

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-K

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

For The Fiscal Year Ended October 2, 2021

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

Commission File No. 1-15583

DELTA APPAREL, INC.

(Exact name of registrant as specified in its charter)

Georgia

58-2508794

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

2750 Premiere Parkway, Suite 100

Duluth, Georgia 30097

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (864) 232-5200

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01	DLA	NYSE American

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

None

Indicate by check mark if the registrant is a well-known seasoned filer, as defined in Rule 405 of the Securities Act. Yes No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No .

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No .

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act .

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

Based on the closing price of the registrant's common stock of \$28.28 as quoted by the NYSE American on April 1, 2021, which is the last business day of the registrant's most recently completed second quarter, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$178.4 million. Solely for purposes of this disclosure, shares of common stock held by executive officers and directors of the registrant as of such date have been excluded because such persons may be deemed to be affiliates.

The number of outstanding shares of the registrant's common stock was 6,974,660 as of November 17, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's Annual Meeting of Shareholders is currently scheduled for February 10, 2022. Portions of the registrant's Proxy Statement for its annual meeting are incorporated by reference in Part III of this Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the Securities and Exchange Commission ("SEC") within 120 days of the registrant's fiscal year ended October 2, 2021.

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Cautionary Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. We may from time to time make written or oral statements that are “forward-looking,” including statements contained in this report and other filings with the SEC, in our press releases, and in other reports to our shareholders. All statements, other than statements of historical fact, which address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. The words “plan”, “estimate”, “project”, “forecast”, “outlook”, “anticipate”, “expect”, “intend”, “remain”, “seek”, “believe”, “may”, “should” and similar expressions, and discussions of strategy or intentions, are intended to identify forward-looking statements.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current expectations and are necessarily dependent upon assumptions, estimates and data that we believe are reasonable and accurate but may be incorrect, incomplete or imprecise. Forward-looking statements are subject to a number of business risks and inherent uncertainties, any of which could cause actual results to differ materially from those set forth in or implied by the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in forward-looking statements include, among others, the following:

- the general U.S. and international economic conditions;
- the impact of the COVID-19 pandemic and government/social actions taken to contain its spread on our operations, financial condition, liquidity, and capital investments, including recent labor shortages, inventory constraints, and supply chain disruptions;
- significant interruptions or disruptions within our manufacturing, distribution or other operations;
- deterioration in the financial condition of our customers and suppliers and changes in the operations and strategies of our customers and suppliers;
- the volatility and uncertainty of cotton and other raw material prices and availability;
- the competitive conditions in the apparel industry;
- our ability to predict or react to changing consumer preferences or trends;
- our ability to successfully open and operate new retail stores in a timely and cost-effective manner;
- the ability to grow, achieve synergies and realize the expected profitability of acquisitions;
- changes in economic, political or social stability at our offshore locations in areas in which we, or our suppliers or vendors, operate;
- our ability to attract and retain key management;
- the volatility and uncertainty of energy, fuel and related costs;
- material disruptions in our information systems related to our business operations;
- compromises of our data security;
- significant changes in our effective tax rate;
- significant litigation in either domestic or international jurisdictions;
- recalls, claims and negative publicity associated with product liability issues;
- the ability to protect our trademarks and other intellectual property;
- changes in international trade regulations;
- our ability to comply with trade regulations;
- changes in employment laws or regulations or our relationship with employees;
- negative publicity resulting from violations of manufacturing standards or labor laws or unethical business practices by our suppliers and independent contractors;
- the inability of suppliers or other third-parties, including those related to transportation, to fulfill the terms of their contracts with us;
- restrictions on our ability to borrow capital or service our indebtedness;
- interest rate fluctuations increasing our obligations under our variable rate indebtedness;
- the ability to raise additional capital;
- the impairment of acquired intangible assets;
- foreign currency exchange rate fluctuations;
- the illiquidity of our shares; and
- price volatility in our shares and the general volatility of the stock market.

A detailed discussion of significant risk factors that have the potential to cause actual results to differ materially from our expectations is set forth in Part 1 under the subheading "Risk Factors." Any forward-looking statements in this Annual Report on Form 10-K do not purport to be predictions of future events or circumstances and may not be realized. Further, any forward-looking statements are made only as of the date of this Annual Report on Form 10-K, and we do not undertake to publicly update or revise the forward-looking statements, except as required by the federal securities laws.

Part I

Item 1. Business

Overview

Delta Apparel, Inc. (collectively with DTG2Go, LLC, Salt Life, LLC, M.J. Soffe, LLC, and other subsidiaries, "Delta Apparel," "we," "us," "our," or the "Company") is a vertically-integrated, international apparel company. With approximately 8,500 employees worldwide, we design, manufacture, source, and market a diverse portfolio of core activewear and lifestyle apparel products under our primary brands of Salt Life®, Soffe®, and Delta. We are a market leader in the on-demand, digital print and fulfillment industry, bringing DTG2Go's proprietary technology and innovation to the supply chain of our customers. We specialize in selling casual and athletic products through a variety of distribution channels and tiers, including outdoor and sporting goods retailers, independent and specialty stores, better department stores and mid-tier retailers, mass merchants, eRetailers, the U.S. military, and through our business-to-business digital platform. Our products are also made available direct-to-consumer on our ecommerce sites and in our branded retail stores. Our diversified distribution model allows us to capitalize on our strengths to provide our activewear and lifestyle apparel products to a broad and evolving customer base whose shopping preferences may span multiple retail channels.

We design and internally manufacture the majority of our products. More than 90% of the apparel units that we sell are sewn in our owned or leased facilities. This allows us to offer a high degree of consistency and quality, leverage scale efficiencies, and react quickly to changes in trends within the marketplace. We have manufacturing operations located in the United States, El Salvador, Honduras, and Mexico, and we use domestic and foreign contractors as additional sources of production. Our distribution facilities are strategically located throughout the United States to better serve our customers with same-day shipping on our catalog products and weekly replenishments to retailers.

We were incorporated in Georgia in 1999, and our headquarters is located in Duluth, Georgia. Our common stock trades on the NYSE American under the symbol "DLA." We operate on a 52-53 week fiscal year ending on the Saturday closest to September 30. All references to "2021" refer to the 52-week fiscal year ended October 2, 2021. All references to "2020" relate to the 53-week fiscal year ended on October 3, 2020. We are filing as a smaller reporting company for 2021 as our public float was less than the \$250 million threshold on the last day of our second quarter.

We make available copies of materials we file with, or furnish to, the SEC free of charge at <https://ir.deltaapparelinc.com>. The information found on our website is not part of this, or any other, report that we file with or furnish to the SEC. In addition, we will provide upon request, at no cost, paper or electronic copies of our reports and other filings made with the SEC. Requests should be directed to: Investor Relations Department, Delta Apparel, Inc., 2750 Premiere Parkway, Suite 100, Duluth, Georgia 30097. Requests can also be made by telephone to 864-232-5200, or via email at investor.relations@deltaapparel.com.

Segments, Products, Brands, and Customers

Our operations are managed and reported in two segments, Delta Group and Salt Life Group, which reflect the manner in which the business is managed and results are reviewed by the Chief Executive Officer, who is our chief operating decision maker.

Delta Group

The Delta Group is comprised of the following business units primarily focused on core activewear styles: DTG2Go and Delta Activewear.

DTG2Go

We are a market leader in the on-demand, direct-to-garment digital print and fulfillment industry, bringing technology and innovation to the supply chain of our many customers. We use highly-automated factory processes and our proprietary software to deliver on-demand, digitally printed apparel direct to consumers on behalf of our customers. Utilizing its nine fulfillment facilities throughout the United States, DTG2Go offers a robust digital supply chain to ship custom graphic products within 24 to 48 hours to consumers in the United States and to over 100 countries worldwide. Our 'On-Demand DC' digital solution provides retailers and brands with immediate access to utilize DTG2Go's broad network of print and fulfillment facilities, while offering the scalability to integrate digital fulfillment within the customer's own distribution facility. DTG2Go has made significant investments in its "digital-first" retail model, ensuring digital graphic prints meet the high-quality standards required for brands, retailers and intellectual property holders. DTG2Go is most excited to bring this initiative to market in fiscal year 2022, having invested during fiscal 2021 in proprietary software, in new digital print equipment, and in R&D related to the setups, formulas, and processes needed to meet the unique aspects of servicing this sales channel. DTG2Go also services the e-retailer, ad-specialty, and promotional market and screen print marketplaces, among others.

Delta Activewear

Our Activewear business is organized around key customer channels and how they source their various apparel needs. Delta Activewear is a preferred supplier of activewear apparel to regional and global brands, direct to retail and through wholesale markets. We offer a broad portfolio of apparel and accessories through our Delta Direct business under the Delta, Delta Platinum, Soffe, and sourced-branded products that we distribute utilizing our network of fulfillment centers. Our fashion basics line includes our Platinum Collection, which offers fresh, fashionable silhouettes with a luxurious look and feel, as well as versatile fleece offerings. We offer innovative apparel products, including the Delta Dri line with performance shirts built with moisture-wicking material to keep athletes dry and comfortable; ringspun garments with superior comfort, style and durability; and Delta Soft, a collection with an incredible feel and price. We also offer our heritage, mid- and heavier-weight Delta Pro Weight® and Magnum Weight® tee shirts. Soffe is our iconic brand that offers activewear for spirit makers and record breakers. Widely known for the original "cheer short" with the signature roll-down waistband, Soffe carries a wide range of activewear for the entire family. Soffe's heritage is anchored in the military, and we continue to be a proud supplier to both active duty and veteran United States military personnel worldwide. The Soffe men's assortment features the tagline "anchored in the military, grounded in training" and offers everything from physical training gear certified by the respective branches of the military, classic base layers that include the favored 3-pack tees, and the iconic "ranger panty." Complementing the Delta and Soffe brand apparel, we provide our customers with a broad range of product categories with nationally recognized branded products including polos, outerwear, headwear, bags and other accessories.

Delta Direct services key channels, such as the screen print, promotional, and eRetailer channels as well as the retail licensing channel, whose customers sell through to many mid-tier and mass market retailers. In our Global Brands & Retail Direct business we serve our customers as their supply chain partner, from product development to shipment of their branded products, with the majority of products being sold with value-added services including embellishment, hangtags, and ticketing. We also serve retailers by providing our portfolio of Delta, Delta Platinum, and Soffe products directly to their retail stores and through their ecommerce channels. We sell our products to a diversified audience, including sporting goods and outdoor retailers, specialty and resort shops, farm and fleet stores, department stores, and mid-tier retailers. We service custom apparel to major branded sportswear companies, trendy regional brands, and all branches of the United States armed forces. We also offer our Soffe products direct to consumers at www.soffe.com. As an integrated Delta Group segment, we offer a seamless solution for small-run decoration needs with our on-demand digital print services, powered by DTG2Go. Service is a key component of Delta Activewear. We provide superior service to our customers by shipping the same day of order receipt down to a piece level, allowing customers to purchase exactly what they need when they need it.

Salt Life Group

Salt Life

Salt Life is an authentic, aspirational lifestyle brand that represents a passion for the ocean, the salt air, and, more importantly, a way of life and all it offers, from surfing, fishing, and diving to beach fun and sun-soaked relaxation. The Salt Life brand combines function and fashion with a tailored fit for the active lifestyles of those that "live the Salt Life." With increased worldwide appeal, Salt Life continues to expand its product assortment outside of the cotton graphic tees and logo decals it is known for into performance apparel, swimwear, board shorts, sunglasses, bags, and accessories including its own craft beer, Salt Life Lager. From its first merchandise offerings in 2006, Salt Life has grown distribution to include surf shops, specialty stores, department stores, and outdoor retailers to complement our own growing network of branded retail stores. Our direct-to-consumer Salt Life ecommerce site at www.saltlife.com provides our customers with a seamless, omni-channel experience with the Salt Life brand.

See Note 13 to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operation" for additional information regarding reportable segments.

Manufacturing, Sourcing, and Distribution

The vast majority of our products are manufactured or sewn in facilities that we own or lease and operate to support both the Delta Group and Salt Life Group. To a lesser extent, we also use third-party contractors and suppliers to supplement our requirements. Our vertically-integrated manufacturing operations include a textile facility and multiple sew and decoration facilities.

Our manufacturing operations begin with the purchase of yarn and other raw materials from third-party suppliers. We have operated with a supply agreement with Parkdale Mills, Inc. and Parkdale America, LLC (collectively "Parkdale") to supply our yarn requirements since 2005, with our existing agreement running through December 31, 2021. Under the supply agreement, we purchase all of our yarn requirements for use in our manufacturing operations from Parkdale, excluding yarns that Parkdale does not manufacture or cannot manufacture due to temporary capacity constraints. The purchase price of yarn is based upon the cost of cotton, as reported by the New York Cotton Exchange, plus a fixed conversion cost. We set future cotton prices with purchase commitments as a component of the purchase price in advance of the shipment of finished yarn from Parkdale. While we expect to negotiate an extension to the supply agreement with Parkdale, the terms of the new agreement may not be as favorable as the current agreement.

We manufacture fabrics in our leased textile facility located near San Pedro Sula, Honduras. We also purchase fabric sourced in Mexico for use in our Campeche, Mexico sew facility, purchase specialized fabrics that we currently do not have the capacity or capability to produce, and may purchase other fabrics when it is cost-effective to do so. In 2021 and 2020, we manufactured approximately 80% of fabrics used in our internally-produced garments. The manufacturing process continues at one of our six apparel manufacturing facilities where fabric is cut and sewn into finished garments. These owned or leased facilities are located domestically (two in North Carolina) and internationally (two in Honduras, one in El Salvador and one in Mexico). In 2021 and 2020, approximately 95% or more of our manufactured products were sewn in our owned or leased manufacturing facilities. The remaining products were sewn by third-party contractors located primarily in the Caribbean Basin. To supplement our internal manufacturing platform, we purchase products from third-party global suppliers. In 2021 and 2020, we sourced less than 10% of our total products from third parties.

Many of the garments will be decorated using screen printing or digital printing technology, and will be retail-packaged, including ticketing, hang tags, and hangers. These services can be performed domestically for quick-turn service or internationally in our facilities in El Salvador and Mexico. We offer digital fulfillment services, powered by DTG2Go, at nine domestic facilities, including five such facilities that are integrated with Delta Group distribution centers. These facilities support our strategy of establishing integrated fulfillment locations that combine our DTG2Go state-of-the-art digital platform with our Delta Activewear supply of fashion and core basic garments. Furthermore, these facilities create a seamless nationwide footprint allowing us to reach approximately 65% of all U.S. consumers with one-day shipping.

We operate eight distribution facilities strategically located throughout the United States that carry in-stock inventory for shipment to customers, with most shipments made via third-party carriers. To better serve customers, we allow products to be ordered by the piece, dozen, or full case quantity, and we aggressively leverage our strengths and efficiencies to meet the quick-turn needs of our customers. Because a significant portion of our business consists of at-once replenishment, we believe that backlog order levels do not provide a general indication of future sales.

See Item 2. Properties for more information about each of our primary manufacturing and distribution facilities.

Sales & Marketing

Our sales and marketing functions consist of both employed and independent sales representatives and agencies located throughout the country. Our sales teams service specialty and resort shops, department, mid-tier and mass retailers, sporting goods stores, e-retailers and the U.S. military. Our brands leverage both in-house and outsourced marketing communication professionals to amplify their lifestyle statements.

The majority of our apparel products are produced based on forecasts to permit quick shipments to our customers; however, our custom programs are generally made only to order. During 2021, we shipped our products to approximately 8,800 customers, many of whom have numerous retail doors. No single customer accounted for more than 10% of our sales in 2021 or 2020, and our strategy is to not become dependent on any single customer. Revenues attributable to sales of our products in foreign countries represented less than 1% of consolidated net sales in both 2021 and 2020.

Trademarks and License Agreements

We own several well-recognized trademarks that are important to our business. Salt Life® is an authentic, aspirational lifestyle brand that embraces those who love the ocean and everything associated with living the "Salt Life". Soffe® has stood for quality and value in the athletic and activewear market for more than sixty years. Our other registered trademarks include Intensity Athletics®, Kudzu®, Pro Weight®, Magnum Weight®, and the Delta Design. Our trademarks are valuable assets that differentiate the marketing of our products. We vigorously protect our trademarks and other intellectual property rights against infringement. While our strategy is to own the intellectual property we use within our business, we are an official licensee for branches of the United States military which is used within the Soffe brand. We believe these license agreements are important given the military heritage of Soffe.

Environmental, Sustainability, and Governance

We aim to disclose and communicate transparently any material risks that could affect our stakeholders, and we strive to implement policies and practices that continuously improve the transparency and sustainability of our supply chain. The Environmental, Sustainability, and Governance ("ESG") disclosures within this Annual Report and our definitive Proxy Statement align with the standards issued by the Sustainability Accounting Standards Board ("SASB") for the Apparel, Accessories, and Footwear industry and with regulations and guidance issued by the Securities and Exchange Commission. The indicators in the Annual Report and definitive Proxy Statement have been carefully selected to show the most relevant aspects of our performance in the areas of environmental impact, health and safety, responsible raw material sourcing, safe chemical management, and responsible corporate governance.

Conserving the Environment

We believe that efficiently and sustainably managing natural resources is a smart business move and a responsible decision for the planet. By effectively and safely managing the materials used to manufacture our apparel products, we also protect the health and safety of our customers and employees. Our commitment to environmental sustainability includes compliance with safe chemistry practices and implementing technology and processes that reduce energy and water consumption, reuse and effectively treat wastewater, and reduce and recycle waste. In addition, we are committed to full compliance with local, regional, and national environmental laws and regulations.

Reducing our Environmental Impact

Environmental problems such as climate change and resource depletion are escalating worldwide and understanding and managing greenhouse gas emissions is important to effectively mitigate our impact to the environment. We are committed to monitoring our greenhouse gas emissions and adopting innovative technologies to improve the energy efficiency of our facilities and reduce our overall energy intensity.

The focus on reducing our overall energy intensity is driven by our goal to establish an energy efficient operation and reduce greenhouse gas emissions, which will contribute to lowering our operating costs as well as our carbon footprint. In 2020 we installed a heat exchanger at our Ceiba Textiles facility in Honduras that plays an essential role in reducing the environmental impact of manufacturing processes by recovering and reusing energy. Modifications have also been made to the cooling systems in our textile plant which further reduce energy consumption. We also implemented several energy efficiency projects in recent years such as replacing compact fluorescent light bulbs with LED lighting, which emits less heat and uses less energy than conventional bulbs, decreases the temperature on factory floors, and thus raises productivity, particularly on hot days. We also improved the performance of our sewing machines by installing new motors that use much less energy due to advanced technology.

In 2021 alone, these specific energy saving initiatives reduced our electricity usage by 875,800 kilowatt hours across all our manufacturing locations and avoided approximately 621 metric tons of carbon dioxide (CO₂) emissions, which is comparable to the carbon sequestered by 760 acres of forest in one full year. In addition, compared to our 2018 baseline year, we produced 7.1% more finished fabric in 2021 while using 14% less fuel and 7% less electricity. Overall, this has improved our fuel intensity by approximately 20% and electricity intensity by approximately 13% compared to the 2018 baseline year.

The operations at our Ceiba Textiles facility account for a significant portion of the fuel and electricity used in our manufacturing network and, as such, are our largest contributors of carbon dioxide (CO₂) emissions. Compared to the 2018 baseline year we have reduced our total greenhouse gas emissions by 7.5% and reduced our emissions intensity by approximately 14% in 2021. These reductions avoid the equivalent of 3,600 metric tons of CO₂ emissions, which is comparable to the energy used by approximately 434 homes for one year or the carbon sequestered by 4,411 acres of U.S. forests in one year.

