail store and for no other purposes without the written consent of the Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Tenant shall not use the Demised Premises for any purpose in violation of any law, municipal ordinance or regulation, nor shall Tenant perform any acts or carry on any practices which may injure the Demised Premises or the Building or be a nuisance, disturbance or menace.

(b) Tenant shall not permit liens to attach or exist against the Demised Premises, and shall not commit any waste.

(c) The Demised Premises shall not be used for any illegal purposes.

(d) Tenant shall not in any way violate any law, ordinance or restrictive covenant affecting the Demised Premises, and shall not in any manner use the Demised Premises so as to cause cancellation of, prevent the use of, or increase the rate of, the fire and extended coverage insurance policy required hereunder. Landlord makes no (and does hereby expressly disclaim any) covenant, representation or warranty as to the Permitted Use being allowed by or being in compliance with any applicable laws, rules, ordinances or restrictive covenants now or hereafter affecting the Demised Premises, and any zoning letters, copies of zoning ordinances or other information from any governmental agency or other third party provided to Tenant by Landlord or any of Landlord's agents or employees shall be for informational purposes only, Tenant hereby expressly acknowledging and agreeing that Tenant shall conduct and rely solely on its own due diligence and investigation with respect to the compliance of the Permitted Use with all such applicable laws, rules, ordinances and restrictive covenants and not on any such information provided by Landlord or any of its agents or employees. Landlord shall not voluntarily initiate any action which would cause a change in zoning laws and ordinances applicable to the Demised Premises so as to result in the Permitted Use being in violation of such zoning laws or ordinances nor support any such action initiated by a third party.

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(e) In the event insurance premiums pertaining to the Demised Premises or the Building, whether paid by Landlord or Tenant, are increased over the least hazardous rate available due to the nature of the use of the Demised Premises by Tenant, Tenant shall pay such additional amount as Additional Rent.

9. Insurance.

(a) Landlord shall maintain during the Term a policy or policies of insurance insuring the Demised Premises against loss or damage due to fire and other casualties covered within the classification of fire and extended coverage, vandalism coverage and malicious mischief and special extended coverage on the Building, and the Tenant shall reimburse the Landlord for the reasonable costs of such reasonable coverage. Such coverage shall be in such amounts as Landlord may from time to time reasonably determine. Tenant shall neither use the Demised Premises nor permit the Demised Premises to be used or acts to be done therein which will (i) increase the premium of any insurance described in this subsection, but Landlord acknowledges Tenant's intended use of the Demised Premises pursuant to Section 8 and admits that such use does not increase the premium of any insurance described herein at the time of execution hereof; (ii) cause a cancellation of or be in conflict with any such insurance policies; (iii) result in a refusal by insurance companies of good standing to insure all or any part of the Demised Premises in amounts reasonably satisfactory to Landlord; or (iv) subject Landlord to any liability or responsibility for injury to any person or property by reason of any operation being conducted in the Demised Premises. If Tenant's conduct or use of the Demised Premises causes any increase in the premium for such insurance policies, then Tenant shall reimburse Landlord for any such increase upon demand therefor by Landlord.

(b) Tenant covenants and agrees that from and after the Lease Commencement Date or any earlier date upon which Tenant enters or occupies the Demised Premises or any portion thereof, Tenant will carry and maintain, at its sole cost and expense, the following types of insurance, in the amounts specified and in the form hereinafter provided for:

(i) Liability insurance in the Commercial General Liability form (including Broad Form Property Damage and Contractual Liabilities or reasonable equivalent thereto) covering the Demised Premises and Tenant's use thereof against claims for bodily injury or death, property damage and product liability occurring upon, in or about the Demised Premises, such insurance to be written on an occurrence basis (not a claims made basis), to be in combined single limits amounts of not less than \$3,000,000.00 and to have general aggregate limits of not less than \$10,000,000.00 for each policy year. The insurance coverage required under this Section shall, in addition, extend to any liability of Tenant arising out of the indemnities provided for in Section 15 and, if necessary, the policy shall contain a contractual endorsement to that effect.

(ii) Insurance covering (A) all of the items included in the leasehold improvements constructed in the Demised Premises by or at the expense of Landlord (collectively, the "Improvements"), including but not limited to demising walls and the heating, ventilating and air conditioning system and (B) Tenant's trade fixtures, merchandise and personal property from time to time in, on or upon the Demised Premises, in an amount not less than one hundred percent (100%) of their full replacement value from time to time during the Term, providing protection against perils included within the standard form

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of "Special Form" fire and casualty insurance policy, together with insurance against sprinkler damage, vandalism and malicious mischief. Any policy proceeds from such insurance relating to the Improvements shall be used solely for the repair, construction and restoration or replacement of the Improvements damaged or destroyed unless this Lease shall cease and terminate under the provisions of Section 19.

(c) All policies of the insurance provided for in Section 9(b) shall be issued in form reasonably acceptable to Landlord by insurance companies with a rating of not less than "A," and financial size of not less than Class XII, in the most current available "Best's Insurance Reports", and licensed to do business in North Carolina. Each and every such policy:

(i) shall name Landlord, Lender (as defined in Section 23),

and any other party reasonably designated by Landlord, as an additional insured. In addition, the coverage described in Section 9(b)(ii)(A) relating to the Improvements shall also name Landlord as "loss payee";

(ii) shall be delivered to Landlord, in the form of an insurance certificate reasonably acceptable to Landlord as evidence of such policy, prior to the Lease Commencement Date and thereafter within thirty (30) days prior to the expiration of each such policy, and, as often as any such policy shall expire or terminate. Renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent;

(iii) shall contain a provision that the insurer will give to Landlord and such other parties in interest at least thirty (30) days notice in writing in advance of any material change, cancellation, termination or lapse, or the effective date of any reduction in the amounts of insurance; and

(iv) shall be written as a primary policy which does not contribute to and is not in excess of coverage which Landlord may carry.

(d) The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. In the event that Tenant shall fail to carry and maintain the insurance coverages set forth in this Section, Landlord may upon thirty (30) days prior written notice to Tenant (unless such coverages will lapse in which event no such notice shall be necessary) procure such policies of insurance and Tenant shall promptly reimburse Landlord therefor.

(e) Landlord and Tenant hereby waive any rights each may have against the other on account of any loss or damage occasioned to Landlord or Tenant, as the case may be, their respective property, the Demised Premises, its contents or to the other portions of the Building, arising from any risk covered by "Special Form" fire and extended coverage insurance of the type and amount required to be carried hereunder, provided that such waiver does not invalidate such policies or prohibit recovery thereunder. The parties hereto shall cause their respective insurance companies insuring the property of either Landlord or

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Tenant against any such loss, to waive any right of subrogation that such insurers may have against Landlord or Tenant, as the case may be.