We recently redesigned our shipping carton dimensions to maximize the storage space available inside shipping containers. This initiative increased our container utilization from 84% in 2019 to 93% in 2021 and resulted in using 153 fewer shipping containers this year. This reduction in shipping container usage avoids 223 metric tons of CO₂ emissions, which is comparable to the carbon sequestered by 273 acres of forest in one full year.

Energy saving initiatives at Ceiba Textiles in 2022 include the purchase of a new steam textile dryer that will replace two existing thermal oil dryers. The steam dryer is capable of drying 66% more pounds of fabric per week than the thermal dryers and the installation is expected to reduce fuel consumption by approximately 19% per year.

Managing Water

Water is one of the world's most precious and vital resources. Access to water is essential to Delta Apparel's manufacturing operations, and we are committed to managing our water use in an efficient and responsible manner.

Treating textile wastewater is necessary not only to protect the local ecosystems but also to make the recycled water available to reuse in manufacturing processes or irrigation. To properly treat problematic substances before the water is discharged, our vertically-integrated manufacturing facilities, as well as our third-party fabric suppliers, comply with wastewater discharge requirements through currently active licenses and permits issued by local governments. In each of the last four years, none of these wastewater treatment facilities have received a compliance citation or violation.

During manufacturing, the most significant amount of water consumption occurs during the fabric washing, dyeing, and rinsing processes. To reduce our water consumption at Ceiba Textiles, in 2018 we implemented a system that reuses the leftover dye water for use in future batches of similar-colored fabric. This system saves approximately 4 million gallons or 15,000 cubic meters of water per year while maintaining the quality of our dyed fabrics. We also improved our dye formulas to further reduce water consumption and reduce the amount of contaminants remaining in the wastewater. During 2021, our water intensity was reduced by approximately 9% as compared to our 2018 baseline.

Wastewater from Ceiba Textiles is transferred to the Green Valley water treatment facility, which operates on an environmental license issued by the Honduras Ministry of Energy, Natural Resources, Environment, and Mines. Over 86% of our water consumption at Ceiba Textiles in 2021 was safely and effectively treated and recycled. The Green Valley wastewater treatment facility uses the industry standard primary, secondary, and tertiary water treatment methods based on the types of effluents being discharged as well as regulatory and environmental standards. Treatment procedures are also in place to neutralize and remove additional substances that may potentially be harmful, but are not necessarily regulated. The following information describes the primary, secondary, and tertiary water treatment methods.

- Primary – Primary treatment methods include screening, sedimentation, homogenization, pH neutralization, and mechanical and chemical flocculation, which is a chemical added to the water that binds suspended solids into heavier particles that are easier to remove. Nano and cross-flow nano filtration techniques are also used to reduce the vast majority of sodium chloride and dyes.
- Secondary – Secondary treatment is designed to substantially degrade the biological content of the wastewater by using a combination of physical and aerobic biological processes. Secondary treatment methods include various types of filtration along with an activated sludge process, which stabilizes and converts potentially toxic contaminants into less harmful forms such as carbon dioxide and water, which are safe for the environment.
- Tertiary – Tertiary treatment is the final cleaning process that purifies wastewater before it is reused, recycled, or discharged into the environment. Treatment methods include a combination of physical and chemical techniques to decontaminate and purify the water.

Managing Waste

Our waste management strategy is to reduce, reuse, and recycle, which increases the likelihood that the waste materials we generate during the manufacturing process never reach landfills, lakes, rivers, streams, or municipal water systems. We are committed to full compliance with local, regional, and national environmental laws and regulations in the countries in which we operate as it relates to responsible recycling and disposal of hazardous and non-hazardous waste.

Pre-consumer textile waste is created during the cutting and sewing processes and includes small pieces of fabric trimmed away and other fabric scraps. We have modified sewing patterns to significantly reduce fabric waste during cutting. We also invested in sewing machines capable of folding excess fabric inside the bottom and sleeve hems to eliminate trimming. This initiative not only reduces textile waste but also lowers fabric production needs, which saves water, electricity, and fuel usage. We are committed to full compliance with local, regional, and national environmental laws and regulations in the countries in which we operate as it relates to responsible recycling and disposal of hazardous and non-hazardous waste.

We have multiple reuse and recycle programs that help limit the waste that would otherwise be disposed in landfills:

- We partner with several companies that collect our fabric waste and sell it to manufacturers in the automotive industry, among others, that can mix the fabric with other materials to create alternate applications for the fabric, such as for automotive seats and windshield wipers.
- Our screen-printing facilities recycle colors of inks that remain at the end of a production project for use in future production. In one year, this recycling program can recover as much as 75% of the plastisol ink and 50% of the water-based ink that otherwise would have been discarded.
- All of our manufacturing, sewing, and distribution facilities participate in cardboard recycling programs. Each facility flattens and places all cardboard in an outside container for recycling companies to then collect the cardboard on a regular schedule.

Using Safe Chemistry

Textile operations use various chemicals, cleaners, dyes, and inks throughout the manufacturing, finishing, and decorating processes. We strive to use non-hazardous, bio-eliminable ingredients in our apparel products and throughout our manufacturing processes to protect the safety of our customers and employees as well as reduce negative impacts on the environment. For example, our DTG2Go digital printing facilities use water-based biodegradable inks that are 100 percent non-hazardous and adhere to the strictest human health and environmental standards.

We have a robust, hazard-based chemicals management system throughout our manufacturing processes. Our commitment to safe chemistry begins in the design and development stage of our products, which are conceived from the latest fashion trends and are fully compliant with statutory, industry, and customer-specific safety requirements. We are proud that the chemicals we use comply with the restricted substance list (“RSL”) published by the American Apparel & Footwear Association (“AAFA”). AAFA is the industry’s leading resource for maintaining and publishing banned and restricted substances lists for finished apparel products around the world. We continuously monitor our RSL, which includes additional substances that may be harmful, but are not necessarily regulated. We also control against the procurement of restricted substances through our purchase approval processes and arrangements with dye and chemical vendors.

The dyes and chemicals used in our manufacturing facilities are tested annually by a third-party laboratory that uses a scoring system to determine the level of compliance. Since 2017, we have maintained a “Green” status, which is the highest level of compliance. Annual tests are also conducted by a third-party laboratory to ensure our compliance with The Consumer Product Safety Improvement Act (“CPSIA”) of 2008, The Safe Drinking Water and Toxic Enforcement Act of 1986 (“Proposition 65 of California State Law”), and we adhere to any customer-supplied RSL. Our manufacturing employees are provided training on compliance with our RSL as well as training on how to safely handle potentially hazardous substances throughout the manufacturing process.

It is also important to us that all our significant third-party yarn and fabric suppliers share our high compliance standards and operate in a legal and responsible manner. We require these suppliers to provide, at least annually, certification or self-declaration documents that demonstrate compliance with industry standard parameters for safe chemistry. We take immediate corrective actions in instances where non-compliance may be identified.

Responsible Sourcing

As a vertically integrated apparel company, we believe it is important to have a high degree of oversight into all aspects of sourcing, manufacturing, and distribution. To that end, the lifecycle of a Delta Apparel garment begins with high quality, sustainable cotton, which is the primary ingredient for the majority of apparel products across our brand portfolio. Over 90% of our garments are created with U.S. cotton, which is known for both the quality of its fibers as well as the sustainability practices of the cotton farmers who harvest it. Cotton is not considered a water-intensive crop and more than 60% of the cotton grown in the U.S. is produced without irrigation. Cotton is also highly tolerant of soil and water salinity levels, so it can be grown with water and soil resources unsuitable for most other crops. We do not source cotton from regions with water stress, and we do not source conflict minerals in the production of our products.

Delta Apparel is a member of the Cotton LEADS program, which is committed to sustainable and traceable cotton production. This partnership enables us to broaden our support of the cotton farmers who supply our Company with high-quality cotton, allowing us to continue transforming sustainably-sourced cotton into high quality, responsible apparel products for our customers. We serve as a supply chain partner for many customers who expect high quality raw materials and require the ability to trace those raw materials back to the source. With cotton traceability, we are now able to trace the fiber used in our garments all the way back to harvest.

The vast majority of the yarn we use in our textile operations is sourced from Parkdale, whose products are independently certified to Standard 100 by OEKO-TEX. In addition, our significant suppliers of external fabric are certified to Standard 100 by OEKO-TEX.

Monitoring Progress

We use the Sustainable Apparel Coalition’s Higg Index to measure the environmental impact of all our offshore manufacturing facilities and the facilities of our key external fabric suppliers. The Higg Index tool provides transparency of our efforts to reduce our environmental impact, and it identifies areas for continued improvement. Our Ceiba Textile facility has been using this tool for several years, and our 2020 self-assessment resulted in a total score in the upper quartile as compared to our industry competitors. Our most recent self-assessment was completed in July of 2021 and the results will be available in March 2022. We retain the services of an external consultant to verify our assessments for a sample of facilities and to provide guidance for any areas of improvement.

Social Responsibility and Human Capital Management

Our employees are our most important and valuable asset. Our diverse and talented workforce helps drive our culture of high performance, close teamwork, and deep caring for each other across geographies and functions. We have an impact on the lives of the approximately 8,500 employees across the globe as well as their families and communities. We support the livelihoods of our people through competitive wages and benefits, providing them with a safe and healthy workspace, supporting the communities in which they live, and, most importantly, treating all employees with dignity and respect.

Our People

The table below provides an overview of the approximate number of employees by geographic location as well as the tenure of that employee base as of September 2021:

Country	Number of Employees	Tenure		
		5 Years or Less	6 - 10 Years	10 Years or More
El Salvador	2,901	62%	17%	21%
Honduras	3,508	61%	20%	19%
Mexico	1,002	62%	13%	25%
United States	1,058	71%	9%	20%
Total	8,469	63%	16%	21%

Our employee base fluctuates based on seasonal labor requirements within our distribution and fulfillment centers, as well as based on production levels within our manufacturing facilities. These personnel changes generally trend with the overall demand for our products and services.

Approximately 80% of the employees at two of our facilities in San Pedro Sula, Honduras, are party to multi-year collective bargaining agreements. We have historically conducted our operations without significant labor disruptions and believe that our relations with our employees are positive.

The table below provides an overview of the approximate percentage of employees by gender and region as of September 2021:

Region	Male	Female
Offshore	48%	52%
United States	36%	64%
Total	46%	54%

Diversity and Inclusion

We are committed to fostering an inclusive culture where every employee is treated with dignity and respect, regardless of their gender, age, race, abilities, or sexual orientation. We believe that our employees' contributions are richer because of their diverse backgrounds and experiences, which strengthens the collaboration of our cross-functional, global teams and leads to improved performance.

Wages and Benefits

Investing in our people is critical for their personal and professional success, and we believe this investment enhances engagement and performance levels. Our compensation philosophy is to provide a fair living wage that is also scalable to the performance of the business. We provide our employees with at least the legal minimum wage or the prevailing industry wage in the countries where we operate, whichever is higher, complying with all legal wage requirements. We also provide fringe benefits, some of which are required by law, contract, or as per established collective bargaining agreements, while others are more favorable than required.

In recognition of the importance of raising the standard of living in certain communities in which we operate, we provide additional benefits, such as free onsite medical care from fully licensed physicians and nurses that encompass clinics and wellness programs. In these locations, we also provide subsidized meal assistance as well as free transportation to and from our facilities.

We invest in the professional development of our employees through various training programs. In 2021, we provided more than 217,000 hours of professional development and safety training for our employees, which is a 76% increase from the previous year.

Health and Safety

Our responsibility is to provide our employees with a safe and healthy work environment that meets or exceeds the applicable environmental and health and safety laws and regulations. All our manufacturing facilities in El Salvador, Honduras, and Mexico are Worldwide Responsible Accredited Production ("WRAP") certified. We are a Category C affiliate with the Fair Labor Association ("FLA"), an organization that supports human rights compliance monitoring for our plants and our third-party contractors.

Because textile manufacturing can contain various hazards and risks to workers, we have proactive programs in place to promote workplace safety, personal health, and employee wellness. Our culture promotes and rewards safety-first in all aspects of manufacturing, materials handling, and distribution of our apparel products. Safety training and awareness is embedded in employee orientation and onboarding, job performance and evaluation, and ongoing training based on a set safety training calendar by topic. We standardize, document, and improve our manufacturing and distribution safety procedures that require activities to be performed in the safest manner possible.

We are proud that our safety records are consistently better than OSHA's benchmarks for the apparel manufacturing sector. For example, Delta Apparel's 2021 incident rate for total recordable cases dropped to 0.3% compared to OSHA's average incident rate of 3.4%. In addition, Delta Apparel had no cases involving lost time from work in 2021.

Our production and distribution processes incorporate ergonomic material handling equipment to reduce physical risks, protect employee health, and optimize productivity. In our cut and sew facilities, we use ergonomically-friendly chairs and floor mats in addition to facilitating frequent group stretching and movement exercises. In several of our manufacturing and distribution facilities we provide lightweight slip sheet material handling equipment, which has the dual benefit of reducing manual labor and potential back strain on employees.

At the onset of the 2020 COVID-19 pandemic, we quickly implemented a comprehensive series of protocols and safety measures across all our facilities to protect the health and safety of our employees and contractors. We also created our own COVID-19 safety videos to promote healthy behaviors at home and in the workplace. Today, these safety measures are still in place such as checking each person's temperature prior to entering a facility, maintaining plexiglass partitions to separate hand-washing stations, work areas, and cafeteria seating areas, sanitizing the interior of vehicles that are used to transport employees to and from work, and requiring all employees to observe safe distancing. We also continue to provide all employees with personal protective equipment, sanitizing products, and COVID-19 informational materials. Our COVID-19 safety protocols have been recognized by local governments and our customers as best-in-class and serve as a model for other manufacturing operations in the regions in which we operate.

Monitoring

We conduct annual audits of all our internal manufacturing facilities as well as our significant third-party fabric suppliers to evaluate compliance with the FLA Workplace Code of Conduct. These audits cover labor topics, such as forced or child labor, compensation policies, and nondiscrimination, as well as environmental health and safety topics, such as fire safety, processes for safe chemistry, and environmental permits. These audits are important in identifying and preventing human rights and environmental health and safety violations.

The annual audits are conducted by Delta Apparel employees in our human resources or compliance departments, and they follow predefined audit programs and checklists that involve a mix of in-person site visits and walkthroughs of the facility, observations of processes, interviews with employees, and inspection of records and applicable permits. The audit results are documented with supporting photographs for any non-conformance findings. The internal auditors then report the findings to management, including the recommended corrective actions, and the date by which the corrective actions must be complete. The audits performed in 2021 resulted in no priority non-conformance findings, defined as severe violations of code of conduct in the areas of labor or environmental health and safety. For minor violations identified, we put corrective action plans in place to remediate the findings.

Community Outreach

Delta Apparel is committed to giving back to the communities where our employees live and work through volunteer service and community outreach. During 2021, employees were involved in programs to promote environmental responsibility and improve the way of life for nearby communities.

- Between November 3 and November 17, 2020, two category five hurricanes, Eta and Iota, made landfall within a 15-mile area of northern Honduras bringing persistent rains and heavy winds that resulted in flooding and dozens of catastrophic landslides and mudflows. Delta Apparel worked quickly to purchase and deliver construction materials that helped rebuild the homes of its affected employees. Employees at other locations activated an internal emergency relief fund that raised \$20,000, which Delta Apparel matched 100% resulting in a total of \$40,000 in aid for those employees most affected. This effort provided desperately needed items such as groceries, personal hygiene items, and 1,800 Coleman inflatable mattresses and airbeds.
- Employees in our Textiles La Paz facility reforested a recreational area at Holy Spirit School located in San Jose Obrajuelo, El Salvador.

- In Mexico, Delta Campeche and Campeche Sportswear employees were active in the following community outreach activities:
 - Employees participated in the Campeche Turtle Project to help save the critically endangered Hawksbill sea turtle by cleaning the plastic waste from beaches in Seaplaya where the turtles come to lay their eggs for six months per year. On average, a sea turtle lays around 100 eggs; however, only 1% of the hatchlings actually makes its way out into the ocean and survives, making it critical to remove any obstacles that would prevent the hatchling from reaching the water. The beach cleanup resulted in one full trash bag for approximately every five yards of beach.
 - Employees joined with the “Together We Will Win” civil association to collect and donate thousands of plastic bottle caps that were recycled to provide financial assistance to families of children with cancer.
 - In celebration of Mexico’s 2021 National Children’s Day, employees collected and donated toys for approximately 450 children living in an orphanage and in surrounding communities.
 - To help surrounding communities in the fight against Covid-19, employees in Mexico provided face masks and sanitizing gel to surrounding communities.
- Employees from the Honduras sewing facilities participated in several important community projects:
 - Employees cleaned up plastic waste and other floating debris across a four-kilometer beach in Omoa, Cortes, Honduras, which is a coastal municipality just west of Puerto Cortes and adjacent to the Guatemala border. Removing the large volume of debris along the beaches surrounding Omoa is important to the survival of nesting sea turtles and other ocean wildlife.
 - Employees restored El Plan Park, a family-oriented park in Brisas del Plan, which is a community in Villanueva, Cortes where approximately 6% of our employees live.
 - Employees helped to reforest approximately 400 square meters of land in La Mina, which is an environmentally protected area in Villanueva, Cortes.
 - To help surrounding communities in the fight against Covid-19, employees donated face masks and sanitizing gel to the Red Cross of Trinidad.
 - Employees at Ceiba Textiles participated once again in the annual “United for a Greener Honduras” campaign in conjunction with representatives from the Quimistán Municipal Environmental Unit to help restore the forest and environmental conditions in an important rain water collection area of western Honduras. Reforestation is a critical factor in increasing this region’s water retention capacity as it reduces the impact to nearby communities when rivers overflow during the region’s rain and hurricane season.

Competition

As a vertically-integrated apparel company, we have numerous competitors in both domestic and international markets, many of which are larger and have more brand recognition and greater marketing budgets. Some of these competitors may benefit from lower production costs that can result from greater operational scale, a differing supply chain footprint, or trade-related agreements and other macroeconomic factors that may enable them to compete more effectively.

Competition in our Delta Group segment is generally based upon price, service, delivery time, and quality with the relative importance of each factor dependent upon the needs of the particular customer and the specific product offering. Our Delta Direct products generally are highly price competitive, and competitor actions can greatly influence pricing and demand for our products. While price is still important in the custom market, quality and service are generally more important factors for customer choice. Our ability to consistently service the needs of our Global Brand customers greatly impacts future business with these customers. We believe our Western Hemisphere-centered manufacturing platform enables us to compete with our competitors by providing an outlet for customers to diversify their sourcing footprints and reduce time to market. Furthermore, as an integrated entity with design, manufacturing, sourcing, and marketing capabilities, we believe the interdependencies within our portfolio provide cost, quality, and speed to market advantages that enable us to be more competitive.

We believe that competition within our Salt Life Group segment is based primarily upon brand recognition, design, and consumer preference. We focus on sustaining the strong reputation of our lifestyle brands by adapting our product offerings to changes in fashion trends and consumer preferences. We aim to keep our merchandise offerings fresh with unique artwork and new designs and support the integrated lifestyle statement of our products through effective consumer marketing. We believe that our favorable competitive position stems from strong consumer recognition and brand loyalty, the high quality of our products, and our flexibility and process control, which drive product consistency. We believe that our ability to remain competitive in the areas of quality, price, design, marketing, product development, manufacturing, technology and distribution will, in large part, determine our future success.

Seasonality

Although our various product lines are sold on a year-round basis, the demand for specific products or styles reflects some seasonality. By diversifying our product lines over the years, we have reduced the overall seasonality of our business. Sales in our third fiscal quarter (quarter ended in June) are typically the highest and represented 27% of 2021 net sales. Our first fiscal quarter (quarter ended in December) typically is the lowest and represented 22% of 2021 net sales. Consumer demand for apparel is cyclical and dependent upon the overall level of demand for soft goods, which may or may not coincide with the overall level of discretionary consumer spending. These levels of demand change as regional, domestic and international economic conditions change. Therefore, the distribution of sales by quarter in 2021 may not be indicative of the distribution in future years.

Environmental and Other Regulatory Matters

We are subject to various federal, state and local environmental laws and regulations concerning, among other things, wastewater discharges, storm water flows, air emissions and solid waste disposal. The labeling, distribution, importation, marketing, and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission and state attorneys general in the United States. Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act (the “FCPA”) and other anti-bribery laws applicable to our operations.

The environmental and other regulations applicable to our business are becoming increasingly stringent, and we incur capital and other expenditures annually to achieve compliance with these environmental standards and regulations. We currently do not expect that the amount of expenditures required to comply with these environmental standards or other regulatory matters will have a material adverse effect on our operations, financial condition or liquidity. There can be no assurance, however, that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional expenditures. Similarly, while we believe that we are currently in compliance with all applicable environmental and other regulatory requirements, the extent of our liability, if any, for past failures to comply with laws, regulations and permits applicable to our operations cannot be determined and could have a material adverse effect on our operations, financial condition and liquidity.

Item 1A. Risk Factors

We operate in a rapidly changing, highly competitive business environment that involves substantial risks and uncertainties, including, but not limited to, the risks identified below. The following risks, as well as risks described elsewhere in this report or in our other filings with the SEC, could materially affect our business, financial condition or operating results and the value of Company securities held by investors and should be carefully considered in evaluating our Company and the forward-looking statements contained in this report or future reports. The risks described below are not the only risks facing Delta Apparel. Additional risks not presently known to us or that we currently do not view as material may become material and may impair our business operations. Any of these risks could cause, or contribute to causing, our actual results to differ materially from expectations.

Risks Related to our Strategy

The price and availability of purchased yarn and other raw materials is prone to significant fluctuations and volatility. Cotton is the primary raw material used in the manufacture of our apparel products. As is the case with other commodities, the price of cotton fluctuates and is affected by weather, consumer demand, speculation on the commodities market, inflation, the cost of labor and transportation, and other factors that are generally unpredictable and beyond our control. As described under the heading “Manufacturing, Sourcing, and Distribution”, the price of yarn purchased from Parkdale, our key supplier, is based upon the cost of cotton plus a fixed conversion cost. We set future cotton prices with purchase commitments as a component of the purchase price of yarn in advance of the shipment of finished yarn from Parkdale. Prices are set according to prevailing prices, as reported by the New York Cotton Exchange, at the time we enter into the commitments. Thus, we are subject to the commodity risk of cotton prices and cotton price movements, which could result in unfavorable yarn pricing for us. In the past, the Company, and the apparel industry as a whole, has experienced periods of increased cotton costs and price volatility that we were unable to pass through to customers, with the higher costs negatively impacting the gross margins in our Activewear and other businesses by significant amounts. In addition, sudden decreases in the price of cotton and other raw materials may result in the cost of inventory exceeding the cost of new production, which may result in downward selling price pressures, negatively impacting the gross margins in our Activewear and other businesses by significant amounts.

In addition, if Parkdale's operations are disrupted and Parkdale is not able to provide us with our yarn requirements, we may need to obtain yarn from alternative sources. We may not be able to enter into short-term arrangements with substitute suppliers on terms as favorable as our current terms with Parkdale, which could negatively affect our business. In addition, we may not be able to obtain sufficient quantities of yarn from alternative sources, which could require us to adjust manufacturing levels, negatively impacting our business and results of operations.

We also source fabric in Mexico for use in our Campeche, Mexico sew facility, purchase specialized fabrics that we currently do not have the capacity or capability to produce and may purchase other fabrics when it is cost-effective to do so. While these fabrics typically are available from various suppliers, there are times when certain yarns become limited in quantity, causing some fabrics to be difficult to source. This can result in higher prices or the inability to provide products to customers, which could negatively impact our results of operations.

Dyes and chemicals are also purchased from several third-party suppliers. While historically we have not had difficulty obtaining sufficient quantities of dyes and chemicals for manufacturing, the availability of products can change, which could require us to adjust dye and chemical formulations. In certain instances, these adjustments can increase manufacturing costs, negatively impacting our business and results of operations.

Economic conditions may adversely impact demand for our products. The apparel industry is cyclical and dependent upon the overall level of demand for soft goods, which may or may not coincide with the overall level of discretionary consumer spending. These levels of demand change as regional, domestic and international economic conditions change. These economic conditions include, but are not limited to, employment levels, energy costs, interest rates, tax rates, inflation, personal debt levels, and uncertainty about the future, with many of these factors outside of our control. Historically, during recessionary periods, the demand for casual and activewear apparel has been strong and our business has performed well. However, there can be no assurances that this correlation will continue in future recessions. Sometimes, the timing of increases or decreases in consumer purchases of soft goods can differ from the timing of increases or decreases in the overall level of economic activity. Weakening sales may require us to reduce manufacturing operations to match our output to demand or expected demand. Reductions in our manufacturing operations may increase unit costs and lower our gross margins, causing a material adverse effect on our results of operations.

The apparel industry is highly competitive, and we face significant competitive threats to our business. The market for athletic and activewear apparel and the related accessory and other items we provide is highly competitive and includes many new competitors as well as increased competition from established companies, some of which are larger or more diversified and may have greater financial resources. Many of our competitors have larger sales forces, stronger brand recognition among consumers, bigger advertising budgets, and greater economies of scale. We compete with these companies primarily on the basis of price, quality, service and brand recognition, all of which are important competitive factors in the apparel industry. Our ability to maintain our competitive edge depends upon these factors, as well as our ability to deliver new products at the best value for the customer, maintain positive brand recognition, and obtain sufficient retail floor space and effective product presentation at retail. If we are unable to compete successfully with our competitors, our business and results of operations will be adversely affected.

Our success depends, in part, on our ability to predict or effectively react to changing consumer preferences and trends. The success of our businesses depends on our ability to anticipate and respond quickly to changing consumer demand and preferences in apparel and other items we provide. We believe that our brands are recognized by consumers across many demographics and geographies. The popularity for particular products can change significantly from year-to-year based on prevailing fashion trends (particularly in our lifestyle businesses) and on other factors and, accordingly, our ability to adapt to fashion trends in designing products is important to the success of our brands. If we are unable to quickly adapt to changes in consumer preferences in the design of products, our results of operations could be adversely affected. Moreover, because we and our customers project demand for our products based on estimated sales and fashion trends, the actual demand for our products sometimes falls short of what was projected. This can lead to higher inventory levels than desired. Excess inventory levels increase our working capital needs, and sometimes excess inventory must be sold at discounted prices, all of which could have an adverse impact on our business, financial condition and results of operations.

Our strategy to grow our direct-to-consumer retail business depends upon our ability to successfully open and operate new stores in a timely and cost-effective manner. Our strategy to grow our "brick and mortar" retail footprint depends on many factors including, among others, our ability to: identify desirable store locations; negotiate acceptable lease terms; hire, train and retain a growing workforce of store managers, sales associates and other personnel; successfully integrate new stores into our existing control structure and operations, including our information technology systems; and coordinate well with our digital platforms and wholesale customers to minimize the competition within our sales channels.

If we expand into new geographic areas, we will need to successfully identify and satisfy the consumer preferences in these areas. In addition, we will need to address competitive, merchandising, marketing, distribution and other challenges encountered in connection with any expansion. Finally, we cannot ensure that any newly-opened stores will be received as well as, or achieve net sales or profitability levels comparable to those of, our existing stores in our estimated time periods, or at all. If our stores fail to achieve, or are unable to sustain, acceptable net sales and profitability levels, our business overall may be materially harmed and we may incur significant costs associated with closing or relocating stores.

Risks Related to our Operations

The COVID-19 pandemic has had, and could continue to have, a material adverse effect our ability to operate, results of operations, financial condition, liquidity, and capital investments. The COVID-19 pandemic has had an adverse effect and could continue to adversely affect our performance, results of operations, our financial condition, liquidity, and capital investments. Several public health organizations have recommended, and numerous local and foreign governments have implemented, certain measures to slow and limit the transmission of the virus, including shelter in place and social distancing ordinances. Such preventive measures, or others we may voluntarily put in place, may have a material adverse effect on our business for an indefinite period of time, such as the potential shutdown of certain locations, decreased employee availability, potential border closures, reduced customer traffic, modified hours and operations, and others. In mid-March 2020, all of our branded retail locations were temporarily closed in compliance with guidelines for retail store operations and were re-opened by the end of May 2020. Our manufacturing facilities in El Salvador and Honduras were also temporarily closed in mid-March 2020 through late June 2020 due to the government-mandated country shutdowns and we experienced intermittent closures during the June 2020 quarter at our manufacturing facilities in Mexico and North Carolina. If our retail stores and manufacturing plants are closed in the future, it could adversely affect our results of operations and financial condition.

Many of our customers and suppliers also face these and other challenges, which could lead to reduced demand for our products and services, could impair our customers' ability to pay all or portion of the amounts owed to us, and could cause disruptions in our supply chain. We rely on suppliers and third-parties to deliver raw materials and transport our finished goods. The 2020 temporary closures of our manufacturing facilities, as well as recent disruptions and delays in the global and national supply chain, have resulted in our finished goods inventory being lower than optimal for our business. This resulted in lost business during fiscal year 2021, and we were unable to fulfill orders for our customers. Prolonged inventory shortages may result in significant lost business or delay in shipments which could have a material adverse effect on our results of operations and financial condition.

The extent to which COVID-19 impacts our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, a resurgence of the pandemic, new information that may emerge concerning the severity of COVID-19, and public and private actions to contain COVID-19 or treat its impact. The COVID-19 pandemic has and will likely continue to result in social, economic, and labor instability in the countries in which we, or the third parties with whom we engage, operate. The long-term economic impact and near-term financial impacts of the COVID-19 pandemic, including but not limited to, possible impairment, restructuring, and other charges, as well as overall impact on our business, results of operations, financial condition, liquidity, or capital resources and investments, cannot be reliably quantified or estimated at this time due to the uncertainty of future developments.

The OSHA vaccine mandate for employers with more than 100 employees could have a material adverse impact on our business, financial condition, and results of operations. On September 9, 2021, President Biden announced plans for the federal Occupational Safety and Health Administration ("OSHA") to issue an Emergency Temporary Standard ("ETS") mandating that all employers with more than 100 employees ensure their workers are either fully vaccinated against COVID-19 or produce, on a weekly basis, a negative COVID test (the "vaccine mandate"). On November 4, 2021, OSHA issued the ETS, which will require covered employers to comply with the vaccine mandate beginning January 4, 2022 or face substantial penalties for non-compliance. Currently, the implementation of the vaccine mandate has been blocked by a federal appeals court, subject to the resolution of ongoing litigation challenging the constitutionality of the rules. In addition to the vaccine mandate, it is possible that additional mandates may be announced by foreign or local jurisdictions that could impact our workforce and operations. Such mandates could result in increased labor attrition and disruption, as well as difficulty securing future labor needs, and could adversely impact our results of operations.

Although we cannot predict with certainty the impact that the potential vaccine mandate and any other related measures may have on our workforce and operations, these requirements and any future requirements may require significant managerial time and attention to implement, increase our operating costs, reduce manufacturing productivity levels, result in attrition, including attrition of key employees, and impede our ability to recruit and retain our workforce. These measures also may further disrupt the national supply chain, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations are subject to political, social, and economic risks in Honduras, El Salvador and Mexico. The majority of our products are manufactured in Honduras, El Salvador and Mexico, with concentrations in Honduras and El Salvador. These countries from time-to-time experience political, social and economic instability, and we cannot be certain of their future stability. Instability in a country can lead to protests, riots and labor unrest. Governments have changed, and may continue to change, and employment, wage and other laws and regulations may change, thereby increasing our costs to operate in those countries. Any of these political, social, or economic events or conditions could disrupt our supply chain or increase our costs, adversely affecting our financial position and results of operations. For example, in fiscal year 2018, our operations in and around San Pedro Sula, Honduras, were partially disrupted by the protests, unrest and government action associated with the November 2017 presidential elections in Honduras. These disruptions temporarily restricted the ability of our employees and suppliers to access our manufacturing facilities as well as our ability to ship products from our facilities, and negatively impacted our operations from a cost standpoint. In fiscal year 2019, our Honduran operations experienced disruptions of a similar nature that were smaller in scope than those occurring in fiscal year 2018.

If we experience disruptions or interruptions within any of our facilities, operations, or distribution networks, we may be unable to deliver our products to the market and may lose sales and customers. We own or lease manufacturing facilities in the United States, Honduras, Mexico and El Salvador. We also own or lease distribution facilities located throughout the United States and maintain inventory at certain third-party locations. Any casualty or other circumstance that damages or destroys any of these material facilities or significantly limits their ability to function could have a material adverse effect on our business. Similarly, any significant interruption in the operation of any of these facilities or our related sourcing and transportation logistics functions, whether within or outside of our control, may delay shipment of merchandise to our customers, potentially damaging our reputation and customer relationships and causing a loss of revenue. Moreover, in the event of a regional disruption where we manufacture our products, we may not be able to shift our operations to a different geographic region, and we may have to cease or curtail our operations in a selected area. This may cause us to lose sales and customers. The types of disruptions that may occur include foreign trade disruptions, import restrictions, labor disruptions, embargoes, government intervention, natural disasters, regional or global pandemics and political disruptions such as those referenced in the immediately-preceding risk section. In addition, if we are unable to successfully coordinate the planning of inventory across these facilities and the related distribution activities, it could have a material adverse effect on our business, financial condition and results of operations.

The talents and continued contributions of our key management are important to our success. We believe our future success depends on our ability to retain and motivate our key management, our ability to attract and integrate new members of management into our operations, and the ability of all personnel to work together effectively as a team and to execute our business strategy. Our inability to accomplish any of these goals could have a material adverse effect on our results of operations.

Energy, fuel and related costs are prone to significant fluctuations and volatility, which could adversely affect our results of operations. Our manufacturing operations require high inputs of energy, and therefore changes in energy prices directly impact our gross profits. In addition, we incur significant freight costs to transport goods between our offshore facilities and the United States, along with transportation expenses to ship products to our customers. The cost of energy and fuel fluctuates due to a number of factors outside of our control, including government policy and regulation, supply disruptions, inflation, and weather conditions. We continue to focus on methods that will reduce the amount of energy used in the manufacture of products to mitigate risks of fluctuations in the cost of energy. However, significant increases in energy and fuel prices, which may have a material adverse effect on our financial position and results of operations, especially if such increases make us less competitive compared to others in the industry.

Our business operations rely on our information systems and any material disruption or slowdown of our systems could cause operational delays, reputational harm, or loss of revenue. We depend on information systems to, among other things, manage our inventory, process transactions, operate our websites, respond to customer inquiries, purchase, sell and ship goods on a timely basis, and maintain cost-effective operations. Management uses information systems to support decision-making and to monitor business performance. If we experience any disruptions or slowdowns with our information systems, we may fail to generate accurate and complete financial and operational reports essential for making decisions at various levels of management, which could lead to decisions being made that have adverse results. We have invested significant capital and expect future capital expenditures associated with the implementation and integration of our information technology systems across our businesses. This process involves the replacement and consolidation of technology platforms so that our businesses are served by fewer platforms, resulting in operational efficiencies and reduced costs. Our inability to effectively implement or convert our operations to the new systems could cause delays in product fulfillment and reduced efficiency in our operations. Further, if changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose customers. We are also subject to risks and uncertainties associated with the internet, including changes in required technology interfaces, website downtime and other technical failures. Our failure to successfully respond to these risks and uncertainties could reduce sales, increase costs and damage the reputation of our brands. In addition, we interact with many of our customers through our websites. Customers increasingly utilize our online platforms to purchase our merchandise. If we are unable to continue to provide consumers a user-friendly experience and evolve our platforms to satisfy consumer preferences, the growth of our ecommerce and other businesses and our sales may be negatively impacted. If our websites contain errors or other vulnerabilities which impede or halt service, it could result in damage to our brands' images and a loss of revenue. In addition, we may experience operational problems with our information systems as a result of system failures, "cyber-attacks," computer viruses, security breaches, disasters or other causes. Any material disruption or slowdown of our information systems could cause operational delays and increased costs that could have a material adverse effect on our business and results of operations.

Compromises of our data security could lead to liability and reputational damage. In the ordinary course of our business, we often collect, retain, transmit, and use sensitive and confidential information regarding customers and employees and we process customer payment card and check information. There can be no assurance that we will not suffer a data compromise, that unauthorized parties will not gain access to personal information, or that any such data compromise or access will be discovered in a timely manner. Further, the systems currently used for transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, all of which can put payment card data at risk, are determined and controlled by the payment card industry, not by us. Our computer systems, software and networks may be vulnerable to breaches (including via computer hackings), unauthorized access, misuse, computer viruses, phishing or other failures or disruptions that could result in disruption to our business or the loss or theft of confidential information, including customer information. Any failure, interruption, or breach in security of these systems, could result in the misappropriation of personal information, payment card or check information or confidential business information of our Company. In addition, there may be non-technical issues, such as our employees, contractors or third parties with whom we do business or to whom we outsource business operations may attempt to circumvent our security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information.

The methods used by third parties to obtain unauthorized access change frequently and may not be anticipated or immediately detected. Thus, despite the security measures we may have in place, an actual or perceived information security breach, whether due to "cyber-attack," computer viruses or other malicious software code, or human error or malfeasance, could occur. Actual or anticipated attacks may cause us to incur significant costs to rectify the consequences of the security breach or cyber-attack, including costs to deploy additional personnel and protection technologies, repair damage to our systems, train employees and engage third-party experts and consultants. The collection, retention, transmission, and use of personal information is subject to contractual requirements and is highly regulated by a multitude of state, federal, and foreign laws. Privacy and information security laws are complex and constantly changing. Compliance with these laws and regulations may result in additional costs due to new systems and processes, and our non-compliance could lead to legal liability. Any compromise of our customer, employee or company data, failure to prevent or mitigate the loss of personal or business information, or delay in detecting or providing prompt notice of any such compromise could attract media attention, damage our customer or other business relationships and reputation, result in lost sales, fines, liability for stolen assets or information, costs of incentives we may be required to offer to our customers or business partners to retain their business, significant litigation or other costs and involve the loss of confidential company information, any or all of which could have a material adverse effect on our business, financial condition and results of operations.

As previously disclosed in our 2019 unauthorized malware intrusions of our system may have exposed customer payment information as it was being entered to make a purchase at one of our consumer ecommerce websites. We removed the malware associated with the intrusions from our system and took actions to secure our website by working with recognized data security experts to conduct a thorough investigation of the incident and implement additional measures designed to build stronger protections against future incidents of this nature. This, or any compromise of security or cyber-attack, could deter consumers from entering into transactions that require them to provide confidential information to us in the future. In addition, if confidential customer information was misappropriated from our computer systems, we could be sued by those who assert that we did not take adequate precautions to safeguard our systems and confidential data belonging to our customers or business partners, which could subject us to liability and result in significant legal fees and expenses in defending these claims. While we do not currently believe that we experienced any material losses related to this incident, there can be no assurance that this or any other incident will not have a material adverse effect on our business, prospects, financial condition and results of operations.