10. Utilities. During the Term, Tenant shall promptly arrange for and pay as billed to Tenant all rents and charges for water and sewer services and all costs and charges for gas, steam, electricity, fuel, light, power, telephone, heat and any other utility or service used or consumed in or servicing the Demised Premises and all other costs and expenses involved in the care, management and use thereof as charged by the applicable utility companies. Tenant's obligation for payment of all utilities shall commence on the earlier of the Lease Commencement Date or the date of Tenant's actual occupancy of all or any portion of the Demised Premises, including any period of occupancy prior to the Lease Commencement Date, regardless of whether or not Tenant conducts business operations during such period of occupancy. If Tenant fails to pay any utility bills or charges, Landlord may, at its option, pay the same and in such event, the amount of such payment, together with interest thereon at the Interest Rate as defined in Section 30 from the date of such payment by Landlord, will be added to Tenant's next due payment as Additional Rent.

11. Maintenance and Repairs.

(a) Landlord shall have no obligation to maintain any portion of the Demised Premises, it being the intention of the parties that this be an absolute net lease. Tenant shall, at its sole cost and expense, maintain the Demised Premises in good condition and repair during the term of this Lease. Tenant shall be obligated to maintain all of the interior and exterior of the improvements comprising the Demised Premises, including but not limited to, the plumbing, heating, electrical wiring, well pump, air conditioning and other mechanical systems in such improvements, all interior and exterior painting and decorating, the roof and all other structural components of such improvements. Tenant shall also perform all maintenance of the grounds comprising the Demised Premises, including but not limited to, trimming the shrubs, mowing the grass and cleaning and repairing all parking lots and driveways located on the Demised Premises. All such repairs, restorations, and replacements will be in quality

and class equal to the original work or installations and the Demised Premises shall be kept in a neat and orderly manner. Tenant shall deliver the Demised Premises to Landlord at the expiration or earlier termination of this Lease in as good condition as of the effective date of this Lease, normal wear and tear and damage by casualty excepted. During the Term, Tenant shall maintain in full force and effect a service contract for the maintenance of the heating, ventilation and air conditioning systems with an entity reasonably acceptable to Landlord. Tenant shall deliver to Landlord (i) a copy of said service contract prior to the Lease Commencement Date, and (ii) thereafter, a copy of a renewal or substitute service contract within thirty (30) days prior to the expiration of the existing service contract. In the event Landlord, its employees, contractors or agents causes any damage to the Demised Premises, Landlord shall promptly repair such damage in a good and workmanlike manner at Landlord's sole cost and expense.

(b) Landlord shall have no obligation of any maintenance or repair including but not limited to any maintenance or repair required because of the act or negligence of Tenant or any of Tenant's subsidiaries or affiliates, or any of Tenant's or such subsidiaries' or affiliates' agents, contractors,

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employees, licensees or invitees (collectively, "Tenant's Affiliates"), the cost of which shall be the responsibility of Tenant.

(c) Unless the same is caused solely by the gross negligence of Landlord, its employees or agents, and is not covered by the insurance required to be carried by Tenant pursuant to the terms of this Lease, Landlord shall not be liable to Tenant or to any other person for any damage occasioned by failure in any utility system or by the bursting or leaking of any vessel or pipe in or about the Demised Premises, or for any damage occasioned by water coming into the Demised Premises or arising from the acts or negligence of occupants of adjacent property or the public.

12. Tenant's Personal Property. All of Tenant's personal property in the Demised Premises shall be and remain at Tenant's sole risk. Landlord, its agents, employees and contractors, shall not be liable for, and Tenant hereby releases Landlord from, any and all liability for theft thereof or any damage thereto occasioned by any act of God or by any acts, omissions or negligence of any persons.

13. Tenant's Fixtures. Tenant shall have the right to install in the Demised Premises trade fixtures required by Tenant or used by it in its business, and if installed by Tenant, to remove any or all such trade fixtures from time to time during and prior to termination or expiration of this Lease, provided no uncured Event of Default, as defined in Section 21, then exists; provided, however, that Tenant shall repair and restore any damage or injury to the Demised Premises (to the condition in which the Demised Premises existed prior to such installation) caused by the installation and/or removal of any such trade fixtures.

14. Signs. No sign, advertisement or notice shall be inscribed, painted, affixed, or displayed on the windows or exterior walls of the Demised Premises or on any public area of the Building, except in such places, numbers, sizes, colors and styles as are approved in advance in writing by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and which conform to all applicable laws, ordinances, or covenants affecting the Demised Premises. Any and all signs installed or constructed by or on behalf of Tenant pursuant hereto shall be installed, maintained and removed by Tenant at Tenant's sole cost and expense.

15. Indemnity. Tenant shall defend Landlord from and against any and all actions against Landlord, any partner, trustee, stockholder, member, manager, officer, director, employee or beneficiary of Landlord, holders of mortgages on the Demised Premises and any other party having an interest in the Demised Premises (herein, the "LANDLORD INDEMNIFIED PARTIES") with respect to, and shall pay, protect, indemnify and save harmless, to the extent permitted by law, all Landlord Indemnified Parties from and against, any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature arising from (i) bodily injury to or death of any person, or damage to or loss of tangible property, on or about the Demised Premises or on adjoining sidewalks, streets or ways, or connected with the use, condition or occupancy of any part thereof and not caused by the gross negligence or willful misconduct of any Landlord Indemnified Party, or (ii) any negligent act, omission or willful

misconduct of Tenant or its respective agents, contractors, licensees, sublessees or invitees, or (iii) any uncured breach by Tenant of its obligations under this Lease. Notwithstanding anything to the contrary or apparently to the contrary herein, Tenant shall have no obligation to indemnify the holders of mortgages on the Demised Premises in their role as holders of mortgages (but shall have the obligation if the holder has succeeded to the interest of Landlord) for any uncured breach by Tenant of its obligations under this Lease as referenced in (iii) above.

Landlord shall defend Tenant from and against all actions against Tenant, any partner, trustee, stockholder, member, manager, officer, director, employee, lender or beneficiary of Tenant (herein, the "TENANT INDEMNIFIED PARTIES") with respect to, and shall pay, protect, indemnify and save harmless, to the extent permitted by law, all Tenant Indemnified Parties from and against, any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature arising from (i) any grossly negligent act or omission or willful misconduct of Landlord or its agents, contractors, licensees, sublessees or invitees with respect to this Lease, or (ii) any uncured breach by Landlord of its obligations under this Lease. The provisions of this section shall survive the expiration or earlier termination of this Lease with respect to any damage, injury or death occurring before such expiration or termination. Notwithstanding anything to the contrary or apparently to the contrary herein, Landlord shall have no obligation to indemnify the holders of leasehold mortgages on the Demised Premises in their role as holders of leasehold mortgages (but shall have the obligation if the holder has succeeded to the interest of Tenant) for any uncured breach by Landlord of its obligations under this Lease as referenced in (ii) above.