Extreme weather conditions, natural disasters, and other catastrophic events, including those caused by climate change, could negatively impact our results of operations and financial condition. Extreme weather conditions in the areas in which our manufacturing facilities, retail stores, suppliers, customers, distribution centers, and offices are located could adversely affect our results of operations and financial condition. Moreover, natural disasters such as earthquakes, hurricanes, floods, or wildfires, public health crises, such as pandemics and epidemics (including, for example, the COVID-19 pandemic), political crises, such as terrorist attacks, war and other political instability, or other catastrophic events, whether occurring in the United States or abroad, and their related consequences and effects, including energy shortages, could disrupt our operations, the operations of our suppliers or result in economic instability that could negatively impact customer spending, any or all of which would negatively impact our results of operations and financial condition. In addition, fire and other natural disasters such as hurricanes, earthquakes, or floods have occurred and can recur in the countries in which we operate. These types of events could impact our global supply chain, including the ability of suppliers to provide raw materials where and when needed, the ability of third parties to ship merchandise, and our ability to ship products from or to the impacted region(s).

In addition, climate change and the increased focus by governments, organizations, customers, and investors on sustainability issues, including those related to climate change and socially responsible activities, may adversely affect our reputation, business, and financial results. Investor advocacy groups, certain institutional investors, investment funds, other market participants, shareholders, and stakeholders have focused increasingly on the environmental, social, and governance, or ESG, and related sustainability practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. If our ESG practices do not meet investor or other stakeholder expectations and standards (which are continually evolving and may emphasize different priorities than the ones we choose to focus on), then our brand, reputation, and potential employee retention may be negatively impacted. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices and regulations. Also, our failure, or perceived failure, to manage reputational threats and meet expectations with respect to socially responsible activities and sustainability commitments could negatively impact our brand credibility, employee retention, and the willingness of our customers and suppliers to do business with us.

Risks Related to Legal and Regulatory Matters

Changes in U.S. or other tax laws or regulations may cause us to incur additional tax liability. We are subject to income tax in the United States and in certain foreign jurisdictions where we generate net operating profits. We generally benefit from a lower overall effective income tax rate due to the majority of our manufacturing operations being located in foreign tax-free jurisdictions or foreign jurisdictions with tax rates that are lower than those in the United States. Our U.S. legal entity contracts with our foreign subsidiaries to manufacture products on its behalf, with the intercompany prices paid for the manufacturing services and manufactured products based on an arms-length standard and supported by an economic study.

The December 22, 2017 Tax Cuts and Jobs Act of 2017 (the "New Tax Legislation") significantly revised the U.S. corporate income tax code by, among other things, lowering federal corporate income tax rates, implementing a modified territorial tax system and imposing a repatriation tax ("transition tax") on deemed repatriated cumulative earnings of foreign subsidiaries. In addition, new taxes were imposed related to foreign income, including a tax on global intangible low-taxed income ("GILTI") as well as a limitation on the deduction for business interest expense ("Section 163(j)"). GILTI is the excess of the shareholder's net controlled foreign corporations ("CFCs") net tested income over the deemed tangible income. The Section 163(j) limitation does not allow the amount of deductible interest to exceed the sum of the taxpayer's business interest income, of 30% of the taxpayer's adjusted taxable income. The Coronavirus Aid, Relief, and Economic Security ("CARES Act"), which was enacted on March 27, 2020, provided temporary changes to income and non-income-based tax laws, including some provisions which were previously enacted under the New Tax Legislation. The CARES Act revised the U.S. corporate income tax code on a temporary basis by, among other things, eliminating the 80% of taxable income limitation on net operating loss ("NOL") carryforwards, allowing NOL carrybacks, and increasing the Section 163(j) interest limitation deduction from 30% to 50% of adjusted taxable income.

Our effective tax rate could be adversely affected by changes in the mix of earnings between the U.S. and tax-free or lower-tax foreign jurisdictions. We may be limited in our ability to deduct 50% of applicable foreign earnings under the GILTI income inclusion or to deduct U.S. interest expense based on the amount of U.S. taxable income earned in a particular fiscal year. In addition, the future impact of the CARES Act and New Tax Legislation may differ from historical amounts, possibly materially, due to, among other things, changes in interpretations and assumptions made regarding the CARES Act and New Tax Legislation, guidance that may be issued, and actions we may take as a result of the CARES Act and New Tax Legislation.

Further changes to U.S. tax laws impacting how U.S. multinational corporations are taxed on U.S. and foreign earnings, including any potential increase in U.S. corporate income tax rate, the doubling of the rate of tax on certain earnings of foreign subsidiaries, and a 15% minimum tax on worldwide book income, among other things, could have a material adverse effect on our tax expense and cash flow

We are subject to periodic litigation in both domestic and international jurisdictions that may adversely affect our financial position and results of operations. From time to time we may be involved in legal or regulatory actions regarding product liability, employment practices, intellectual property infringement, bankruptcies and other litigation or enforcement matters. Due to the inherent uncertainties of litigation in both domestic and foreign jurisdictions, we cannot accurately predict the ultimate outcome of any such proceedings. These proceedings could cause us to incur costs and may require us to devote resources to defend against these claims and could ultimately result in a loss or other remedies such as product recalls, which could adversely affect our financial position and results of operations. For a description of current material legal proceedings, see Part I, Item 3, Legal Proceedings.

Product liability issues could lead to recalls, claims and negative publicity, and adversely affect our results of operations. Our operations are subject to certain product liability risks common to most brands and manufacturers and our ability to maintain consumer confidence in the safety and quality of our products is vital to our success. We have implemented product safety and quality programs and standards that we follow and we expect our supplier partners to strictly adhere to applicable requirements and best practices. In addition to selling apparel and accessory products, we participate in a joint venture involving the sale of a branded alcoholic beverage, and we also license one of our brands for use in connection with restaurant, food and beverage services. Selling products intended for human consumption carries inherent risks and uncertainties. If we or our supplier or license partners fail to comply with applicable product safety and quality standards and our products or those otherwise associated with our brands are, or become, unsafe, non-compliant, contaminated or adulterated, we may be required to recall our products and encounter product liability claims and negative publicity. Any of these events could adversely affect our reputation, business or results of operations.

We rely on the strength of our trademarks and could incur significant costs to protect these trademarks and our other intellectual property. Our trademarks, including Salt Life®, Softe®, Intensity Athletics®, Kudzu®, Pro Weight®, Magnum Weight®, and the Delta Design, among others, are important to our marketing efforts and have substantial value. We aggressively protect these trademarks and have incurred legal costs in the past to establish and protect these trademarks. We may in the future be required to expend significant additional resources to protect these trademarks and our other intellectual property. Intellectual property litigation may be costly and may divert management's attention from the operation of our business. Adverse determinations in any litigation may result in the loss of our proprietary rights, subject us to significant liabilities or require us to seek licenses from third parties, which may not be available on commercially reasonable terms, if at all. Any of these outcomes may have a material adverse effect on our financial condition, results of operations or cash flows.

Significant changes to international trade regulations could adversely affect our results of operations. The majority of our products are manufactured in Honduras, El Salvador and Mexico. We therefore benefit from current free trade agreements and other duty preference programs, including the U.S.-Mexico-Canada Agreement ("USMCA"), and the Central America Free Trade Agreement ("CAFTA"). Our claims for duty free or reduced duty treatment under CAFTA, USMCA and other available programs are largely conditioned on our ability to produce or obtain accurate records (some of which are provided to us by third parties) about production processes and sources of raw materials. Trade partnerships and treaties can be subjected to negotiations and modifications by domestic and foreign governments, which could result in new or increased tariffs on goods we import into the United States. Subsequent repeal or further modification of USMCA or CAFTA, further increases to tariffs on goods imported into the United States, or the inadequacy or unavailability of supporting records, could have a material adverse effect on our results of operations.

In addition, our products are subject to foreign competition, which in the past has been faced with significant U.S. government import restrictions. The extent of import protection afforded to domestic apparel producers has been, and is likely to remain, subject to political considerations. The elimination of import protections for domestic apparel producers could significantly increase global competition, which could adversely affect our business and results of operations.

Our failure to comply with trade and other regulations could lead to investigations or actions by government regulators and negative publicity. The labeling, distribution, importation, marketing, and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission and state attorneys' general in the United States. Any failure to comply with such regulations could cause us to become subject to investigation and enforcement actions resulting in significant penalties or claims or in our inability to conduct business, adversely affecting our results of operations.

Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act (the "FCPA") and other anti-bribery laws applicable to our operations. In many foreign countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other U.S. and foreign laws and regulations applicable to us. Although we have implemented procedures designed to ensure compliance with the FCPA and similar laws, some of our agents or other channel partners, as well as those companies to which we outsource certain of our business operations, could take actions in violation of our policies. Any such violation could have a material and adverse effect on our business.

Changes in domestic or foreign employment regulations or changes in our relationship with our employees could adversely affect our results of operations. As of October 2, 2021, we employed approximately 8,500 employees worldwide, with approximately 7,400 of these employees located in Honduras, El Salvador and Mexico. Changes in domestic and foreign laws and regulations governing our relationships with our employees, including wage and human resources laws and regulations, labor standards, overtime pay, unemployment tax rates, workers' compensation rates, payroll taxes, and the potential vaccine mandate would likely have a direct impact on our operating costs. Increases in wage rates in the countries in which we operate have occurred, and any further significant increases in wage rates in those countries could have a material adverse impact on our operating results. A total of approximately 2,900 employees at two of our facilities in San Pedro Sula, Honduras, are party to multi-year collective bargaining agreements. We have historically conducted our operations without significant labor disruptions and believe that our relations with our employees are generally good. However, a change in labor relations could adversely affect the productivity and ultimate cost of our manufacturing operations.

Our business is dependent on attracting and retaining a large number of quality associates with staffing needs especially high during the holiday season. Competition for personnel during this time of year is highly competitive, and there is no assurance we will be able to attract and retain a sufficient number of qualified personnel in future periods. Our ability to meet our labor needs is subject to many factors, such as prevailing wage rates, minimum wage legislation, unemployment levels, and actions by our competitors in compensation levels. In addition, changes in federal, state, or local laws and regulations relating to employee benefits, including, but not limited to, sick time, paid time off, leave of absence, wage-and-hour, overtime, and meal-and-break time could cause us to incur additional costs. Competitive and regulatory pressures have already significantly increased our labor costs and we may be unable to fully pass these costs to our customers through increased selling prices, which could deteriorate our profitability. In addition further changes that hurt our ability to attract and retain personnel could adversely affect our results of operations in the future.

The value of our brands, sales of our products and our licensing relationships could be impacted by negative publicity resulting from violations of manufacturing or employee safety standards or labor laws, or unethical business practices, by our suppliers and independent contractors. We are committed to ensuring that all of our manufacturing facilities comply with our strict internal code of conduct, applicable laws and regulations, and the codes and principles to which we subscribe. In addition, we require our suppliers and independent contractors to operate their businesses in compliance with the laws and regulations that apply to them. However, we do not control these suppliers and independent contractors. A violation of our policies, applicable manufacturing or employee safety standards and codes of conduct, labor laws or other laws or regulations by our suppliers or independent contractors could interrupt or otherwise disrupt our operations. Negative publicity regarding the production or operating methods of any of our suppliers or independent contractors or their failure to comply with our policies, applicable manufacturing or employee safety standards and codes of conduct, labor laws or other laws or regulations could adversely affect our reputation, brands, sales and licensing relationships, which could adversely affect our business and results of operations.

Risks Related to Financial Matters

We may be restricted in our ability to borrow under our revolving credit facility or service our indebtedness. Significant operating losses or significant uses of cash in our operations could cause us to default on our asset-based revolving credit facility. We rely on our credit facility, as well as on cash generated by our operations, to fund our working capital and capital expenditure needs, to make acquisitions, to fund repurchases under our share repurchase program and to pay dividends should we choose to do so in the future. Our working capital needs are generally greater in advance of the spring and summer selling seasons. Availability under our credit facility is primarily a function of the levels of our accounts receivable and inventory, as well as the uses of cash in our operations. A significant deterioration in our accounts receivable or inventory levels could restrict our ability to borrow additional funds or service our indebtedness. Cash on hand and availability under our U.S. revolving credit facility totaled \$45.3 million at October 2, 2021, well above the minimum thresholds specified in our credit agreement. In addition, we were above the 1.1 to 1.0 FCCR for the preceding 12-month period. A significant deterioration in our business could cause our availability to fall below minimum thresholds, thereby requiring us to maintain the minimum FCCR specified in our credit agreement, which we may not be able to maintain. The covenants include, among other things, limitations on asset sales, consolidations, mergers, liens, indebtedness, loans, investments, guaranties, acquisitions, dividends, stock repurchases, and transactions with affiliates. If an event of default under our credit facility occurred or became imminent, we may request our credit agreement lenders to provide a waiver. If we were unsuccessful in that endeavor, we could explore alternative sources of capital, whether debt or equity, which would likely be more expensive than the costs we incur under our credit facility. If we were unable to cure an un-waived event of default under our credit facility, we would be unable to borrow additional amounts under the facility, we could be unable to make acquisitions as well as fund share repurchases and pay dividends, and our lenders thereunder could accelerate our obligations under the agreement and foreclose on our assets subject to the liens in their favor. This circumstance would have a material adverse effect on our financial position and results of operations.

Deterioration in the financial condition of our customers or suppliers and changes in the operations and strategies of our customers or suppliers could adversely affect our financial position and results of operations. We extend credit to our customers, generally without requiring collateral. The extension of credit involves considerable judgment and is based on an evaluation of each customer's financial condition and payment history. We monitor credit risk exposure by periodically obtaining credit reports and updated financial statements on our customers. Deterioration in the economy, declines in consumer purchases of apparel, disruption in the apparel retail environment, or the inability of our customers to access liquidity could have an adverse effect on the financial condition of our customers. During the past several years, various retailers and other customers have experienced significant difficulties, including consolidations, restructurings, bankruptcies and liquidations as well as retail shutdowns as a result of the COVID-19 pandemic. The inability of retailers and other customers to overcome these difficulties may continue or even increase due to the current economic and retail market conditions. We maintain an allowance for doubtful accounts for potential credit losses based upon current conditions, historical trends, estimates and other available information, which involves judgments and uncertainties. During fiscal year 2020, we estimated and recorded additional reserves based on the heightened risks in the market as the U.S. and our customers continue to recover from the early stages of the COVID-19 pandemic. During fiscal year 2021, customers paid on the credit extended to them, and we ended fiscal year 2021 with days sales outstanding at 47.4 days, down from 51.2 days at September 2020 and 47.5 days at September 2019. As such, we reversed the additional credit risk reserves recorded during fiscal year 2020, but maintain our normal allowance for doubtful accounts for potential credit losses. Although our historical allowances have been materially accurate, if market conditions change, additional reserves may be required. The inability to collect on sales to significant customers or a group of customers could have a material adverse effect on our financial condition and results of operations. Significant changes in the financial condition of any of our suppliers or other parties with which we do business could result in disruption to our business and have a material adverse effect on our financial condition and results of operations.

In addition, significant changes in the retail, merchandising and/or operational strategies employed by our customers may result in decreased sales of our products to such customers and could have a material adverse effect on our financial condition and results of operations. Likewise, significant changes in the operations of any of our suppliers or other parties with which we do business could result in disruption to our business and have a material adverse effect on our financial condition and results of operations.

Our variable rate debt subjects us to interest rate risk that could cause our debt service obligations to increase significantly.The debt we incur under our asset-based revolving credit facility is at variable rates of interest, which exposes us to interest rate risk. If interest rates increase, our obligations on this variable rate indebtedness would increase even though the amount borrowed remained the same, and there would be a corresponding decrease in our net income and cash flows, including cash available for servicing our debt. In addition, certain of the variable rate indebtedness extended to us uses the London Interbank Offered Rate (LIBOR) as a benchmark for establishing the interest rate. While we believe we will continue to use LIBOR through fiscal 2022 and into fiscal 2023, recent regulatory reform efforts may cause LIBOR to cease to exist, new methods of calculating LIBOR to be established, or the use of an alternative reference rate(s). These consequences are not entirely predictable and could have an adverse impact on our financing costs, returns on investments, valuation of derivative contracts and our financial results.

We may need to raise additional capital to grow our business.The rate of our growth, especially through acquisitions, depends, in part, on the availability of debt and equity capital. We may not be able to raise capital on terms acceptable to us or at all. If new sources of financing are required, but are insufficient or unavailable, we may be required to modify our growth and operating plans based on available funding, which could adversely affect our ability to grow the business.

We may be subject to the impairment of acquired intangible assets. When we acquire a business, a portion of the purchase price of the acquisition may be allocated to goodwill and other identifiable intangible assets. The amount of the purchase price that is allocated to goodwill is determined by the excess of the purchase price over the net identifiable assets acquired. At September 2021 and 2020, our goodwill and other intangible assets were approximately \$64.2 million and \$57.8 million, respectively. We conduct an annual review, and more frequent reviews if events or circumstances dictate, to determine whether goodwill is impaired. We also determine whether impairment indicators are present related to our identifiable intangible assets. If we determine that goodwill or intangible assets are impaired, we would be required to write down the value of these assets. We complete our annual impairment test of goodwill on the first day of our third fiscal quarter. For fiscal year 2021, we concluded based on the valuation estimates that there was no indication of impairment on the goodwill recorded on our financial statements. We also concluded that there are no additional indicators of impairment related to our intangible assets. There can, however, be no assurance that we will not be required to take an impairment charge in the future, which could have a material adverse effect on our results of operations.

We are subject to foreign currency exchange rate fluctuations.We manufacture the majority of our products outside of the United States, exposing us to currency exchange rate fluctuations. In addition, movements in foreign exchange rates can affect transaction costs because we source products from various countries. We may seek to mitigate our exposure to currency exchange rate fluctuations but our efforts may not be successful. Accordingly, changes in the relative strength of the United States dollar against other currencies could adversely affect our business.

The market price of our shares is affected by the illiquidity of our shares, which could lead to our shares trading at prices that are significantly lower than expected. Various investment banking firms have informed us that public companies with relatively small market capitalizations have difficulty generating institutional interest, research coverage or trading volume. This illiquidity can translate into price discounts as compared to industry peers or to the shares' inherent value. We believe that the market perceives us to have a relatively small market capitalization. This has led and could continue to lead to our shares trading at prices that are significantly lower than our estimate of their inherent value.

As of November 17, 2021, we had 6,974,660 shares of common stock outstanding. We believe that approximately 36% of our stock is beneficially owned by entities and individuals who each own more than 5% of the outstanding shares of our common stock. Institutional investors that beneficially own more than 5% of the outstanding shares own approximately 24% of the outstanding shares of our common stock. Sales of substantial amounts of our common stock in the public market by any of these large holders could adversely affect the market price of our common stock, especially in light of the limited trading volumes.

The market price of our shares may be highly volatile, and the stock market in general can be highly volatile.Fluctuations in our stock price may be influenced by, among other things, general economic and market conditions, conditions or trends in our industry, changes in the market valuations of other apparel companies, announcements by us or our competitors of significant acquisitions, strategic partnerships or other strategic initiatives, and trading volumes. Many of these factors are beyond our control, but may cause the market price of our common stock to decline, regardless of our operating performance.

Item 1B. Unresolved Staff Comment

None.

Item 2. Properties

Our principal executive office is located in a leased facility in Duluth, Georgia. We own and lease properties supporting our manufacturing, distribution, direct retail, and administrative activities. The majority of our products are manufactured through a combination of facilities that we either own or lease and operate. The following listing summarizes the significant categories as of September 2021:

	Owned	Leased	Other	Total
Manufacturing	2	6	—	8
Distribution	2	1	1	4
Decoration/distribution	1	7	1	9
Retail stores/showroom	1	17	—	18
Offices	—	5	—	5
Total	6	36	2	44

Our primary manufacturing as of September 2021, are as follows:

Name	Location	Utilization	Segment
Ceiba Textiles	Naco, Quimistan, Santa Barbara Honduras	Knit/dye/finish/cut	Delta Group
Honduras Plant	San Pedro Sula, Honduras	Sew	Delta Group
Cortes Plant	San Pedro Sula, Honduras	Sew	Delta Group
Campeche Plant	Seybaplaya, Campeche Mexico	Cut/sew	Delta Group/Salt Life Group
Campeche Sportswear	Campeche, Mexico	Decoration	Delta Group/Salt Life Group
Textiles LaPaz	La Paz, El Salvador	Cut/sew/decoration	Delta Group
Fayetteville Plant	Fayetteville, North Carolina	Cut/sew/decoration	Delta Group/Salt Life Group
Rowland Plant	Rowland, North Carolina	Sew	Delta Group

As of September 2021 and 2020, our long-lived assets in Honduras, El Salvador and Mexico collectively encompassed approximately 25% and 28%, respectively, of our consolidated net property, plant and equipment, of which 18% and 21%, respectively, were in Honduras. See Item 1A. Risk Factors for a description of risks associated with our operations located outside of the United States.

Our primary distribution centers, including those integrated with decoration operations, as of September 2021, are as follows:

Location	Utilization	Segment
Clinton, TN	Distribution	Delta Group
Fayetteville, NC	Distribution	Salt Life Group
Hebron, OH	Distribution	Delta Group
Opelika, AL	Distribution	Delta Group
Clearwater, FL	Decoration/distribution	Delta Group
Cranbury, NJ	Decoration/distribution	Delta Group
Fayetteville, NC	Decoration/distribution	Delta Group
Lewisville, TX	Decoration/distribution	Delta Group
Miami, FL	Decoration/distribution	Delta Group
Nashville, TN	Decoration/distribution	Delta Group
Phoenix, AZ	Decoration/distribution	Delta Group
Sparks, NV	Decoration/distribution	Delta Group
Storm Lake, IA	Decoration/distribution	Delta Group

We believe that all of our facilities are suitable for the purposes for which they are designed and are generally adequate to allow us to remain competitive. We continue to maintain a sharp focus on improving our supply chain, lowering our product costs and reducing the operating capital required in our business. We will continue to take the necessary actions to balance capacities with demand as needed. Substantially all of our assets are subject to liens in favor of our lenders under our U.S. asset-based secured credit facility and our Honduran credit facility.

ITEM 3. Legal Proceedings

At times, we are party to various legal claims, actions and complaints. There are currently no material pending legal proceedings to which we are a party or of which any of our property is subject, and we are not aware of any such proceedings that are contemplated by any governmental authority.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock: The common stock of Delta Apparel, Inc. is listed and traded on the NYSE American under the symbol "DLA." As of November 17, 2021, there were approximately 785 record holders of our common stock.

Dividends: Our Board of Directors did not declare, nor were any dividends paid, during 2021 or 2020. Subject to the provisions of any outstanding blank check preferred stock (none of which is currently outstanding), the holders of our common stock are entitled to receive whatever dividends, if any, that may be declared from time to time by our Board of Directors in its discretion from funds legally available for that purpose. Pursuant to the terms of our credit facility, we are allowed to make cash dividends and stock repurchases if (i) as of the date of the payment or repurchase and after giving effect to the payment or repurchase, we have availability on that date of not less than 15% of the lesser of the borrowing base or the commitment, and average availability for the 30-day period immediately preceding that date of not less than 15% of the lesser of the borrowing base or the commitment; and (ii) the aggregate amount of dividends and stock repurchases after May 10, 2016, does not exceed \$10 million plus 50% of our cumulative net income (as defined in the Amended Credit Agreement) from the first day of the third quarter of fiscal year 2016 to the date of determination. At September 2021, and September 2020, there was \$19.0 million and \$8.8 million, respectively, of retained earnings free of restrictions to make cash dividends or stock repurchases.

Any future cash dividend payments will depend upon our earnings, financial condition, capital requirements, compliance with loan covenants and other relevant factors.

Purchases of our Own Shares of Common Stock: See Note 14— Repurchase of Common Stock - Debt, in Item 15, which is incorporated herein by reference.

Securities Authorized for Issuance Under Equity Compensation Plans: The information required by Item 201(d) of Regulation S-K is set forth under "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report, which information is incorporated herein by reference.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial measures included herein have been presented on a generally accepted accounting principles ("GAAP") basis and, in certain limited instances, we have presented our financial results on a GAAP and non-GAAP ("adjusted") basis, which is further described and reconciled in the sections entitled "Non-GAAP Financial Measures."

Business Outlook

Our fourth quarter and full year results for fiscal 2021 outpaced our expectations. We believe this shows the strength of our unique business model to service diversified sales channels and demonstrated the successful streamlining of our organization. We delivered record full year results, with a 7.5% operating margin on \$437 million in net sales, resulting in \$2.86 earnings per diluted share.

In our Activewear business, the streamlining of our organization has allowed us to remain nimble as we fluidly adapt to the needs of our diversified customer base. Our executive leadership, planning, sales force and customer service teams are all aligned to service the distinctive Delta Direct, Retail Direct and Global Brands sales channels, which is a win-win for Delta Apparel and our customers. Customers seeking our portfolio of Delta, Delta Platinum, Soffe, and sourced-branded products can purchase them directly from our Delta Direct business, formerly referred to as Delta Catalog. Delta Direct services key channels, such as the screen print, promotional, and eRetailer channels as well as the retail licensing channel, whose customers sell through to many mid-tier and mass market retailers. In our Global Brands & Retail Direct business, we are a supply chain partner to global brands, from product development of custom garments to shipment of their branded products, with the majority of products being sold with value-added services. We also serve retailers by providing our portfolio of Delta, Delta Platinum, and Soffe products directly to their retail stores and through their ecommerce channels. In fiscal 2021 we achieved record sales of \$127 million in our Global Brands & Retail Direct business.

On-shore and near-shore strategies have become an integral component of brands' and retailers' sourcing plans driven by many factors, including changes in trade policies, speed to market, social, environmental and sustainability efforts, inflationary pressures and supply chain disruptions. We have seen an increased desire from existing and new customers who want to use Delta Activewear as their supply chain partner. Our western hemisphere manufacturing platform, with its broad product capabilities, coupled with our unparalleled service levels, provides customers the diversification and confidence they desire within their supply chain. This past year has been a challenging manufacturing environment with limited availability of raw materials. Our teams have tackled these industry challenges proactively and despite the headwinds, have successfully grown our manufacturing output to record levels. The higher production in the first half of fiscal 2022 should allow us to be in a stronger inventory position to service the spring 2022 business. We also expect to bring further capacity on line in the second half of fiscal 2022, providing additional flexibility of product capabilities for our customers.

DTG2Go, our digital print business, remains committed to serving retailers, intellectual property holders, and brands with on-demand products, and remains focused on achieving the highest quality and service in the business. DTG2Go made significant investments this year on research and development to achieve a “digital-first” model utilizing the full decoration platform of digital, hybrid and screen print, making digital indistinguishable from traditional products. We believe the unlocking of this market channel to digital print will result in significant growth opportunities for DTG2Go in fiscal 2022 and beyond. We continue to see customers realizing the benefits of our integrated model with Activewear, and in fiscal 2021 Delta blanks were used for over 51% of the garments digitally printed. This is up significantly from the 32% utilization in fiscal year 2020. This trend is promising as it creates a more efficient operation, reduces garment cost for our customers, and lowers working capital needs in the business.

Within our Salt Life Group, we have divested the Coast brand and ceased operations of the two Coast retail stores in the 2021 fiscal fourth quarter as the leases expired. The brand has been purchased by a regional retailer who is excited to be offering the brand in their stores. During the year we also completed a license agreement for the Salt Life beer. This puts Salt Life Lager in the hands of beer professionals, and we are already receiving royalty payments on the revenue they have generated. These actions will allow our Salt Life team to focus on the many initiatives which should continue to drive growth for the brand.

Our Salt Life lifestyle brand awareness and consumer engagement is at an all-time high. Salt Life has the strongest order bookings in its history for spring 2022 and summer 2022. While Salt Life has always been known for its cotton graphic tees, Salt Life’s performance wear and ladies’ categories are gaining great momentum with consumers. During fiscal 2021, Salt Life reached a milestone with 32% of its sales direct to consumers. Of this, over \$10 million was from consumers visiting our thirteen branded retail doors, with sales for those stores open a year ago growing 19% during the fourth quarter. We plan to open seven new stores in fiscal 2022 across Florida, South Carolina, Alabama and Texas, with continuing plans to open six to eight new Salt Life stores annually for the next several years.

We believe the opportunities Delta Apparel, Inc. has to grow its top line and further expand profitability are the most robust we have seen in our history. We remain optimistic about the broad-based growth opportunities and are poised for further manufacturing expansion to support the demand we anticipate in fiscal 2022 and beyond. Overall, we expect top-line growth and operating profit expansion in fiscal 2022, resulting in all-time record revenue and earnings per share in fiscal 2022.

Results of Operations

Net sales for 2021 were \$436.8 million, up 14.6% from \$381.0 million in the prior year. Our growth was broad-based reaching all time record sales in our Global Brands & Retail Direct sales channel in our Delta Group Segment and in our branded retail stores in our Salt Life segment. Net sales in 2020 were impacted by the COVID-19 pandemic, which halted retail in the U.S. beginning in mid-March through the first half of the June quarter, and disrupted our non-U.S. manufacturing operations for most of the June quarter in 2020. Our direct-to-consumer and business-to-business ecommerce and branded retail sales represented a larger portion of consolidated revenue in the current year, constituting 10.4% of total net sales for 2021 compared to 9.9% of net sales in the prior year.

Delta Group segment net sales increased 13% to \$387.0 million in 2021 compared to prior year net sales of \$343.9 million. While the COVID-19 pandemic negatively impacted sales performance in the prior year, fiscal year 2021 was a record year for our Global Brands & Retail Direct business reaching \$127 million in sales, as brands and retailers used Delta Activewear as their supply chain partner.

Salt Life Group segment net sales were \$49.7 million in 2021, a 34% increase from \$37.1 million in the prior year. Wholesale sales grew 30% in fiscal 2021 and our branded retail stores accelerated throughout the year reaching \$10 million in sales for the year. In the prior year, this segment was impacted by the COVID-19 pandemic with the temporary closure of retail, including our Salt Life branded retail stores, in the prior year June quarter.

Overall gross profit increased 49% to \$101.8 million from \$68.4 million in the prior period. Gross margins improved 540 basis points to 23.3% of sales from prior year margin of 17.9% of sales. Adjusting for the \$14.7 million impact of COVID-19 related expenses in 2020, gross margins would have been 21.8%. The improvement over prior year is attributable to favorable product mix and process improvements within the Delta Group segment’s integrated vertical manufacturing platform.

Delta Group segment gross margins improved 500 basis points to 20.2% compared to 15.2% in the prior year. The prior year was unfavorably impacted by \$14.7 million of COVID-19 related expenses. Adjusting for these discrete impacts, gross margins would have been 19.4% in 2020.

Salt Life Group segment gross margins were 47.9% compared to 43.6% in 2020, a 430 basis point improvement. Margins were favorably impacted by a stronger mix of direct-to-consumer sales and favorable mix of higher profitability products.

Selling, general and administrative (“SG&A”) expenses in 2021 were \$70.7 million, or 16.2% of sales, compared to \$68.4 million, or 17.9% of sales, in 2020. Adjusting for \$2.4 million of COVID-19 related expenses, adjusted SG&A for 2020 was \$66.0 million, or 17.3% of sales. Expenses increased in 2021 due to increased labor costs and higher variable selling costs as well as incentive-based compensation, but expenses were lower as a percentage of sales due to leveraging fixed costs against higher sales volume.

Other income of \$1.6 million in 2021 included \$0.5 million of profits related to our Honduran equity method investment as well as \$2.4 million income from the net reduction in contingent consideration liabilities, partially offset by \$1.3 million of expenses related to the impact of the two hurricanes that disrupted our Honduran manufacturing facilities in the December quarter. In 2020, we recognized \$8.1 million in expenses caused from the COVID-19 pandemic related to incremental costs to right size production to new forecasted demand and increased inventory reserves related to the heightened risks in the market as the U.S. continued its recovery. In addition, in 2020 we recognized income from our Honduran equity method investment as well as \$0.2 million in income from net reductions in contingent consideration liabilities.

Operating profit for 2021 was \$32.8 million, an all time record operating profit for the Company. This compares to an operating loss of \$7.1 million in the prior year. Operating income, adjusted for discrete items, was \$18.1 million in fiscal year 2020.

Delta Group segment operating income for 2021 was \$40.0 million, or 10.3% of sales, compared to \$6.6 million, or 1.9% of sales, in 2020. Adjusting for the \$23.7 million in COVID-related expenses in the prior year, operating income would have been \$30.3 million, or 8.8% of sales. The improvement in operating income is attributable to increased sales volumes and gross margin expansion. Operating income also improved due to strategic cost reductions associated with integration efficiencies between the Soffe and Activewear businesses.

Salt Life Group segment operating income was \$5.8 million for 2021 compared to prior year operating income of \$0.5 million. Adjusting for the \$0.8 million in COVID-related expenses in the prior year, operating income would have been \$1.3 million, or 3.4% of net sales. Operating income improved due to higher sales volume coupled with favorable product mix.

Interest expense for 2021 was \$6.8 million compared to \$7.0 million in 2020. The decrease is primarily due to lower average debt levels.

Our 2021 effective income tax rate is 21.9% compared to 23.6% in the prior year. See Note 9—Income Taxes for more information.

Net income attributable to shareholders in 2021 was \$20.3 million, or \$2.86 per diluted share. The prior year net loss was \$10.6 million, or a loss of \$1.53 per diluted share, and adjusted net income in 2020 was \$8.6 million, or \$1.22 income per diluted share.

Non-GAAP Financial Measures

We provide all information required in accordance with GAAP, but we believe that evaluating our ongoing operating results may be difficult if limited to reviewing only GAAP financial measures. In an effort to provide investors with additional information regarding the Company's results, we also provide non-GAAP information that management believes is useful to investors. We discuss gross margin, SG&A expenses, operating income, net income and earnings per diluted share as performance measures because management uses these measures in evaluating the Company's underlying performance on a consistent basis across periods. We also believe these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of the Company's ongoing performance. These non-GAAP measures have limitations as analytical tools, and securities analysts, investors and other interested parties should not consider any of these non-GAAP measures in isolation or as a substitute for analysis of the Company's results as reported under GAAP. These non-GAAP measures may not be comparable to similarly titled measures used by other companies. The tables below reconcile operating income, net income and earnings per diluted share to adjusted operating income, adjusted net income and adjusted earnings per diluted share (in thousands except per share data):

	Year Ended	
	September 2021	September 2020
Operating income (loss)	\$ 32,711	\$ (7,075)
Adjustments for COVID-19 expenses (1)	—	25,200
Adjusted operating income	<u>\$ 32,711</u>	<u>\$ 18,125</u>
Net earnings (loss) attributable to shareholders	\$ 20,296	\$ (10,577)
Adjustments for COVID-19 expenses, net of tax (1)	—	19,152
Adjusted net earnings attributable to shareholders	<u>\$ 20,296</u>	<u>\$ 8,575</u>
Reported weighted average number of shares assuming dilution	7,093	6,921
Adjustments impact on dilutive effect of stock awards	—	87
Adjusted weighted average number of shares assuming dilution	<u>7,093</u>	<u>7,008</u>
Reported diluted earnings per share	\$ 2.86	\$ (1.53)
Adjustments for COVID-19 expenses, net of tax (1)	—	2.73
Adjusted diluted earnings per share (2)	<u>\$ 2.86</u>	<u>\$ 1.22</u>

(1) Our 2020 results included approximately \$25.2 million of pre-tax expenses associated with the impacts from the COVID-19 pandemic and primarily related to the curtailment of manufacturing operations (\$11.9 million), incremental costs to right size production to new forecasted demand (\$2.6 million), increased accounts receivable and inventory reserves related to the heightened risks in the market as the U.S. continues its recovery (\$6.6 million), and other expenses (\$4.1 million). These costs are included within net sales (\$0.5 million), cost of goods sold (\$14.2 million), SG&A expenses (\$2.4 million), and other loss (income), net (\$8.1 million).

(2) Totals may not add due to rounding.

Liquidity and Capital Resources**Operating Cash Flows**

Cash provided by operating activities in 2021 was \$25.5 million compared to \$31.8 million for 2020. The lower operating cash flows in 2021 primarily relate to an increase in inventory levels to support demand from customers.

Investing Cash Flows

Cash used in investing activities in 2021 and 2020 was \$13.1 million and \$12.1 million, respectively. Capital expenditures during 2021 and 2020 were \$15.8 and \$13.6 million, respectively. Capital expenditures in both periods primarily related to investments in our distribution expansion, digital print equipment, information technology, and retail stores. There were \$12.3 million in expenditures financed under capital lease arrangements and \$2.9 million in unpaid expenditures as of September 2021.

We expect to spend approximately \$20 million in capital expenditures in 2022, primarily on our manufacturing expansion, digital print equipment, information technology, and direct-to-consumer investments, including seven new Salt Life retail store openings.

Financing Activities

Cash used by financing activities was \$19.5 million in 2021 compared \$3.9 million in 2020. In 2021, we lowered the outstanding on our U.S credit facility and made the required payments on our capital lease financing, while in 2020 we utilized the cash proceeds from our U.S. credit facility to pay the required payments on our capital financing and to fund our operating activities and certain capital investments. In 2021, we paid \$2.1 million in contingent consideration related to the DTG2Go acquisition compared to \$2.5 million paid in the prior year. We did not purchase any shares of our common stock during 2021 compared to \$2.0 million in repurchases in the prior year.

Future Liquidity and Capital Resources

See Note 8 – Long-Term Debt to the Consolidated Financial Statements for discussion of our various financing arrangements, including the terms of our revolving U.S. credit facility.

Our credit facility, as amended on August 28, 2020, as well as cash flows from operations, are intended to fund our day-to-day working capital needs, along with capital lease financing arrangements, to fund our planned capital expenditures. However, any material deterioration in our results of operations, may result in the loss of our ability to borrow under our U.S. revolving credit facility and to issue letters of credit to suppliers, or may cause the borrowing availability under that facility to be insufficient for our needs. Availability under our credit facility is primarily a function of the levels of our accounts receivable and inventory. A significant deterioration in our accounts receivable or inventory levels could restrict our ability to borrow additional funds or service our indebtedness.