16. Governmental Regulations. Tenant shall promptly comply throughout the Term, at Tenant's sole cost and expense, with all present and future laws, ordinances, orders, rules, regulations or requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and officers thereof (collectively, "Governmental Requirements") relating to (a) all or any part of the Demised Premises, and (b) the use or manner of use of the Demised Premises. Tenant shall also observe and comply with the requirements of all policies of public liability, fire and other policies of insurance at any time in force with respect to the Demised Premises. Without limiting the foregoing, if as a result of one or more Governmental Requirements it is necessary, from time to time during the Term, to perform an alteration or modification of the Demised Premises (a "Code Modification") that is made necessary as a result of the specific use being made by Tenant of the Demised Premises, then such Code Modification shall be the sole and exclusive responsibility of Tenant in all respects; any such Code Modification shall be promptly performed by Tenant at its expense in accordance with the applicable Governmental Requirement and with Section 18 hereof. Tenant shall promptly send to Landlord a copy of any written notice received by Tenant requiring a Code Modification.

17. Environmental Matters.

(a) For purposes of this Lease:

(i) "Contamination" as used herein means the presence of or release of Hazardous Substances (as hereinafter defined) into any environmental media from, upon, within, below, into or on any portion of the Demised Premises or the Building so as to require remediation,

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cleanup or investigation under any applicable Environmental Law (as hereinafter defined).

(ii) "Environmental Laws" as used herein means all federal, state, and local laws, regulations, orders, permits, ordinances or other requirements, which exist now or as may exist hereafter, concerning protection of human health, safety and the environment, all as may be amended from time to time.

(iii) "Hazardous Substances" as used herein means any hazardous or toxic substance, material, chemical, pollutant, contaminant or waste as those terms are defined by any applicable

Environmental Laws, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et seq. ("CERCLA") and the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq. ("RCRA") and any solid wastes, polychlorinated biphenyls, urea formaldehyde, asbestos, radioactive materials, radon, explosives, petroleum products and oil.

(b) Landlord represents that, except as revealed to Tenant in writing by Landlord, to Landlord's actual knowledge, Landlord has not treated, stored or disposed of any Hazardous Substances upon or within the Demised Premises, nor, to Landlord's actual knowledge, has any predecessor owner of the Demised Premises. Landlord further represents and warrants that, to the best of its knowledge, the Demised Premises is not contaminated with Hazardous Substances as of the date hereof.

(c) Tenant covenants that all its activities, and the activities of Tenant's Affiliates (as defined in Section 11(b)), on the Demised Premises or the Building during the Term will be conducted in compliance with Environmental Laws. Tenant warrants that it is currently in compliance with all applicable Environmental Laws and that there are no pending or threatened notices of deficiency, notices of violation, orders, or judicial or administrative actions involving alleged violations by Tenant of any Environmental Laws. Tenant, at Tenant's sole cost and expense, shall be responsible for obtaining all permits or licenses or approvals under Environmental Laws necessary for Tenant's operation of its business on the Demised Premises and shall make all notifications and registrations required by any applicable Environmental Laws. Tenant, at Tenant's sole cost and expense, shall at all times comply with the terms and conditions of all such permits, licenses, approvals, notifications and registrations and with any other applicable Environmental Laws. Tenant warrants that it has obtained all such permits, licenses or approvals and made all such notifications and registrations required by any applicable Environmental Laws necessary for Tenant's operation of its business on the Demised Premises or will obtain such permits, licenses or approvals within thirty (30) days of the Lease Commencement Date or as required by law.

(d) Tenant shall not cause any Hazardous Substances to be brought upon or used in or about the Demised Premises or the Building without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that the consent of Landlord shall not be required for the use at the Demised Premises of cleaning supplies, toner for photocopying machines and other similar materials, in containers and quantities reasonably necessary for and consistent with normal and ordinary use by Tenant in the routine operation or maintenance of Tenant's office equipment

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or in the routine janitorial service, cleaning and maintenance for the Demised Premises. For purposes of this Section, Landlord shall be deemed to have reasonably withheld consent if Landlord determines that the presence of such Hazardous Substance within the Demised Premises could result in a risk of harm to person or property or otherwise negatively affect the value or marketability of the Building.

(e) Tenant shall not cause or permit the release of any Hazardous Substances by Tenant or Tenant's Affiliates into any environmental media such as air, water or land, or into or on the Demised Premises or the Building in any manner that violates any Environmental Laws. If such release shall occur, Tenant shall (i) take all steps necessary to contain and control such release and any associated Contamination, (ii) clean up or otherwise remedy such release and any associated Contamination to the extent required by, and take any and all other actions required under, applicable Environmental Laws and (iii) notify and keep Landlord informed of such release and response.

(f) Regardless of any consents granted by Landlord pursuant to Section 17(d) allowing Hazardous Substances upon the Demised Premises, Tenant shall under no circumstances whatsoever cause or permit (i) any activity on the Demised Premises which would cause the Demised Premises to become subject to regulation as a hazardous waste treatment, storage or disposal facility under RCRA or the regulations promulgated thereunder, (ii) the discharge of Hazardous Substances into the storm sewer system serving the Demised Premises or (iii) the installation of any underground storage tank or underground piping on or under the Demised Premises.

(g) From and after Commencement Date, Tenant shall and hereby does indemnify Landlord and hold Landlord harmless from and against any and all

expense, loss, and liability suffered by Landlord (except to the extent that such expenses, losses, and liabilities arise out of Landlord's own gross negligence or willful act), by reason of the storage, generation, release, handling, treatment, transportation, disposal, or arrangement for transportation or disposal, of any Hazardous Substances (whether accidental, intentional, or negligent) by Tenant or Tenant's Affiliates or by reason of Tenant's breach of any of the provisions of this Section. Such expenses, losses and liabilities shall include, without limitation, (i) any and all reasonable expenses that Landlord may incur to comply with any Environmental Laws; (ii) any and all reasonable costs that Landlord may incur in studying or remedying any Contamination at or arising from the Demised Premises or the Building; (iii) any and all reasonable costs that Landlord may incur in studying, removing, disposing or otherwise addressing any Hazardous Substances; (iv) any and all fines, penalties or other sanctions assessed upon Landlord; and (v) any and all reasonable legal and professional fees and costs incurred by Landlord in connection with the foregoing. The indemnity contained herein shall survive the expiration or earlier termination of this Lease.

18. Tenant Alterations and Additions.

(a) Tenant shall not make or permit to be made any alterations, improvements or additions to the Demised Premises without first obtaining on each occasion Landlord's prior written consent (which consent Landlord agrees

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not to unreasonably withhold, condition or delay). Landlord may require that Tenant submit plans and specifications to Landlord, for Landlord's approval or disapproval, which approval shall not be unreasonably withheld, conditioned or delayed. All alterations, improvements or additions shall be performed in accordance with all legal requirements applicable thereto and in a good and workmanlike manner with first-class materials. Tenant shall maintain and shall require its contractors to maintain insurance reasonably satisfactory to Landlord during the construction of any alterations, improvements or additions. Upon completion of the alteration, improvement or addition it shall become part of the Demised Premises and the property of Landlord without payment therefor by Landlord and shall be surrendered to Landlord upon the expiration or earlier termination of this Lease.