Our credit facility includes a financial covenant that if the availability under our credit facility falls below the amounts specified in our credit agreement, our Fixed Charge Coverage Ratio (“FCCR”) (as defined in our credit agreement) for the preceding 12-month period must not be less than 1.1 to 1.0. Our availability at September 2021, was above the minimum thresholds specified in our credit agreement, and we were above the 1.1 to 1.0 FCCR for the preceding 12-month period. A significant deterioration in our business could cause our availability to fall below minimum thresholds, thereby requiring us to maintain the minimum FCCR specified in our credit agreement, which we may not be able to maintain.

Derivative Instruments

From time to time, we may purchase cotton option contracts to economically hedge the risk related to market fluctuations in the cost of cotton used in our operations. We do not receive hedge accounting treatment for these derivatives. As such, the realized gains and losses associated with them were recorded within cost of goods sold on the Consolidated Statement of Operations. There were no material option agreements that were outstanding at September 2021.

From time to time, we may use interest rate swaps or other instruments to manage our interest rate exposure and reduce the impact of future interest rate changes. These financial instruments are not used for trading or speculative purposes. We have designated our interest rate swap contracts as cash flow hedges of our future interest payments. As a result, the gains and losses on the swap contracts are reported as a component of other comprehensive income and are reclassified into interest expense as the related interest payments are made. As of September 2021, all of other comprehensive income was attributable to shareholders; none related to the non-controlling interest. The changes in fair value of the interest rate swap agreements resulted in other comprehensive gain, net of taxes, of \$0.5 million for the year ended September 2021, and other comprehensive loss, net of taxes, of \$0.4 million for the year ended September 2020.

Off-Balance Sheet Arrangements

As of September 2021, we did not have any off-balance sheet arrangements that were material to our financial condition, results of operations or cash flows as defined by Item 303(a)(4) of Regulation S-K promulgated by the SEC other than letters of credit, and purchase obligations. We have disclosed letters of credit and purchase obligations in Note 15—Commitments and Contingencies.

Dividends and Purchases of our Own Shares

Pursuant to the terms of our credit facility, we are allowed to make cash dividends and stock repurchases if (i) as of the date of the payment or repurchase and after giving effect to the payment or repurchase, we have availability on that date of not less than 15% of the lesser of the borrowing base or the commitment, and average availability for the 30-day period immediately preceding that date of not less than 15% of the lesser of the borrowing base or the commitment; and (ii) the aggregate amount of dividends and stock repurchases after May 10, 2016, does not exceed \$10 million plus 50% of our cumulative net income (as defined in the Amended Credit Agreement) from the first day of the third quarter of 2016 to the date of determination. At September 2021, and September 2020, there was \$19.0 million and \$8.8 million, respectively, of retained earnings free of restrictions to make cash dividends or stock repurchases.

Our Board of Directors did not declare, nor were any dividends paid, during 2021 and 2020. Any future cash dividend payments will depend upon our earnings, financial condition, capital requirements, compliance with loan covenants and other relevant factors.

As of September 2021, our Board of Directors had authorized management to use up to \$60.0 million to repurchase stock in open market transactions under our Stock Repurchase Program. There were no repurchases of our common stock in 2021. During 2020, we purchased 99,971 shares of our common stock for a total cost of \$2.0 million. As of September 2021, we had purchased 3,598,933 shares of common stock for an aggregate of \$52.5 million since the inception of the Stock Repurchase Program. All purchases were made at the discretion of management and pursuant to the safe harbor provisions of SEC Rule 10b-18. As of September 2021, \$7.5 million remained authorized by our Board of Directors for future purchases under our Stock Repurchase Program, which does not have an expiration date.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which were prepared in accordance with U.S. GAAP. The preparation of our Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We have no reason to believe that our past estimates have not been appropriate. Our most critical accounting estimates, discussed below, pertain to revenue recognition, accounts receivable and related reserves, inventories and related reserves, the carrying value of goodwill, and the accounting for income taxes.

Note 2 to our Consolidated Financial Statements includes a summary of the significant accounting policies or methods used in the preparation of our Consolidated Financial Statements.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of the contracts are satisfied. Our performance obligations primarily consist of delivering products to our customers. Control is transferred upon providing the products to customers in our retail stores, upon shipment of our products to the consumers from our ecommerce sites, and upon shipment from our distribution centers to our customers in our wholesale operations. Once control is transferred to the customer, we have completed our performance obligation.

In certain areas of our wholesale business, we offer discounts and allowances to support our customers. Some of these arrangements are written agreements, while others may be implied by customary practices in the industry. Wholesale sales are recorded net of discounts, allowances, and operational chargebacks. As certain allowances and other deductions are not finalized until the end of a season, program or other event which may not have occurred, we estimate such discounts, allowances, and returns that we expect to provide.

We record reductions to revenue for estimated customer returns, allowances, markdowns and discounts. We estimate these reductions based on historical rates of customer returns and allowances as well as the specific identification of outstanding returns, markdowns and allowances that have not yet been received by us. The actual amount of customer returns and allowances, which is inherently uncertain, may differ from our estimates. If we determine that actual or expected returns or allowances are significantly higher or lower than the reserves we established, we would record a reduction or increase, as appropriate, to net sales in the period in which we make such a determination. Reserves for returns, allowances, markdowns and discounts are included within accrued expenses as refund liabilities, and the value of inventory associated with reserves for sales returns are included within prepaid expenses and other current assets on the Consolidated Balance Sheets. As of September 2021, and September 2020, there was \$1.0 million and \$1.3 million, respectively, in refund liabilities for customer returns, allowances, markdowns and discounts included within accrued expenses.

Accounts Receivable and Related Reserves

Accounts receivable consists primarily of receivables from our customers arising from the sale of our products, and we generally do not require collateral from our customers. We actively monitor our exposure to credit risk through the use of credit approvals and credit limits. Accounts receivable is presented net of reserves for doubtful accounts.

We estimate the net collectability of our accounts receivable and establish an allowance for doubtful accounts based upon this assessment. In situations where we are aware of a specific customer's inability to meet its financial obligation, such as in the case of a bankruptcy filing, we assess the need for a specific reserve for bad debts. Reserves are determined through analysis of the aging of accounts receivable balances, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms. Although our historical allowances have been materially accurate, if market conditions change, additional reserves may be required. Bad debt expense was less than 1% of net sales in each of 2021 and 2020.

Inventories and Related Reserves

We state inventories at the lower of cost and net realizable value using the first-in, first-out method. Inventory cost includes materials, labor and manufacturing overhead on manufactured inventory and all direct and associated costs, including inbound freight, to acquire sourced products. We regularly review inventory quantities on hand and record reserves for obsolescence, excess quantities, irregulars and slow-moving inventory based on historical selling prices, current market conditions, and forecasted product demand to reduce inventory to its net realizable value. During fiscal year 2020, we estimated and recorded additional reserves of approximately \$5.5 million based on heightened risks in the market as the U.S. and our customers continue their recovery from the early stages of the COVID-19 pandemic. Although our historical reserves have been materially accurate, if actual selling prices are less favorable than those projected or if sell-through of the inventory is more difficult than anticipated, additional inventory reserves may be required.

Goodwill

Goodwill and definite-lived intangibles were recorded in conjunction with our acquisitions of Salt Life, DTG2Go, and SSI. We did not record any separately identifiable indefinite-lived intangibles associated with any of these acquisitions. Goodwill represents the excess of the purchase price and related costs over the value assigned to net tangible and identifiable intangible assets acquired and liabilities assumed. Goodwill must be tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired, and goodwill is required to be written down when impaired. As of April 4, 2021, we performed our annual goodwill impairment evaluation and concluded that the goodwill for the Salt Life and DTG2Go reporting units were not impaired. The goodwill impairment testing process involved the use of significant assumptions, estimates and judgments with respect to a variety of factors, including projected sales, gross margins, selling, general and administrative expenses, capital expenditures and cash flows and the selection of an appropriate discount rate, all of which are subject to inherent uncertainties and subjectivity. Our assumptions were based on annual business plans and other forecasted results as well as the selection of a discount rate, all of which we believe represent those of a market participant. We also believe these assumptions are reflective of the current macro-economic environment, including the impacts of the COVID-19 pandemic. We believe that the most significant elements of uncertainty are the intensity and duration of the impact on retailers as well as the ability of our customers, supply chain, and distribution to operate with minimal disruption, all of which could negatively impact the reporting units' financial position, results of operations, cash flows, and outlook. Given the current macro-economic environment and the uncertainties regarding its potential impact on our business, there can be no assurance that our estimates and assumptions used in our impairment tests will prove to be accurate predictions of the future. If our assumptions regarding fair value are not achieved, it is possible that an impairment review may be triggered and goodwill or other intangible assets may be impaired in a future period.

Income Taxes

We account for income taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as operating loss, interest deductions, and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is required to reduce the carrying value of deferred tax assets to the amount that is more-likely-than-not to be realized. In making this final determination, we follow the Accounting Standards Codification 740, *Income Taxes* ("ASC 740"), and look to taxable income in prior carryback years, reversals of existing temporary book/tax differences, tax planning strategies and future taxable income exclusive of reversals of existing temporary differences. By its very nature, future taxable income requires estimates and judgments about future events that may be predictable, but are far less certain than past events that can be objectively measured.

We established a valuation allowance related to certain of our state operating loss carryforward amounts in accordance with the provisions of ASC 740. We continually review the adequacy of the valuation allowance and recognize the benefits of deferred tax assets if reassessment indicates that it is more likely than not that the deferred tax assets will be realized based on earnings forecasts in the respective state tax jurisdictions. As of September 2021, we had state NOLs of approximately \$46.3 million, with deferred tax assets of \$2.2 million related to these state NOLs, and related valuation allowances against them of approximately \$0.6 million. These state net loss carryforwards expire at various intervals from 2026 through 2040.

Recent Accounting Standards

For information regarding recently issued accounting standards, refer to Note 2(ad) and Note 2(ae) to our Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements for each of our periods ended September 2021, and September 2020, together with the Reports of Independent Registered Public Accounting Firms thereon, are included in this report commencing on page F-1 and are listed under Part IV, Item 15 in this report.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 2021, and, based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective at the evaluation date.

Disclosure controls and procedures are controls and other procedures that are designed to reasonably assure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information that we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Management of Delta Apparel, Inc. is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 2021. In this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) ("COSO") in *Internal Control – Integrated Framework*. The scope of our efforts to comply with the internal requirements of Section 404 of the Sarbanes-Oxley Act of 2002 with respect to fiscal year 2021 included all of our operations. Based on our evaluation, our management has concluded that, as of September 2021, our internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of September 2021, has been audited by Ernst & Young, LLP ("EY"), our independent registered public accounting firm, who also audited our Consolidated Financial Statements. EY's attestation report on our internal controls over financial reporting is included herein.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the fourth quarter of 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Delta Apparel, Inc. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Delta Apparel, Inc. and Subsidiaries' internal control over financial reporting as of October 2, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Delta Apparel, Inc. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 2, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of October 2, 2021, and October 3, 2020, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the two years in the period ended October 2, 2021, and the related notes and our report dated November 22, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Atlanta, Georgia
November 22, 2021

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference from the portions of the definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days following the end of our 2021 fiscal year under the headings "Proposal No. 1: Election of Directors", "Corporate Governance", "Executive Officers" and "Delinquent Section 16(a) Reports."

All of our employees, including our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, are required to abide by our business conduct policies so that our business is conducted in a consistently legal and ethical manner. We have adopted a code of business conduct and ethics known as our Ethics Policy Statement. The Ethics Policy Statement is available without charge on our website. In the event that we amend or waive any of the provisions of the Ethics Policy Statement applicable to our Chief Executive Officer, Chief Financial Officer, or Chief Accounting Officer, we intend to disclose the same on our website at www.deltaapparelinc.com.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference from the portions of the definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days following the end of our 2021 fiscal year under the headings "Executive Compensation," "Compensation Tables," and "Director Compensation."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information relating to security ownership by certain beneficial owners and management is incorporated herein by reference from the portion of the definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days following the end of 2021 "Equity Compensation Plan Information" and "Stock Ownership of Management and Principal Shareholder."

On February 6, 2020, our shareholders approved the Delta Apparel, Inc. 2020 Stock Plan ("2020 Stock Plan") to replace the 2010 Stock Plan, which was previously re-approved by our shareholders on February 4, 2015 and was scheduled to expire by its terms on September 14, 2020. The 2020 Stock Plan is substantially similar in both form and substance to the 2010 Stock Plan. The purpose of the 2020 Stock Plan is to continue to give our Board of Directors and its Compensation Committee the ability to offer a variety of compensatory awards designed to enhance the Company's long-term success by encouraging stock ownership among its executives, key employees and directors. Under the 2020 Stock Plan, the Compensation Committee of our Board of Directors has the authority to determine the employees and directors to whom awards may be granted and the size and type of each award and manner in which such awards will vest. The awards available under the plan consist of stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock, performance units, and other stock and cash awards. If a participant dies or becomes disabled (as defined in the 2020 Stock Plan) while employed by the Company or serving as a director, all unvested awards become fully vested. The Compensation Committee is authorized to establish the terms and conditions of awards granted under the 2020 Stock Plan, to establish, amend and rescind any rules and regulations relating to the 2020 Stock Plan, and to make any other determinations that it deems necessary. The aggregate number of shares of common stock that may be delivered under the 2020 Stock Plan is 449,714 plus any shares of common stock subject to outstanding awards under the 2010 Stock Plan that are subsequently forfeited or terminated for any reason before being exercised. Similar to the 2010 Stock Plan, the 2020 Stock Plan limits the number of shares that may be covered by awards to any participant in a given calendar year and also limits the aggregate awards of restricted stock, restricted stock units and performance stock granted in a given calendar year. The 2010 Stock Plan terminated and the 2020 Stock Plan became effective on February 6, 2020, the date of shareholders' approval.

Set forth in the table below is certain information about securities issuable under our equity compensation plans as of September 2021.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding those currently outstanding)
Equity compensation plans approved by security holders	215,000	\$ —	415,922
Equity compensation plans not approved by security holders	—	—	—
Total	215,000	\$ —	415,922

(1) Includes all outstanding restricted stock units that have a performance-based vesting condition that would vest in equity shares, and assumes 100% vesting performance-based targets.

(2) Not applicable, as no outstanding stock options at period end.

For additional information on our stock-based compensation plans, see Note 12 - Stock-Based Compensation to the Consolidated Financial Statements.

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

The information required by this Item is incorporated herein by reference from the portion of the definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days following the end of 2021 under the heading "Corporate Governance".

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference from the portion of the definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days following the end of 2021 under the heading "Proposal No. 3: Ratification of Appointment of Independent Registered Public Accounting Firm".

Part IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements:

Report of Independent Registered Public Accounting Firms.

Consolidated Balance Sheets as of September 2021, and September 2020.

Consolidated Statements of Operations for the years ended September 2021, and September 2020.

Consolidated Statements of Comprehensive (Loss) Income for the years ended September 2021, and September 2020.

Consolidated Statements of Shareholders' Equity for the years ended September 2021, and September 2020.

Consolidated Statements of Cash Flows for the years ended September 2021, and September 2020.

Notes to Consolidated Financial Statements.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted. Columns omitted from schedules filed have been omitted because the information is not applicable.

(a)(3) Listing of Exhibits*

- [2.1](#) [Asset Purchase Agreement dated as of August 27, 2013, among To The Game, LLC, Salt Life Holdings, LLC, Roger L. Combs, Sr., Donald R. Combs, Richard Thompson, and Michael T. Hutto \(excluding schedules and exhibits\): Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on August 29, 2013.](#)
- [3.1.1](#) [Articles of Incorporation of the Company: Incorporated by reference to Exhibit 3.1 to the Company's Form 10-12B filed on December 30, 1999.](#)
- [3.1.2](#) [Amendment to Articles of Incorporation of the Company dated September 18, 2003: Incorporated by reference to Exhibit 3.1.2 to the Company's Form 10-Q filed on November 5, 2003.](#)
- [3.1.3](#) [Amendment to Articles of Incorporation of the Company dated April 28, 2005: Incorporated by reference to Exhibit 3.1.3 to the Company's Form 8-K filed on April 29, 2005.](#)
- [3.1.4](#) [Amendment to Articles of Incorporation of the Company dated November 8, 2007: Incorporated by reference to Exhibit 3.1.4 to the Company's Form 10-K filed on August 28, 2009.](#)
- [3.2.1](#) [Bylaws of the Company: Incorporated by reference to Exhibit 3.2.1 to the Company's Form 10-K filed on August 28, 2009.](#)
- [3.2.2](#) [Amendment to Bylaws of the Company adopted January 20, 2000: Incorporated by reference to Exhibit 3.2.2 to the Company's Form 10-K filed on August 28, 2009.](#)
- [3.2.3](#) [Amendment to Bylaws of the Company adopted February 17, 2000: Incorporated by reference to Exhibit 3.2.3 to the Company's Form 10-K filed on August 28, 2009.](#)
- [3.2.4](#) [Amendment to Bylaws of the Company adopted June 6, 2000: Incorporated by reference to Exhibit 3.2.4 to the Company's Form 10-K filed on August 28, 2009.](#)
- [3.2.5](#) [Amendment to Bylaws of the Company dated August 17, 2006: Incorporated by reference to Exhibit 3.2.5 to the Company's Form 10-K filed on August 28, 2009.](#)
- [3.2.6](#) [Amendment to Bylaws of the Company dated August 12, 2009: Incorporated by reference to Exhibit 3.2.6 to the Company's Form 10-K filed on August 28, 2009.](#)
- [4.1](#) [See Exhibits 3.1.1, 3.1.2, 3.1.3, 3.1.4, 3.2.1, 3.2.2, 3.2.3, 3.2.4, 3.2.5, and 3.2.6.](#)
- [4.2](#) [Specimen certificate for common stock, par value \\$0.01 per share, of the Company: Incorporated by reference to Exhibit 4.2 to the Company's Form 10-12 B/A filed on May 3, 2000.](#)
- [4.3](#) [Description of Securities: Incorporated by reference to Exhibit 4.3 to the Company's Form 10-K filed on November 21, 2019.](#)
- [10.1](#) [See Exhibit 2.1.](#)
- [10.2.4](#) [Fifth Amended and Restated Credit Agreement, dated May 10, 2016, among Delta Apparel, Inc., M.J. Soffe, LLC, Junkfood Clothing Company, Salt Life, LLC \(f/k/a To The Game, LLC\), and Art Gun, LLC, the financial institutions named therein as Lenders, and Wells Fargo Bank, National Association, as Administrative Agent, Sole Lead Arranger, and Sole Book Runner: Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 12, 2016.](#)
- [10.2.5](#) [First Amendment to Fifth Amended and Restated Credit Agreement, dated November 27, 2017, among Delta Apparel, Inc., M.J. Soffe, LLC, Junkfood Clothing Company, Salt Life, LLC, and Art Gun, LLC, the financial institutions named therein as Lenders, and Wells Fargo Bank, National Association, as Administrative Agent, Sole Lead Arranger, and Sole Book Runner: Incorporated by reference to Exhibit 10.2.5 to the Company's Annual Report on Form 10-K filed on November 28, 2017.](#)
- [10.2.6](#) [Consent and Second Amendment to Fifth Amended and Restated Credit Agreement, dated March 9, 2018, among Delta Apparel, Inc., M.J. Soffe, LLC, Culver City Clothing Company, Salt Life, LLC, and Art Gun, LLC, the financial institutions named therein as Lenders, and Wells Fargo Bank, National Association, as Administrative Agent, Sole Lead Arranger, and Sole Book Runner: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 13, 2018.](#)
- [10.2.7](#) [Consent and Third Amendment to Fifth Amended and Restated Credit Agreement, dated October 8, 2018, among Delta Apparel, Inc., M.J. Soffe, LLC, Culver City Clothing Company, Salt Life, LLC, and DTG2Go, LLC, the financial institutions named therein as Lenders, and Wells Fargo Bank, National Association, as Administrative Agent, Sole Lead Arranger, and Sole Book Runner: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 9, 2018.](#)
- [10.2.8](#) [Fourth Amendment to Fifth Amended and Restated Credit Agreement, dated November 19, 2019, among Delta Apparel, Inc., M.J. Soffe, LLC, Culver City Clothing Company, Salt Life, LLC, and DTG2Go, LLC, the financial institutions named therein as Lenders, and Wells Fargo Bank, National Association, as agent for Lenders. Incorporated by reference to Exhibit 10.2.8 to the Company's Annual Report on Form 10-K filed on November 23, 2019.](#)
- [10.2.9](#) [Fifth Amendment to Fifth Amended and Restated Credit Agreement dated April 27, 2020, among Delta Apparel, Inc., M.J. Soffe, LLC, Culver City Clothing Company, Salt Life, LLC, and DTG2Go, LLC, the financial institutions named therein as Lenders, and Wells Fargo Bank, National Association as agent for Lenders. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on April 30, 2020.](#)
- [10.2.10](#) [Sixth Amendment to Fifth Amended and Restated Credit Agreement dated August 28, 2020, among Delta Apparel, Inc., M.J. Soffe, LLC, Culver City Clothing Company, Salt Life, LLC, and DTG2Go, LLC, the financial institutions named therein as Lenders, and Wells Fargo Bank, National Association as agent for Lenders. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 31, 2020.](#)

- [10.3](#) [Delta Apparel, Inc. 2000 Stock Option Plan, Effective as of February 15, 2000, Amended & Restated March 15, 2000: Incorporated by reference to Exhibit 10.4 to the Company's Form 10-12B/A filed on March 31, 2000.***](#)
- [10.4](#) [Delta Apparel, Inc. Incentive Stock Award Plan, Effective February 15, 2000, Amended & Restated March 15, 2000: Incorporated by reference to Exhibit 10.5 to the Company's Form 10-12B/A filed on March 31, 2000.***](#)
- [10.5](#) [Delta Apparel, Inc. 2010 Stock Plan: Incorporated by reference to Exhibit 99.2 to the Company's Form 8-K filed on November 4, 2010, and Exhibit 1 to the Company's Proxy Statement filed on December 19, 2014.***](#)
- [10.5.1](#) [Delta Apparel, Inc. 2020 Stock Plan: Incorporated by reference to Exhibit 1 to the Company's Proxy Statement filed on December 17, 2019.***](#)
- [10.6](#) [Yarn Supply Agreement dated as of January 5, 2005, between Delta Apparel, Inc. and Parkdale Mills, LLC and Parkdale America, LLC](#)
- [10.6.1](#) [First Amendment to Yarn Supply Agreement dated as of June 26, 2009 between Delta Apparel, Inc. and Parkdale Mills, LLC, and Parkdale America, LLC](#)
- [10.6.2](#) [Second Amendment to Yarn Supply Agreement dated as of October 21, 2011 between Delta Apparel, Inc. and Parkdale Mills, LLC, and Parkdale America, LLC](#)
- [10.6.3](#) [Third Amendment to Yarn Supply Agreement dated as of March 11, 2013, between Delta Apparel, Inc. and Parkdale Mills, LLC, and Parkdale America, LLC](#)
- [10.6.4](#) [Fourth Amendment to Yarn Supply Agreement dated as of December 11, 2015, between Delta Apparel, Inc. and Parkdale Mills, LLC, and Parkdale America, LLC](#)
- [10.6.5](#) [Fifth Amendment to Yarn Supply Agreement dated as of December 27, 2018, between Delta Apparel, Inc. and Parkdale Mills, LLC, and Parkdale America, LLC: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 28, 2018.**](#)
- [10.7](#) [Employment Agreement between Delta Apparel, Inc. and Deborah H. Merrill dated December 31, 2015: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 7, 2016.***](#)
- [10.8](#) [Employment Agreement between Delta Apparel, Inc. and Deborah H. Merrill dated January 1, 2019: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 2, 2019.***](#)
- [10.9](#) [Employment Agreement between Delta Apparel, Inc. and Robert W. Humphreys dated June 10, 2009: Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed on August 28, 2009.***](#)
- [10.9.1](#) [Third Amendment to Employment Agreement between Delta Apparel, Inc. and Robert W. Humphreys dated August 17, 2011: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 19, 2011.***](#)
- [10.9.2](#) [Second Amendment to Employment Agreement between Delta Apparel, Inc. and Robert W. Humphreys dated June 6, 2012: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 8, 2012.***](#)
- [10.9.3](#) [Third Amendment to Employment Agreement between Delta Apparel, Inc. and Robert W. Humphreys dated December 5, 2014: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 8, 2014.***](#)
- [10.9.4](#) [Fourth Amendment to Employment Agreement between Delta Apparel, Inc. and Robert W. Humphreys dated April 27, 2017: Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 28, 2017.***](#)
- [10.9.5](#) [Fifth Amendment to Employment Agreement between Delta Apparel, Inc. and Robert W. Humphreys dated May 11, 2020: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 12, 2020.***](#)
- [10.11](#) [Employment Agreement between Delta Apparel, Inc. and Justin M. Grow dated January 1, 2019: Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 2, 2019.***](#)
- [10.12](#) [Employment Agreement between Delta Apparel, Inc. and Jeffery N. Stillwell dated December 31, 2015: Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on November 19, 2018.***](#)
- [10.13](#) [Employment Agreement between Delta Apparel, Inc. and Jeffery N. Stillwell dated January 1, 2019: Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on January 2, 2019.***](#)
- [10.14](#) [Employment Agreement between Delta Apparel, Inc. and John T. Tester dated October 28, 2019: Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on October 28, 2019.***](#)
- [10.15](#) [Delta Apparel, Inc. Short-Term Incentive Compensation Plan, Effective June 1, 2000, Amended and Restated Effective November 19, 2019: Incorporated by reference to Exhibit A to the Company's Proxy Statement filed on September 28, 2011, and Exhibit 1 to the Company's Proxy Statement filed on December 29, 2015.***](#)
- [10.16](#) [Agreement between Delta Apparel, Inc. and IMG Worldwide, Inc. dated December 6, 2013: Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 6, 2013.](#)
- [10.17](#) [Form of Restricted Stock Unit and Performance Unit Award Agreement: Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on February 9, 2016.***](#)

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- [10.18](#) [Form of Restricted Stock Unit Award Agreement: Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on February 9, 2016.***](#)
- [10.19](#) [Form of Performance Unit Award Agreement: Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2017.***](#)
- [10.20](#) [Form of Restricted Stock Unit and Performance Unit Award Agreement: Incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K filed on November 28, 2017.***](#)
- [10.21](#) [Form of Restricted Stock Unit Award Agreement: Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q filed on May 7, 2018.***](#)
- [10.22](#) [Form of Restricted Stock Unit and Performance Unit Award Agreement: Incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed on November 21, 2019.***](#)
- [21](#) [Subsidiaries of the Company.](#)
- [23.1](#) [Consent of Independent Registered Public Accounting Firm.](#)
- [31.1](#) [Certification of the Chief Executive Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- [31.2](#) [Certification of the Chief Financial Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- [32.1](#) [Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- [32.2](#) [Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

101.SCH Inline XBRL Taxonomy Extension Schema

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase

101.LAB Inline XBRL Taxonomy Extension Label Linkbase

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* All reports previously filed by the Company with the Commission pursuant to the Securities Exchange Act, and the rules and regulations promulgated thereunder, exhibits of which are incorporated to this Report by reference thereto, were filed under Commission File Number 1-15583.

+ Portions of this exhibit (indicated therein by asterisk) have been omitted for confidential treatment.

** Portions of this exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

*** This is a management contract or compensatory plan or arrangement.

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

(b) Exhibits

See Item 15(a)(3) above.

Item 16. Form 10-K Summary

None

Signatures

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

DELTA APPAREL, INC.
(Registrant)

November 22, 2021

Date

By: Deborah H. Merrill

Deborah H. Merrill
Chief Financial Officer and
President, Delta Group
(principal financial and accounting officer)

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

/s/Anita D. Britt 11/22/2021
Anita D. Britt Date
Director

/s/Robert W. Humphreys 11/22/2021
Robert W. Humphreys Date
Chairman and Chief Executive Officer
(principal executive officer)

/s/J. Bradley Campbell 11/22/2021
J. Bradley Campbell Date
Director

/s/Deborah H. Merrill 11/22/2021
Deborah H. Merrill Date
Chief Financial Officer and President, Delta Group
(principal financial and accounting officer)

/s/G. Jay Gogue 11/22/2021
G. Jay Gogue Date
Director

/s/A. Alexander Taylor, II 11/22/2021
A. Alexander Taylor, II Date
Director

/s/Glenda E. Hood 11/22/2021
Glenda E. Hood Date
Director

/s/David G. Whalen 11/22/2021
David G. Whalen Date
Director

Delta Apparel, Inc. and Subsidiaries
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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Delta Apparel, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Delta Apparel, Inc. and Subsidiaries (the Company) as of October 2, 2021 and October 3, 2020, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the two years in the period ended October 2, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 2, 2021 and October 3, 2020, and the results of its operations and its cash flows for each of the two years in the period ended October 2, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 2, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 22, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Inventory Reserve Valuation

Description of the Matter

As described in Note 4 to the Company's consolidated financial statements, the Company's inventories totaled approximately \$161.7 million as of October 2, 2021, net of approximately \$15.9 million of inventory reserves. As discussed in Note 2 to the consolidated financial statements, the Company states inventories at the lower of cost or net realizable value. In connection with this policy, the Company periodically reviews inventory quantities on hand and records reserves for obsolescence, excess quantities, irregulars and slow-moving inventory based on historical selling prices, current market conditions, and forecasted product demand to reduce inventory to its net realizable value. The Company's evaluation of inventory valuation includes consideration of the life cycle of the individual products and historical sales and margin information based on such life cycles.

Auditing management's estimate of certain inventory reserves was complex and required significant judgment due to estimation uncertainty in the assumptions about the life cycle of the individual products. Changes in these assumptions can lead to a material effect of the amount of recorded inventory reserves.

How We Addressed the Matter
in Our Audit

We obtained an understanding, evaluated design, and tested the operating effectiveness of controls over the Company's process to determine the valuation of the Company's inventory reserves. This included internal controls over the Company's review of significant assumptions underlying the inventory reserve estimate.

To test the adequacy of the Company's inventory reserve, our substantive audit procedures included, among others, assessing methodologies and assumptions used, testing the accuracy and completeness of the underlying data used in management's estimation calculations, including aging of inventory and historical margins, and performing sensitivity analysis on the significant assumptions used.

/s/ Ernst & Young, LLP

We have served as the Company's auditor since 2016.

Atlanta, Georgia
November 22, 2021

Delta Apparel, Inc. and Subsidiaries
Consolidated Balance Sheets
(Amounts in thousands, except share amounts and per share data)

	<u>September 2021</u>	<u>September 2020</u>
Assets		
Cash and cash equivalents	\$ 9,376	\$ 16,458
Accounts receivable, less allowances of \$251 and \$684, respectively	66,973	60,146
Other receivables	761	854
Income tax receivable	356	—
Inventories, net	161,703	145,515
Prepaid expenses and other current assets	3,794	3,795
Total current assets	<u>242,963</u>	<u>226,768</u>
Property, plant and equipment, net	67,564	63,950
Goodwill	37,897	37,897
Intangible assets, net	26,291	19,948
Deferred income taxes	1,854	4,052
Operating lease assets	45,279	54,645
Equity method investment	10,433	10,573
Other assets	2,007	2,398
Total assets	<u>\$ 434,288</u>	<u>\$ 420,231</u>
Liabilities and Equity		
Liabilities:		
Accounts payable	\$ 52,936	\$ 49,800
Accrued expenses	29,949	20,174
Income taxes payable	379	379
Current portion of finance leases	6,621	6,956
Current portion of operating leases	8,509	9,039
Current portion of long-term debt	7,067	7,559
Current portion of contingent consideration	—	2,120
Total current liabilities	<u>105,461</u>	<u>96,027</u>
Long-term income taxes payable	3,220	3,599
Long-term finance leases, less current maturities	15,669	11,328
Long-term operating leases, less current maturities	38,546	46,570
Long-term debt, less current maturities	101,680	112,782
Long-term contingent consideration	1,897	4,300
Deferred income taxes	1,520	—
Other liabilities	2,101	2,939
Total liabilities	<u>\$ 270,094</u>	<u>\$ 277,545</u>
Shareholders' equity:		
Preferred stock—\$0.01 par value, 2,000,000 shares authorized, none issued and outstanding	—	—
Common stock—\$0.01 par value, 15,000,000 shares authorized, 9,646,972 shares issued, and 6,974,660 and 6,890,118 shares outstanding as of September 2021, and September 2020, respectively	96	96
Additional paid-in capital	60,831	61,005
Retained earnings	146,860	126,564
Accumulated other comprehensive loss	(786)	(1,322)
Treasury stock—2,672,312 and 2,756,854 shares as of September 2021, and September 2020, respectively	(42,149)	(43,133)
Equity attributable to Delta Apparel, Inc.	<u>164,852</u>	<u>143,210</u>
Equity attributable to non-controlling interest	(658)	(524)
Total equity	<u>164,194</u>	<u>142,686</u>
Total liabilities and equity	<u>\$ 434,288</u>	<u>\$ 420,231</u>

See accompanying Notes to Consolidated Financial Statements.

Delta Apparel, Inc. and Subsidiaries
Consolidated Statements of Operations
(Amounts in thousands, except per share data)

	Year Ended	
	September 2021	September 2020
Net sales	\$ 436,750	\$ 381,035
Cost of goods sold	334,870	312,660
Gross profit	101,880	68,375
Selling, general and administrative expenses	70,743	68,383
Other (income) loss, net	(1,574)	7,067
Operating income (loss)	32,711	(7,075)
Interest expense	6,844	7,005
Earnings (loss) before provision for (benefit from) income taxes	25,867	(14,080)
Provision for (benefit from) income taxes	5,705	(3,260)
Consolidated earnings (loss), net	\$ 20,162	\$ (10,820)
Net loss attributable to non-controlling interest	134	243
Net earnings (loss) attributable to shareholders	20,296	(10,577)
Basic earnings (loss) per share	\$ 2.92	\$ (1.53)
Diluted earnings (loss) per share	\$ 2.86	\$ (1.53)
Weighted average number of shares outstanding	6,961	6,921
Dilutive effect of stock options and awards	132	—
Weighted average number of shares assuming dilution	7,093	6,921

See accompanying Notes to Consolidated Financial Statements.

Delta Apparel, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(Amounts in thousands)

	Year Ended	
	September 2021	September 2020
Net earnings (loss) attributable to shareholders	\$ 20,296	\$ (10,577)
Other comprehensive income (loss) related to unrealized gain (loss) on derivatives, net of income tax	536	(353)
Consolidated comprehensive income (loss)	<u>\$ 20,832</u>	<u>\$ (10,930)</u>

See accompanying Notes to Consolidated Financial Statements

Delta Apparel, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
(Amounts in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Non- Controlling Interest	Total
	Shares	Amount				Shares	Amount		
Balance at September 2019	9,646,972	\$ 96	\$ 59,855	\$ 136,937	\$ (969)	2,725,555	\$ (41,750)	\$ (281)	\$ 153,888
Net loss	—	—	—	(10,577)	—	—	—	—	(10,577)
Other comprehensive loss	—	—	—	—	(353)	—	—	—	(353)
Net loss attributable to non-controlling interest	—	—	—	—	—	—	—	(243)	(243)
Vested stock awards	—	—	(1,611)	—	—	(68,672)	646	—	(965)
Purchase of common stock	—	—	—	—	—	99,971	(2,029)	—	(2,029)
Stock based compensation	—	—	2,761	—	—	—	—	—	2,761
ASU 2016-02 adoption	—	—	—	204	—	—	—	—	204
Balance at September 2020	9,646,972	\$ 96	\$ 61,005	\$ 126,564	\$ (1,322)	2,756,854	\$ (43,133)	\$ (524)	\$ 142,686
Net earnings	—	—	—	20,296	—	—	—	—	20,296
Other comprehensive income	—	—	—	—	536	—	—	—	536
Net loss attributable to non-controlling interest	—	—	—	—	—	—	—	(134)	(134)
Vested stock awards	—	—	(2,117)	—	—	(84,542)	984	—	(1,133)
Stock based compensation	—	—	1,943	—	—	—	—	—	1,943
Balance at September 2021	9,646,972	\$ 96	\$ 60,831	\$ 146,860	\$ (786)	2,672,312	\$ (42,149)	\$ (658)	\$ 164,194

See accompanying Notes to Consolidated Financial Statements.

Delta Apparel, Inc. and Subsidiaries**Consolidated Statements of Cash Flows**

(Amounts in thousands)

	Year Ended	
	September 2021	September 2020
Operating activities:		
Consolidated net earnings (loss)	\$ 20,162	\$ (10,820)
Adjustments to consolidated net earnings attributable to net cash provided by operating activities:		
Depreciation	11,913	11,097
Amortization of intangibles	1,841	1,659
Amortization of deferred financing fees	325	315
Provision for (benefit from) deferred income taxes	3,542	(3,730)
Provision for market reserves	898	4,906
Non-cash stock compensation	1,943	2,761
Gain on disposal of equipment	(54)	(29)
Contingent consideration earn out adjustment	(2,413)	(361)
Other, net	(615)	(414)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	(6,734)	(113)
Inventories, net	(17,086)	28,686
Prepaid expenses and other current assets	(1,307)	319
Other non-current assets	1,368	(198)
Accounts payable	3,030	(3,345)
Accrued expenses	8,039	(238)
Change in net operating lease liabilities	493	964
Income taxes	248	(632)
Other liabilities	(126)	968
Net cash provided by operating activities	<u>25,467</u>	<u>31,795</u>
Investing activities:		
Purchases of property and equipment	(5,586)	(8,990)
Proceeds from sale of property and equipment	453	—
Proceeds from equipment under financed leases	2,312	—
Cash paid for intangible asset	(6,567)	—
Cash paid for business	(3,665)	(3,077)
Net cash used in investing activities	<u>(13,053)</u>	<u>(12,067)</u>
Financing activities:		
Proceeds from long-term debt	453,830	438,770
Repayment of long-term debt	(463,092)	(431,932)
Payment of capital financing	(6,991)	(4,041)
Payment of contingent consideration	(2,110)	(2,500)
Repurchase of common stock	—	(2,029)
Payment of deferred financing costs	—	(1,176)
Payment of withholding taxes on stock awards	(1,133)	(967)
Net cash used in financing activities	<u>(19,496)</u>	<u>(3,875)</u>
Net (decrease) increase in cash and cash equivalents	(7,082)	15,853
Cash and cash equivalents at beginning of period	16,458	605
Cash and cash equivalents at end of period	<u>\$ 9,376</u>	<u>\$ 16,458</u>
Supplemental cash flow information:		
Cash paid during the period for interest	\$ 6,554	\$ 6,510
Cash paid during the period for income taxes, net of refunds received	\$ 1,759	\$ 960

See accompanying Notes to Consolidated Financial Statements.