(b) To the extent permitted by law, all of Tenant's contracts and subcontracts for such Tenant's Changes shall provide that no lien shall attach to or be claimed against the Demised Premises or any interest therein other than Tenant's leasehold interest in the Demised Premises, and that all subcontracts let thereunder shall contain the same provision. Whether or not Tenant furnishes the foregoing, Tenant agrees to hold Landlord harmless against all liens, claims and liabilities of every kind, nature and description which may arise out of or in any way be connected with such work. Tenant shall not permit the Demised Premises to become subject to any mechanics', laborers' or materialmen's lien on account of labor, material or services furnished to Tenant or claimed to have been furnished to Tenant in connection with work of any character performed or claimed to have been performed for the Demised Premises by, or at the direction or sufferance of Tenant and if any such liens are filed against the Demised Premises, Tenant shall promptly discharge the same; provided, however, that Tenant shall have the right to contest, in good faith and with reasonable diligence, the validity of any such lien or claimed lien if Tenant shall give to Landlord, within fifteen (15) days after Tenant receives notice of said lien, such security as may be reasonably satisfactory to Landlord to assure payment thereof and to prevent any sale, foreclosure, or forfeiture of Landlord's interest in the Demised Premises by reason of non-payment thereof; provided further that on final determination of the lien or claim for lien, Tenant shall immediately pay any judgment rendered, with all proper costs and charges, and shall have the lien released and any judgment satisfied. If Tenant fails to post such security or does not diligently contest such lien, Landlord may, without investigation of the validity of the lien claim, discharge such lien and Tenant shall reimburse Landlord upon demand for final costs and expenses incurred in connection therewith, which expenses shall include any reasonable attorneys' fees, paralegals' fees and any and all costs associated therewith, including litigation through all trial and appellate levels and any costs in posting bond to effect a discharge or release of the lien. Nothing contained in this Lease shall be construed as a consent on the part of Landlord to subject the Demised Premises to liability under any lien law now or hereafter existing of the state in which the Demised Premises are located.

19. Fire and Other Casualty. In the event the Demised Premises are damaged by fire or other casualty insured by Landlord, Landlord agrees to

promptly restore and repair the Demised Premises at Landlord's expense, including the Improvements to be insured by Tenant but only to the extent of (i) Landlord's net insurance proceeds therefore, after deduction of any costs of collection including, but not limited to, attorneys' fees and architects' fees, and (ii) the proceeds from the insurance required to be carried by Tenant on the

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Improvements. Notwithstanding the foregoing, in the event that the Demised Premises are (i) in the reasonable opinion of Landlord, so destroyed that they cannot be repaired or rebuilt within two hundred forty (240) days after the date of such damage; or (ii) destroyed by a casualty which is not covered by Landlord's insurance, or if such casualty is covered by Landlord's insurance but Lender or other party entitled to insurance proceeds fails to make such proceeds available to Landlord in an amount sufficient for restoration of the Demised Premises, then Landlord shall give written notice to Tenant of such determination (the "Determination Notice") within sixty (60) days of such casualty. Either Landlord or Tenant may terminate and cancel this Lease effective as of the date of such casualty by giving written notice to the other party within thirty (30) days after Tenant's receipt of the Determination Notice. Upon the giving of such termination notice, all obligations hereunder with respect to periods from and after the effective date of termination shall thereupon cease and terminate. If no such termination notice is given, Landlord shall, to the extent of the available insurance proceeds, make such repair or restoration of the Demised Premises to the approximate condition existing prior to such casualty, promptly and in such manner as not to unreasonably interfere with Tenant's use and occupancy of the Demised Premises (if Tenant is still occupying the Demised Premises). Base Rent shall proportionately abate during the time that the Demised Premises or any part thereof are unusable by reason of any such damage thereto. The charges of any architect or engineer employed by Landlord to pass upon any plans and specifications and to supervise and approve any construction, or for any services rendered by the architect or engineer to Landlord as contemplated by any of the provisions of this Lease, will be paid from the insurance proceeds as a cost of the repair or rebuilding. The fees of the architect or engineer will be those that are customarily paid for comparable services. Rent will not abate pending the repairs or rebuilding except to the extent to which Landlord receives a net sum as proceeds of rent insurance, if any.

20. Condemnation.

(a) If all of the Demised Premises is taken or condemned for a public or quasi-public use, or if a material portion of the Demised Premises is taken or condemned for a public or quasi-public use and the remaining portion thereof is not usable by Tenant for the purposes for which it was used immediately before the taking or condemnation, this Lease shall terminate as of the earlier of the date title to the condemned real estate vests in the condemnor or the date on which Tenant is deprived of possession of the Demised Premises. In such event, the Base Rent herein reserved and other sums payable hereunder shall be apportioned and paid in full by Tenant to Landlord to that date, all Base Rent and other sums payable hereunder prepaid for periods beyond that date shall forthwith be repaid by Landlord to Tenant, and neither party shall thereafter have any liability hereunder, except that any obligation or liability of either party, actual or contingent, under this Lease which has accrued on or prior to such termination date shall survive.

(b) If only part of the Demised Premises is taken or condemned for a public or quasi-public use and this Lease does not terminate pursuant to Section 21(a), Landlord shall, to the extent of the award it receives, restore the Demised Premises to a condition and to a size as nearly comparable as reasonably possible to the condition and size thereof immediately prior to the taking, and there shall be an equitable adjustment to the Base Rent based on the actual loss of use of the Demised Premises suffered by Tenant from the taking.

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(c) Landlord shall be entitled to receive the entire award in any proceeding with respect to any taking provided for in this Section, without deduction therefrom for any estate vested in Tenant by this Lease, and Tenant shall receive no part of such award. Nothing herein contained shall be deemed to prohibit Tenant from making a separate claim, against the condemnor, to the extent permitted by law, for the value of Tenant's moveable trade fixtures, machinery and moving expenses, provided that the making of such claim shall not and does not adversely affect or diminish Landlord's award.

(d) If this Lease ends according to subsection 20(a), the condemnation award will be paid in the order in this subparagraph to the extent it is sufficient:

(i) First, Landlord will be reimbursed for its reasonable, actually incurred attorneys' fees, appraisal fees, and other reasonable costs actually incurred in prosecuting the claim for the award;

(ii) Second, Landlord will be paid for lost Rent and the value of the reversion as of the ending date;

(iii) Third, Tenant will be paid for its reasonable attorneys' fees actually incurred, other reasonable, actually incurred costs incurred in connection with its claim for the award and its adjusted book value as of the date of the taking of its improvements (excluding trade fixtures) made to the Demised Premises. In computing its adjusted book value, improvements will be conclusively presumed to have been depreciated or amortized for federal income tax purposes over their useful lives with a reasonable salvage value;

(iv) Fourth, the balance will be divided equally between Landlord and Tenant.

21. Tenant's Default.

(a) The occurrence of any one or more of the following events shall constitute an "Event of Default" of Tenant under this Lease:

(i) if Tenant fails to pay Base Rent hereunder and such failure shall continue for more than five (5) days after the date it is due;

(ii) if Tenant fails to pay any other amount due hereunder and such failure shall continue for more than five (5) days after Landlord gives written notice to Tenant of such failure;

(iii) if Tenant fails to pay Base Rent on time more than three (3) times in any period of twelve (12) months, notwithstanding that such payments have been made within the applicable cure period;

(iv) if Tenant permits a lien to attach to the Demised Premises in violation of the terms hereof which is not released within fifteen (15) days after filing;

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(v) if Tenant fails to maintain in force all policies of insurance required by this Lease and such failure shall continue for more than ten (10) days after Tenant receives written notice of such failure;

(vi) if any petition is filed by or against Tenant under any present or future section or chapter of the Bankruptcy Code, or under any similar law or statute of the United States or any state thereof (which, in the case of an involuntary proceeding, is not permanently discharged, dismissed, stayed, or vacated, as the case may be, within sixty (60) days of commencement), or if any order for relief shall be entered against Tenant or any guarantor of this Lease in any such proceedings;

(vii) if Tenant becomes insolvent or makes a transfer in fraud of creditors or makes an assignment for the benefit of creditors;

(viii) if a receiver, custodian, or trustee is appointed for the Demised Premises or for all or substantially all of the assets of Tenant, which appointment is not vacated within sixty (60) days following the date of such appointment; or

(ix) if Tenant fails to perform or observe any other term of this Lease and such failure shall continue for more than thirty (30) days after Landlord gives Tenant written notice of such failure, or, if such failure cannot be corrected within such thirty (30) day period, if Tenant does not commence to correct such default within said thirty (30) day period and thereafter diligently prosecute the correction of same to completion within a reasonable time.

(b) Upon the occurrence of any one or more Events of Default, Landlord may, at Landlord's option, without any demand or notice whatsoever (except as expressly required in this Section):

(i) Terminate this Lease by giving Tenant notice of termination, in which event this Lease shall expire and terminate on the date specified in such notice of termination and all rights of Tenant under this Lease and in and to the Demised Premises shall terminate. Tenant shall remain liable for all obligations under this Lease arising up to the date of such termination, and Tenant shall surrender the Demised Premises to Landlord on the date specified in such notice; or

(ii) Terminate this Lease as provided in Section 21(b)(i) hereof and recover from Tenant all damages Landlord may incur by reason of Tenant's default, including, without limitation, an amount which, at the date of such termination, is calculated as follows: (1) the value of the excess, if any, of (A) the Base Rent and all other sums which would have been payable hereunder by Tenant for the period commencing with the day following the date of such termination and ending with the Expiration Date had this Lease not been terminated (the "Remaining Term"), less (B) the aggregate reasonable rental value of the Demised Premises for the Remaining Term (which excess, if any, shall be discounted to present value at the "Treasury Yield" as defined below for the Remaining Term); plus (2) the costs of recovering possession of the Demised Premises and all other expenses incurred by Landlord due to Tenant's default, including, without limitation, reasonable attorney's fees; plus (3) the unpaid Base Rent earned as of the date of

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termination plus any interest and late fees due hereunder, plus other sums of money and damages owing on the date of termination by Tenant to Landlord under this Lease or in connection with the Demised Premises. The amount as calculated above shall be deemed immediately due and payable. The payment of the amount calculated in subparagraph (ii)(1) shall not be deemed a penalty but shall merely constitute payment of liquidated damages, it being understood and acknowledged by Landlord and Tenant that actual damages to Landlord are extremely difficult, if not impossible, to ascertain. "Treasury Yield" shall mean the rate of return in percent per annum of Treasury Constant Maturities for the length of time specified as published in document H.15(519) (presently published by the Board of Governors of the U.S. Federal Reserve System titled "Federal Reserve Statistical Release") for the calendar week immediately preceding the calendar week in which the termination occurs. If the rate of return of Treasury Constant Maturities for the calendar week in question is not published on or before the business day preceding the date of the Treasury Yield in question is to become effective, then the Treasury Yield shall be based upon the rate of return of Treasury Constant Maturities for the length of time specified for the most recent calendar week for which such publication has occurred. If no rate of return for Treasury Constant Maturities is published for the specific length of time specified, the Treasury Yield for such length of time shall be the weighted average of the rates of return of Treasury Constant Maturities most nearly corresponding to the length of the applicable period specified. If the publishing of the rate of return of Treasury Constant Maturities is ever discontinued, then the Treasury Yield shall be based upon the index which is published by the Board of Governors of the U.S. Federal Reserve System in replacement thereof or, if no such replacement index is published, the index which, in Landlord's reasonable determination, most nearly corresponds to the rate of return of Treasury Constant Maturities. In determining the aggregate reasonable rental value pursuant to subparagraph (ii)(1)(B) above, the parties hereby agree that, at the time Landlord seeks to enforce this remedy, all relevant factors should be considered, including, but not limited to, (a) the length of time remaining in the Remaining Term, (b) the then current market conditions in the general area in which the Building is located, (c) the likelihood of reletting the Demised Premises for a period of time equal to the Remaining Term, (d) the net effective rental rates then being obtained by landlords for similar type space of similar size in similar type buildings in the general area in which the Building is located, (e) the vacancy levels in the general area in which the Building is located, (f) current levels of new construction that will be completed

during the Remaining Term and how this construction will likely affect vacancy rates and rental rates and (g) inflation; or

(iii) Without terminating this Lease, declare immediately due and payable the sum of the following: (1) the present value (calculated using the "Treasury Yield") of all Base Rent due and coming due under this Lease for the entire Remaining Term (as if by the terms of this Lease they were payable in advance), plus (2) the cost of recovering and reletting the Demised Premises and all other expenses incurred by Landlord in connection with Tenant's default, plus (3) any unpaid Base Rent and other rentals, charges, assessments and other sums owing by Tenant to Landlord under this Lease or in connection with the Demised Premises as of the date this provision is invoked by Landlord, plus (4) interest on all such amounts from the date due at the Interest Rate (as hereinafter defined), and Landlord may immediately proceed to distrain, collect, or bring action for such sum, or may file a proof of claim in any bankruptcy or insolvency proceedings to enforce payment thereof; provided, however, that such payment shall not be deemed a penalty or liquidated damages, but shall merely constitute payment in advance of all Base Rent payable hereunder throughout the Term, and provided

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further, however, that upon Landlord receiving such payment, Tenant shall be entitled to receive a credit from Landlord of all rents received by Landlord from other assignees, tenants and subtenants on account of said Demised Premises during the remainder of the Term (provided that the monies to which Tenant shall so become entitled shall in no event exceed the entire amount actually paid by Tenant to Landlord pursuant to this subsection (iii)), less all costs, expenses and reasonable attorneys' fees of Landlord incurred but not yet reimbursed by Tenant in connection with recovering and reletting the Demised Premises; or

(iv) Without terminating this Lease, in its own name but as agent for Tenant, enter into and upon and take possession of the Demised Premises or any part thereof and any property remaining in the Demised Premises may be removed and stored in a warehouse or elsewhere at the cost of, and for the account of, Tenant for a period of thirty (30) days without Landlord being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby unless caused by Landlord's gross negligence. After such thirty (30) day period the property shall become the property of the Landlord. Thereafter, Landlord may, but shall not be obligated to, lease to a third party the Demised Premises or any portion thereof as the agent of Tenant upon such terms and conditions as Landlord may deem necessary or desirable in order to relet the Demised Premises. The remainder of any rentals received by Landlord from such reletting, after the payment of any indebtedness due hereunder from Tenant to Landlord, and the payment of any costs and expenses of such reletting, shall be held by Landlord to the extent of and for application in payment of future rent owed by Tenant, if any, as the same may become due and payable hereunder. If such rentals received from such reletting shall at any time or from time to time be less than sufficient to pay to Landlord the entire sums then due from Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for any such previous default provided same has not been cured; or

(v) Without terminating this Lease, and with or without notice to Tenant, enter into and upon the Demised Premises and, without being liable for prosecution or any claim for damages therefore, maintain the Demised Premises and repair or replace any damages thereto or do anything or make any payment for which Tenant is responsible hereunder. Tenant shall reimburse Landlord immediately upon demand for any reasonable expenses which Landlord incurs in thus effecting Tenant's compliance under this Lease and Landlord shall not be liable to Tenant for any damages with respect thereto; or

(vi) Without liability to Tenant or any other party and without constituting a constructive or actual eviction, suspend or discontinue furnishing or rendering to Tenant any property, material, labor, utilities or other service, wherever Landlord is obligated to furnish or render the same so long as an Event of Default exists under this Lease; or

(vii) With or without terminating this Lease, allow the Demised Premises to remain unoccupied and collect rent from Tenant as it comes due; or

(viii) Pursue such other remedies as are available at law or equity.

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(c) If this Lease shall terminate as a result of or while there exists an uncured Event of Default hereunder, any funds of Tenant held by Landlord may be applied by Landlord to any damages payable by Tenant (whether provided for herein or by law) as a result of such termination or uncured Event of Default.

(d) Neither the commencement of any action or proceeding, nor the settlement thereof, nor entry of judgment thereon shall bar Landlord from bringing subsequent actions or proceedings from time to time, nor shall the failure to include in any action or proceeding any sum or sums then due be a bar to the maintenance of any subsequent actions or proceedings for the recovery of such sum or sums so omitted.

(e) No agreement to accept a surrender of the Demised Premises and no act or omission by Landlord or Landlord's agents during the Term shall constitute an acceptance or surrender of the Demised Premises unless made in writing and signed by Landlord. No re-entry or taking possession of the Demised Premises by Landlord shall constitute an election by Landlord to terminate this Lease unless a written notice of such intention is given to Tenant. No provision of this Lease shall be deemed to have been waived by either party unless such waiver is in writing and signed by the party making such waiver. Landlord's acceptance of Base Rent in full or in part following an Event of Default hereunder shall not be construed as a waiver of such Event of Default. No custom or practice which may grow up between the parties in connection with the terms of this Lease shall be construed to waive or lessen either party's right to insist upon strict performance of the terms of this Lease, without a written notice thereof to the other party.

(f) If an Event of Default shall occur, Tenant shall pay to Landlord, on demand, all expenses incurred by Landlord as a result thereof, including reasonable attorneys' fees, court costs and expenses actually incurred.

22. Landlord's Right of Entry. Tenant agrees to permit Landlord and the authorized representatives of Landlord and of Lender to enter upon the Demised Premises at all reasonable times for the purposes of inspecting the Demised Premises and Tenant's compliance with this Lease, and making any necessary repairs thereto; provided that, except in the case of an emergency, Landlord or Lender, as the case may be, shall give Tenant reasonable prior notice of Landlord's or Lender's intended entry upon the Demised Premises. Nothing herein shall imply any duty upon the part of Landlord to do any work required of Tenant hereunder, and the performance thereof by Landlord shall not constitute a waiver of Tenant's default in failing to perform it. Landlord shall not be liable for inconvenience, annoyance, disturbance or other damage to Tenant by reason of making such repairs or the performance of such work in the Demised Premises or on account of bringing materials, supplies and equipment into or through the Demised Premises during the course thereof except to the extent caused by the gross negligence of Landlord, and the obligations of Tenant under this Lease shall not thereby be affected; provided, however, that Landlord shall use reasonable efforts not to disturb or otherwise interfere with Tenant's operations in the Demised Premises in making such repairs or performing such work. Landlord also shall have the right to enter the Demised Premises at all reasonable times to exhibit the Demised Premises to any prospective purchaser, mortgagee or tenant thereof.

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23. Lender's Rights.

(a) For purposes of this Lease:

(x) "Lender" as used herein means the holder of a Mortgage;

(xi) "Mortgage" as used herein means any or all mortgages, deeds to secure debt, deeds of trust or other instruments in the nature thereof which may now or hereafter affect or encumber Landlord's title

to the Demised Premises, and any amendments, modifications, extensions or renewals thereof.

(b) This Lease and all rights of Tenant hereunder are and shall be subject and subordinate to the lien and security title of any Mortgage. Tenant recognizes and acknowledges the right of Lender to foreclose or exercise the power of sale against the Demised Premises under any Mortgage. In the event Lender exercises its right to foreclose or proceed with the power of sale against the Demised Premises, Tenant shall be allowed to remain in possession of the Demised Premises provided Tenant is not in default hereunder.

(c) Tenant shall, in confirmation of the subordination set forth in Section 23(b) and notwithstanding the fact that such subordination is self-operative, and no further instrument or subordination shall be necessary, upon demand, at any time or times, execute, acknowledge, and deliver to Landlord or to Lender any and all instruments requested by either of them to evidence such subordination.

(d) At any time during the Term, Lender may, by written notice to Tenant, make this Lease superior to the lien of its Mortgage. If requested by Lender, Tenant shall, upon demand, at any time or times, execute, acknowledge, and deliver to Lender, any and all instruments that may be necessary to make this Lease superior to the lien of any Mortgage.

(e) If Lender (or Lender's nominee, or other purchaser at foreclosure) shall hereafter succeed to the rights of Landlord under this Lease, whether through possession or foreclosure action or delivery of a new lease, Tenant shall, if requested by such successor, attorn to and recognize such successor as Tenant's landlord under this Lease without change in the terms and provisions of this Lease and shall promptly execute and deliver any instrument that may be necessary to evidence such attornment, provided that such successor shall not be bound by (i) any payment of Base Rent for more than one month in advance, except prepayments in the nature of security for the performance by Tenant of its obligations under this Lease, (ii) any provision of any amendment to the Lease to which Lender has not consented if entered into after Lender's interest in the Demised Premises arose, (iii) the defaults of any prior landlord under this Lease, or (iv) any offset rights arising out of the defaults of any prior landlord under this Lease. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between each successor landlord and Tenant, subject to all of the terms, covenants and conditions of this Lease.

(f) In the event there is a Mortgage at any time during the Term, Landlord shall use reasonable efforts to cause the Lender to enter into a

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subordination, nondisturbance and attornment agreement with Tenant reasonably satisfactory to Tenant and consistent with this Section.

24. Estoppel Certificate and Financial Statement. Landlord and Tenant agree, at any time, and from time to time, within fifteen (15) days after receipt of written request of the other, to execute, acknowledge and deliver a statement in writing in recordable form to the requesting party and/or its designee certifying that: (i) this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect, as modified), (ii) the dates to which Base Rent and other charges have been paid, (iii) whether or not, to the best of its knowledge, there exists any failure by the requesting party to perform any term, covenant or condition contained in this Lease, and, if so, specifying each such failure, (iv) (if such be the case) Tenant has unconditionally accepted the Demised Premises and is conducting its business therein, and (v) and as to such additional matters as may be reasonably requested, it being intended that any such statement delivered pursuant hereto may be relied upon by the requesting party and by any purchaser of title to the Demised Premises or by any mortgagee or any assignee thereof or any party to any sale-leaseback of the Demised Premises, or the landlord under a ground lease affecting the Demised Premises.

25. Landlord Liability. No owner of the Demised Premises, whether or not named herein, shall have liability hereunder after it ceases to hold title to the Demised Premises (except for matters occurring during the period that said owner owns the Demised Premises) provided that such successor owner has assumed the obligations of Landlord under this Lease. Neither Landlord nor any officer, director, shareholder, partner or principal of Landlord, whether disclosed or undisclosed, shall be under any personal liability with respect to any of the provisions of this Lease. IN THE EVENT LANDLORD IS IN BREACH OR

DEFAULT WITH RESPECT TO LANDLORD'S OBLIGATIONS OR OTHERWISE UNDER THIS LEASE, TENANT SHALL LOOK SOLELY TO THE EQUITY OF LANDLORD IN THE LAND AND BUILDING FOR THE SATISFACTION OF TENANT'S REMEDIES. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT LANDLORD'S LIABILITY UNDER THE TERMS, COVENANTS, CONDITIONS, WARRANTIES AND OBLIGATIONS OF THIS LEASE SHALL IN NO EVENT EXCEED LANDLORD'S EQUITY INTEREST IN THE BUILDING.

26. Notices. Any notice required or permitted to be given or served by either party to this Lease shall be deemed given when made in writing, and either (i) personally delivered, (ii) deposited with the United States Postal Service, postage prepaid, by registered or certified mail, return receipt requested, or (iii) delivered by licensed overnight delivery service providing proof of delivery, properly addressed to the address set forth in Section 1(k) (as the same may be changed by giving written notice of the aforesaid in accordance with this Section). If any notice mailed is properly addressed with appropriate postage but returned for any reason, such notice shall be deemed to be effective notice and to be given on the date of mailing.

27. Brokers. Tenant represents and warrants to Landlord that Tenant has not engaged or had any conversations or negotiations with any broker, finder or other third party concerning the leasing of the Demised Premises to Tenant who would be entitled to any commission or fee based on the execution of this Lease. Tenant hereby indemnifies Landlord against and from any claims for any brokerage commissions and all costs, expenses and liabilities in connection therewith,

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including, without limitation, reasonable attorneys' fees and expenses, for any breach of the foregoing. The foregoing indemnification shall survive the termination of this Lease for any reason.

28. Assignment and Subleasing.

(a) Tenant may not assign, mortgage, pledge, encumber or otherwise transfer this Lease, or any interest hereunder, or sublet the Demised Premises, in whole or in part, without on each occasion first obtaining the prior express written consent of Landlord, which consent Landlord shall not unreasonably withhold, condition or delay. For purposes of this Section, by way of example and not limitation, Landlord shall be deemed to have reasonably withheld consent if Landlord determines (i) that the prospective assignee or subtenant is not of a reasonable financial strength in Landlord's reasonable opinion, (ii) that the prospective assignee or subtenant has a poor business reputation, or (iii) that the proposed use of the Demised Premises by such prospective assignee or subtenant (including, without limitation, a use involving the use or handling of Hazardous Substances) will negatively affect the value or marketability of the Building or the Demised Premises.

(b) Notwithstanding Section 28(a) above, provided that there then exists no Event of Default under this Lease which remains uncured, Tenant shall have the right, upon thirty (30) days' prior written notice to Landlord but without Landlord's prior consent, (i) to sublet all or part of the Demised Premises to any related entity which controls Tenant, is controlled by Tenant or is under common control with Tenant; or (ii) to assign this Lease to a successor entity into which or with which Tenant is merged or consolidated or which acquired substantially all of Tenant's assets and property, provided that such successor entity assumes substantially all of the obligations and liabilities of Tenant (including, without limitation, all of those obligations of Tenant arising under this Lease) and, after such transaction, shall have assets, capitalization, tangible net worth and creditworthiness at least equal to the assets, capitalization, tangible net worth and creditworthiness of Tenant as of the Lease Date and/or the date of assignment or subleasing as determined by generally accepted accounting principles. For the purpose hereof, (i) "control" shall mean ownership of not less than fifty percent (50%) of all the voting stock or legal and equitable interest in such entity, and (ii) "tangible net worth" shall mean the excess of the value of tangible assets (i.e. assets excluding those which are intangible such as goodwill, patents and trademarks) over liabilities. Any sublease or assignment pursuant to and in compliance with this subsection (b) shall be referred to herein as a "Related Assignment". With respect to any Related Assignment, Tenant shall provide in its notice to Landlord such information as may be reasonably required by Landlord to determine that the requirements of this subsection (b) have been satisfied.

(c) Except with respect to a Related Assignment, if Tenant desires to assign this Lease or sublet the Demised Premises or any part thereof, Tenant shall give Landlord written notice no later than thirty (30) days in advance of

the proposed effective date of any proposed assignment or sublease, specifying (i) the name and business of the proposed assignee or sublessee, (ii) the amount and location of the space within the Demised Premises proposed to be subleased, (iii) the proposed effective date and duration of the assignment or subletting and (iv) the proposed rent or consideration to be paid to Tenant by such assignee or sublessee. Tenant shall promptly supply Landlord with financial

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statements and other information as Landlord may reasonably request to evaluate the proposed assignment or sublease. Landlord shall have a period of thirty (30) days following receipt of such notice and other information requested by Landlord within which to notify Tenant in writing that Landlord elects: (i) to terminate this Lease as to the space so affected as of the proposed effective date set forth in Tenant's notice, in which event Tenant shall be relieved of all further obligations hereunder as to such space, except for obligations which expressly survive the termination hereof; or (ii) to permit Tenant to assign or sublet such space; provided, however, that, if the rent rate agreed upon between Tenant and its proposed subtenant or assignee is greater than the rent rate that Tenant must pay Landlord hereunder for that portion of the Demised Premises, or if any consideration shall be promised to or received by Tenant in connection with such proposed assignment or sublease (in addition to rent), then one half (1/2) of such excess rent and other consideration (after payment of brokerage commissions, attorneys' fees and other disbursements reasonably incurred by Tenant for such assignment and subletting if acceptable evidence of such disbursements is delivered to Landlord) shall be considered additional rent (the "Additional Rent") owed by Tenant to Landlord, and shall be paid by Tenant to Landlord, in the case of excess rent, in the same manner that Tenant pays Base Rent and, in the case of any other consideration, within ten (10) business days after receipt thereof by Tenant; or (iii) to refuse, in Landlord's reasonable discretion (taking into account all relevant factors including, without limitation, the factors set forth in Section 28(a) above), to consent to Tenant's assignment or subleasing of such space and to continue this Lease in full force and effect as to the entire Demised Premises. If Landlord should fail to notify Tenant in writing of such election within the aforesaid thirty (30) day period, Landlord shall be deemed to have elected option (iii) above. Tenant agrees to reimburse Landlord for reasonable legal fees and any other reasonable costs incurred by Landlord in connection with any requested assignment or subletting, and such payments shall not be deducted from the Additional Rent owed to Landlord pursuant to subsection (ii) above. Tenant shall deliver to Landlord copies of all documents executed in connection with any permitted assignment or subletting, which documents shall be in form and substance reasonably satisfactory to Landlord and which shall require such assignee to assume performance of all terms of this Lease on Tenant's part to be performed.

(d) No acceptance by Landlord of any rent or any other sum of money from any assignee, sublessee or other category of transferee shall be deemed to constitute Landlord's consent to any assignment, sublease, or transfer. Permitted subtenants or assignees shall become liable directly to Landlord for all obligations of Tenant hereunder, without, however, relieving Tenant of any of its liability hereunder. No such assignment, subletting, occupancy or collection shall be deemed the acceptance of the assignee, tenant or occupant, as Tenant, or a release of Tenant from the further performance by Tenant of Tenant's obligations under this Lease. Any assignment or sublease consented to by Landlord shall not relieve Tenant (or its assignee) from obtaining Landlord's consent to any subsequent assignment or sublease.

29. Termination or Expiration.

(a) No termination of this Lease prior to the normal ending thereof, by lapse of time or otherwise, shall affect Landlord's right to collect rent for the period prior to termination thereof.

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(b) At the expiration or earlier termination of the Term of this Lease, Tenant shall surrender the Demised Premises and all improvements, alterations and additions thereto, and keys therefor to Landlord, clean and neat, and in the same condition as at the Lease Commencement Date, excepting normal wear and tear, condemnation and casualty other than that required to be insured against by Tenant hereunder.

(c) If Tenant remains in possession of the Demised Premises after expiration of the Term, with or without Landlord's acquiescence and without any express agreement of the parties, Tenant shall be a tenant-at-sufferance at one

hundred fifty percent (150%) of the Base Rent in effect at the end of the Term. There shall be no renewal of this Lease by operation of law. In addition to the foregoing, Tenant shall be liable for all damages, direct and consequential, incurred by Landlord as a result of such holdover. No receipt of money by Landlord from Tenant after the termination of this Lease or Tenant's right of possession of the Demised Premises shall reinstate, continue or extend the Term or Tenant's right of possession.

30. Late Payments. In the event any installment of rent, inclusive of Base Rent or other sums due hereunder, if any, is not paid within five (5) days after the due date therefor, Tenant shall pay an administrative fee (the "Administrative Fee") equal to five percent (5%) of such past due amount, plus interest on the amount past due at the lesser of (i) the maximum interest rate allowed by law or (ii) a rate of twelve percent (12%) per annum (the "Interest Rate"), in order to defray the additional expenses incurred by Landlord as a result of such late payment. The Administrative Fee is in addition to, and not in lieu of, any of the Landlord's remedies hereunder.

31. Quiet Enjoyment. So long as there is no uncured Event of Default hereunder, Landlord agrees that Tenant shall have the right to quietly use and enjoy the Demised Premises for the Term in accordance with the terms and conditions hereof.

32. Miscellaneous.

(a) The parties hereto hereby covenant and agree that Landlord shall receive the Base Rent and all other sums payable by Tenant hereinabove provided as net income from the Demised Premises, without any abatement (except as set forth in Section 19 and Section 20), reduction, set-off, counterclaim, defense or deduction whatsoever.

(b) If any clause or provision of this Lease is determined to be illegal, invalid or unenforceable under present or future laws effective during the Term, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and that in lieu of such illegal, invalid or unenforceable clause or provision there shall be substituted a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable,

(c) All rights, powers, and privileges conferred hereunder upon the parties hereto shall be cumulative, but not restrictive to those given by law.

(d) TIME IS OF THE ESSENCE FOR THIS LEASE.

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(e) No failure of Landlord or Tenant to exercise any power given Landlord or Tenant hereunder or to insist upon strict compliance by Landlord or Tenant with its obligations hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Landlord's or Tenant's rights to demand exact compliance with the terms hereof.

(f) This Lease contains the entire agreement of the parties hereto as to the subject matter of this Lease and no prior representations, inducements, letters of intent, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force and effect. Any future amendment to this Lease must be in writing and signed by the parties hereto. The masculine (or neuter) pronoun, singular number shall include the masculine, feminine and neuter gender and the singular and plural number.

(g) This contract shall create the relationship of landlord and tenant between Landlord and Tenant; no estate shall pass out of Landlord; Tenant's interest is not subject to levy and sale, and is not assignable by Tenant except as expressly set forth herein.

(h) Tenant shall have the right to include in its required securities filing a copy of this Lease, as required by applicable federal securities laws and may record a memorandum of this Lease on the real property records.

(i) The captions of this Lease are for convenience only and are not a part of this Lease, and do not in any way define, limit, describe or amplify the terms or provisions of this Lease or the scope or intent thereof.

(j) This Lease may be executed in multiple counterparts, each of which

shall constitute an original, but all of which taken together shall constitute one and the same agreement.

(k) This Lease shall be interpreted under the laws of the State where the Demised Premises are located.

(l) The parties acknowledge that this Lease is the result of negotiations between the parties, and in construing any ambiguity hereunder no presumption shall be made in favor of either party. No inference shall be made from any item which has been stricken from this Lease other than the deletion of such item.

33. No Offer Until Executed. The submission of this Lease by Landlord to Tenant for examination or consideration does not constitute an offer by Landlord to lease the Demised Premises and this Lease shall become effective, if at all, only upon the execution and delivery thereof by Landlord and Tenant. Execution and delivery of this Lease by Tenant to Landlord constitutes an offer to lease the Demised Premises on the terms contained herein. The offer by Tenant will be irrevocable until 6:00 p.m. Eastern time for fifteen (15) days after the date of execution of this Lease by Tenant and delivery to Landlord.

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IN WITNESS WHEREOF, the parties hereto have hereunto set their hands under seals, the day and year first above written.

LANDLORD:

Date: October 3, 2003

Middle Road Properties, LLC, (SEAL)
a North Carolina limited liability company

By: /s/ John D. Soffe

Name: John D. Soffe
Title:

TENANT:

Date: October 3, 2003

M.J. SOFFE Co., (SEAL)
a North Carolina corporation

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys
Title:

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EXHIBIT A

Demised Premises