Delta Apparel, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 2021

Note 1—The Company

Delta Apparel, Inc. (collectively with DTG2Go, LLC, Salt Life, LLC, M.J. Soffe, LLC, and other subsidiaries, "Delta Apparel," "we," "us," "our," or the "Company") is a vertically-integrated, international apparel company. With approximately 8,500 employees worldwide, we design, manufacture, source, and market a diverse portfolio of core activewear and lifestyle apparel products under our primary brands of Salt Life®, Soffe®, and Delta. We are a market leader in the on-demand, digital print and fulfillment industry, bringing DTG2Go's proprietary technology and innovation to the supply chain of our customers. We specialize in selling casual and athletic products through a variety of distribution channels and tiers, including outdoor and sporting goods retailers, independent and specialty stores, better department stores and mid-tier retailers, mass merchants and e-retailers, the U.S. military, and through our business-to-business digital platform. Our products are also made available direct-to-consumer on our ecommerce sites and in our branded retail stores. Our diversified distribution model allows us to capitalize on our strengths to provide our activewear and lifestyle apparel products to a broad and evolving customer base whose shopping preferences may span multiple retail channels.

We design and internally manufacture the majority of our products. More than 90% of the apparel units that we sell are sewn in our owned or leased facilities. This allows us to offer a high degree of consistency and quality, leverage scale efficiencies, and react quickly to changes in trends within the marketplace. We have manufacturing operations located in the United States, El Salvador, Honduras, and Mexico, and we use domestic and foreign contractors as additional sources of production. Our distribution facilities are strategically located throughout the United States to better serve our customers with same-day shipping on our catalog products and weekly replenishments to retailers.

Note 2—Significant Accounting Policies

(a) Basis of Presentation: Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of Delta Apparel and its wholly-owned domestic and foreign subsidiaries, as well as its majority-owned subsidiary, Salt Life Beverage, LLC ("Salt Life Beverage"). All significant intercompany accounts and transactions have been eliminated in consolidation.

We operate our business in two distinct segments: Delta Group and Salt Life Group. Although the two segments are similar in their production processes and regulatory environments, they are distinct in their economic characteristics, products, marketing, and distribution methods.

(b) Fiscal Year: We operate on a 52-53 week fiscal year ending on the Saturday closest to September 30. All references to "2021" and "2020" relate to the 52-week fiscal year ended on September 2021, and the 53-week fiscal year ended on September 2020.

(c) Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make certain 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. Estimates are adjusted to reflect actual experience when necessary. Significant estimates and assumptions affect many items in our financial statements, such as allowance for doubtful accounts receivable, refund liabilities, inventory obsolescence, the carrying value of goodwill, and income tax assets and related valuation allowance. Our actual results may differ from our estimates.

(d) Cash and Cash Equivalents: Cash and cash equivalents consist of cash and temporary investments with original maturities of three months or less.

(e) Accounts Receivable: Accounts receivable consists primarily of receivables from our customers arising from the sale of our products, and we generally do not require collateral from our customers. We actively monitor our exposure to credit risk through the use of credit approvals and credit limits. Accounts receivable is presented net of reserves for doubtful accounts.

We estimate the net collectability of our accounts receivable and establish an allowance for doubtful accounts based upon this assessment. In situations where we are aware of a specific customer's inability to meet its financial obligation, such as in the case of a bankruptcy filing, we assess the need for a specific reserve for bad debts. Reserves are determined through analysis of the aging of accounts receivable balances, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms. Bad debt expense was less than 1% of net sales in each of the twelve months ended September 2021 and 2020.

(f) Inventories: We state inventories at the lower of cost or net realizable value using the first-in, first-out method. Inventory cost includes materials, labor and manufacturing overhead on manufactured inventory, and all direct and associated costs, including inbound freight, to acquire sourced products. See Note 2 for further information regarding yarn procurements. We regularly review inventory quantities on hand and record reserves for obsolescence, excess quantities, irregulars and slow-moving inventory based on historical selling prices, current market conditions, and forecasted product demand to reduce inventory to its net realizable value. Our evaluation includes consideration of the life cycle of individual products and historical sales and margin information based on such life cycle.

(g) Property, Plant and Equipment: Property, plant and equipment are stated at cost. We depreciate and amortize our assets on a straight-line method over the estimated useful lives of the assets, which range from three to twenty-five years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements. Right of use assets that we acquire under non-cancelable leases that meet the criteria of finance leases are capitalized in property, plant and equipment and amortized over the useful lives of the related assets. When we retire or dispose of assets, the costs and accumulated depreciation or amortization are removed from the respective accounts, and we recognize any related gain or loss. Repairs and maintenance costs are charged to expense when incurred. Major replacements that substantially extend the useful life of an asset are capitalized and depreciated.

(h) Internally Developed Software Costs: We account for internally developed software in accordance with ASC 350-40, *Intangibles-Goodwill and Other, Internal-Use Software*. After technical feasibility has been established, we capitalize the cost of our software development process, including payroll and payroll benefits, by tracking the software development hours invested in the software projects. We amortize our software development costs in accordance with the estimated economic life of the software, which is generally three to ten years.

(i) Impairment of Long-Lived Assets (Including Amortizable Intangible Assets): In accordance with ASC 360, *Property, Plant, and Equipment*, our long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When evaluating assets for potential impairment, we compare the carrying amount of the asset to the undiscounted future net cash flows expected to be generated by the asset. If impairment is indicated, the asset is permanently written down to its estimated fair value and an impairment loss is recognized.

(j) Goodwill and Intangible Assets: We recorded goodwill and intangible assets with definite lives, including trade names and trademarks, customer relationships, technology, and non-compete agreements, as a result of several acquisitions. Intangible assets are amortized based on their estimated economic lives, ranging from four to twenty years. Goodwill represents the excess of the purchase price over the fair value of net identified tangible and intangible assets acquired and liabilities assumed, and is not amortized. The total amount of goodwill is deductible for tax purposes. See Note 6 — Goodwill and Intangible Assets for further details.

(k) Impairment of Goodwill: We evaluate the carrying value of goodwill annually or more frequently if events or circumstances indicate that an impairment loss may have occurred. Such circumstances could include, but are not limited to, a significant adverse change in business climate, increased competition or other economic conditions.

We complete our annual impairment test of goodwill on the first day of our third fiscal quarter. We estimate fair value of the applicable reporting unit or units using a discounted cash flow methodology. This methodology represents a level 3 fair value measurement as defined under ASC 820, *Fair Value Measurements and Disclosures*, since the inputs are not readily observable in the marketplace. The goodwill impairment testing process involves the use of significant assumptions, estimates and judgments, including projected sales, gross margins, selling, general and administrative expenses, and capital expenditures, and the selection of an appropriate discount rate, all of which are subject to inherent uncertainties and subjectivity. When we perform goodwill impairment testing, our assumptions are based on annual business plans and other forecasted results, which we believe represent those of a market participant. We select a discount rate, which is used to reflect market-based estimates of the risks associated with the projected cash flows based on the best information available as of the date of the impairment assessment. Based on the annual impairment analysis, there is not an impairment on the goodwill recorded in our financial statements.

Given the current macro-economic environment and the uncertainties regarding its potential impact on our business, there can be no assurance that our estimates and assumptions used in our impairment tests will prove to be accurate predictions of the future. If our assumptions regarding forecasted cash flows are not achieved, it is possible that an impairment review may be triggered and goodwill may be impaired.

(l) Contingent Consideration: At the end of each reporting period, we are required to remeasure the fair value of the contingent consideration related to the DTG2Go acquisition in March 2018. We remeasure contingent consideration in accordance with ASC 805, *Business Combinations* based on historical operating results and projections for the future. The DTG2Go contingent consideration was valued at \$1.9 million and \$6.4 million at September 2021 and September 2020, respectively.

(m) Revenue Recognition: Revenue is recognized when performance obligations under the terms of the contracts are satisfied. Our performance obligation primarily consists of delivering products to our customers. Control is transferred upon providing the products to customers in our retail stores, upon shipment of our products to the consumers from our ecommerce sites, and upon shipment from our distribution centers to our customers in our wholesale operations. Once control is transferred to the customer, we have completed our performance obligation.

Our receivables resulting from wholesale customers are generally collected within three months, in accordance with our established credit terms. Our direct-to-consumer ecommerce and retail store receivables are collected within a few days. Our revenue, including freight income, is recognized net of applicable taxes in our Consolidated Statements of Operations.

In certain areas of our wholesale business, we offer discounts and allowances to support our customers. Some of these arrangements are written agreements, while others may be implied by customary practices in the industry. Wholesale sales are recorded net of discounts, allowances, and operational chargebacks. As certain allowances and other deductions are not finalized until the end of a season, program or other event which may not have occurred, we estimate such discounts, allowances, and returns that we expect to provide.

We only recognize revenue to the extent that it is probable that we will not recognize a significant reversal of revenue when the uncertainties related to the variability are ultimately resolved. In determining our estimates for discounts, allowances, chargebacks, and returns, we consider historical and current trends, agreements with our customers and retailer performance. We record these discounts, returns and allowances as a reduction to net sales in our Consolidated Statements of Operations and as a refund liability in our accrued expenses in our Consolidated Balance Sheets, with the estimated value of inventory expected to be returned in prepaid and other current assets in our Consolidated Balance Sheets. As of September 2021, and September 2020, there was \$1.0 million and \$1.3 million, respectively, in refund liabilities for customer returns, allowances, markdowns and discounts included within accrued expenses.

We record shipping and handling charges incurred by us before and after the customer obtains control as a fulfillment cost rather than an additional promised service. Our customers' terms are less than one year from the transfer of goods, and we do not adjust receivable amounts for the impact of the time value of money. We do not capitalize costs of obtaining a contract which we expect to recover, such as commissions, as the amortization period of the asset recognized would be one year or less.

(n) Sales Tax: Sales tax collected from customers and remitted to various government agencies are presented on a net basis (excluded from revenues) in the Consolidated Statements of Operations.

(o) Cost of Goods Sold: We include all manufacturing and sourcing costs incurred prior to the receipt of finished goods at our distribution facilities in cost of goods sold. The cost of goods sold principally includes product costs, purchasing costs, inbound freight charges, insurance, inventory write-downs, and depreciation and amortization expense associated with our manufacturing and sourcing operations. Our gross margins may not be comparable to other companies, since some entities may include costs related to their distribution network in cost of goods sold, and we include them in selling, general and administrative expenses.

(p) Selling, General and Administrative Expense: We include in selling, general and administrative expenses costs incurred subsequent to the receipt of finished goods at our distribution facilities, such as the cost of stocking, warehousing, picking and packing, and shipping goods for delivery to our customers. Distribution costs included in selling, general and administrative expenses totaled \$20.5 million and \$17.8 million in 2021 and 2020, respectively. In addition, selling, general and administrative expenses include costs related to sales associates, administrative personnel, advertising and marketing expenses, royalty payments on licensed products, and other general and administrative expenses.

(q) Advertising Costs: All costs associated with advertising and promoting our products are expensed during the period in which they are incurred and are included in selling, general and administrative expenses in the Consolidated Statements of Operations. We participate in cooperative advertising programs with some of our customers. Depending on the customer, our defined cooperative programs allow the customer to use from 2% to 5% of its net purchases from us towards advertisements of our products. Because our products are being specifically advertised, we are receiving an identifiable benefit resulting from the consideration for cooperative advertising. We record cooperative advertising costs as a selling expense and the related cooperative advertising reserve as an accrued liability. Advertising costs totaled \$3.7 million and \$4.4 million in 2021 and 2020, respectively. In 2021 and 2020, cooperative advertising costs of \$0.6 million and \$0.8 million, respectively, were included in these advertising costs.

(r) Stock-Based Compensation: Stock-based compensation is accounted for under the provisions of ASC 718, *Compensation – Stock Compensation*, which requires all stock-based payments to employees, including grants of employee stock options, to be recognized as expense over the vesting period using a fair value method. The fair value of our restricted stock awards is the quoted market value of our stock on the grant date. For performance-based stock awards, in the event we determine it is no longer probable that we will achieve the minimum performance criteria specified in the award, we reverse all of the previously recognized compensation expense in the period such a determination is made. We recognize the fair value, net of estimated forfeitures, as a component of selling, general and administrative expense in the Consolidated Statements of Operations over the vesting period.

(s) Income Taxes: We account for income taxes pursuant to ASC 740, *Income Taxes*, under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss, interest deduction limitations, and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(t) Earnings per Share: We compute basic earnings per share ("EPS") by dividing net income by the weighted average number of common shares outstanding during the year pursuant to ASC 260, *Earnings Per Share* ("ASC 260"). Basic EPS includes no dilution. Diluted EPS is calculated, as set forth in ASC 260, by dividing net income by the weighted average number of common shares outstanding adjusted for the issuance of potentially dilutive shares. Potentially dilutive shares consist of common stock issuable under the assumed exercise of outstanding stock options and awards using the treasury stock method. This method assumes that the potential common shares are issued and the proceeds from the exercise, along with the amount of compensation expense attributable to future services, are used to purchase common stock at the exercise date. The difference between the number of potential shares issued and the number of shares purchased is added as incremental shares to the actual number of shares outstanding to compute diluted EPS. Outstanding stock options and awards that result in lower potential shares issued than shares purchased under the treasury stock method are not included in the computation of diluted EPS since their inclusion would have an anti-dilutive effect on EPS.

(u) Foreign Currency Translation: Our functional currency for our foreign operated manufacturing facilities is the United States dollar. We remeasure those assets and liabilities denominated in foreign currencies using exchange rates in effect at each balance sheet date. Property, plant and equipment and the related accumulated depreciation or amortization are recorded at the exchange rates in effect on the date we acquired the assets. Revenues and expenses denominated in foreign currencies are remeasured using average exchange rates during the period transacted. We recognize the resulting foreign exchange gains and losses as a component of other income, net in the Consolidated Statements of Operations. These gains and losses are immaterial for all periods presented.

(v) Fair Value of Financial Instruments: We use financial instruments in the normal course of our business. The carrying values approximate fair values for financial instruments that are short-term in nature, such as cash, accounts receivable and accounts payable. We estimate that the carrying value of our long-term fixed rate debt approximates fair value based on the current rates offered to us for debt of the same remaining maturities.

(w) Other Comprehensive Income: Other Comprehensive Income consists of net earnings and unrealized gains from cash flow hedges, net of tax. Accumulated other comprehensive (loss) income ("AOCI") contained in the shareholders' equity section of the Consolidated Balance Sheets related to interest rate swap agreements and was a loss in both years of \$0.8 million and \$1.3 million as of September 2021, and as of September 2020, respectively.

(x) Yarn and Cotton Procurements: We have a supply agreement with Parkdale Mills, Inc. and Parkdale America, LLC, (collectively "Parkdale"), to supply our yarn requirements that has been in place since 2005, with our existing agreement running through December 31, 2021. Under the supply agreement, we purchase from Parkdale all of our yarn requirements for use in our manufacturing operations, excluding yarns that Parkdale does not manufacture or cannot manufacture due to temporary capacity constraints. The purchase price of yarn is based upon the cost of cotton plus a fixed conversion cost. Thus, we are subject to the commodity risk of cotton prices and cotton price movements, which could result in unfavorable yarn pricing for us. We fix the cotton prices as a component of the purchase price of yarn, pursuant to the supply agreement, in advance of the shipment of finished yarn from Parkdale. Prices are set according to prevailing prices, as reported by the New York Cotton Exchange, at the time we elect to fix specific cotton prices.

(y) Derivatives: From time to time we enter into forward contracts, option agreements or other instruments to limit our exposure to fluctuations in interest rates and raw material prices with respect to long-term debt and cotton purchases, respectively. We determine at inception whether the derivative instruments will be accounted for as hedges.

We account for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*, as amended. ASC 815 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities. It requires the recognition of all derivative instruments as either assets or liabilities in the Consolidated Balance Sheets and measurement of those instruments at fair value. The accounting treatment of changes in fair value depends upon whether or not a derivative instrument is designated as a hedge and, if so, the type of hedge. We include all derivative instruments at fair value in our Consolidated Balance Sheets. For derivative financial instruments related to the production of our products that are not designated as a hedge, we recognize the changes in fair value in cost of sales. For derivatives designated as cash flow hedges, to the extent effective, we recognize the changes in fair value in accumulated other comprehensive income (loss) until the hedged item is recognized in income. We formally document all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedge transactions, at the inception of the transactions.

We are exposed to counterparty credit risks on all derivatives. Because these amounts are recorded at fair value, the full amount of our exposure is the carrying value of these instruments. We only enter into derivative transactions with well-established institutions, and, therefore, we believe the counterparty credit risk is minimal.

From time to time, we may purchase cotton option contracts to economically hedge the risk related to market fluctuations in the cost of cotton used in our operations. We do not receive hedge accounting treatment for these derivatives. As such, the realized gains and losses associated with them were recorded within cost of goods sold on the Consolidated Statement of Operations. There were no raw material option agreements outstanding at September 2021 or September 2020.

(z) Equity Method Accounting: As of September 2021, we owned 31% of the outstanding capital stock in our Honduran equity method investment. We apply the equity method of accounting for our investment, as we have less than a 50% ownership interest and can exert significant influence. We do not exercise control over this company and do not have substantive participating rights. As such, this entity is not considered a variable interest entity.

(aa) Net Income Attributable to Non-Controlling Interest: The net income attributable to non-controlling interest represents the share of net income allocated to members of our consolidated affiliates. In January 2018, Delta Apparel, Inc. established Salt Life Beverage, of which Delta Apparel, through its subsidiary, holds a 60% ownership interest. Salt Life Beverage was formed to manufacture, market and sell Salt Life-branded alcoholic beverage products. We have concluded we have a controlling financial interest in Salt Life Beverage and have consolidated its results in accordance with Accounting Standards Codification ("ASC") ASC-810, *Consolidations*, and Accounting Standards Update ("ASU") No. 2015-02, *Consolidation (Topic 810); Amendments to Consolidations*. The non-controlling interest represents the 40% proportionate share of the results of Salt Life Beverage. All significant intercompany accounts and transactions have been eliminated in consolidation.

(ab) Business Combinations: Business combinations completed by Delta Apparel have been accounted for under the acquisition method of accounting. The acquisition method requires the assets acquired and liabilities assumed, including contingencies, to be recorded at the fair value determined at the acquisition date and changes thereafter recorded in income. We generally obtain independent third-party valuation studies for certain assets acquired and liabilities assumed to assist us in determining the fair value. Goodwill represents the purchase price over the fair value of tangible and intangible assets acquired and liabilities assumed. The results of acquired businesses are included in our results of operations from the date of acquisition.

(ac) Recently Adopted Accounting Pronouncements: In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* ("ASU 2018-15"), which requires customers to apply internal-use software guidance to determine the implementation costs that are able to be capitalized. Capitalized implementation costs are required to be amortized over the term of the arrangement, beginning when the cloud computing arrangement is ready for its intended use. We adopted ASU 2018-15 prospectively as of the beginning of fiscal 2021, and the provisions did not have a material effect on our financial condition, results of operations, cash flows, or disclosures.

(ad) Recently Issued Accounting Pronouncements Not Yet Adopted: In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which simplifies the accounting for income taxes, eliminates certain exceptions within Accounting Standards Codification ("ASC") 740, *Income Taxes*, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective as of the beginning of our fiscal year 2022. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We believe the impacts of adopting the provisions of ASU 2019-12 will not be material to our financial condition, results of operations, cash flows, and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires an entity to assess impairment of its financial instruments based on the entity's estimate of expected credit losses. Since the issuance of ASU 2016-13, the FASB released several amendments to improve and clarify the implementation guidance. These standards have been collectively codified within ASC Topic 326, *Credit Losses* ("ASC 326"). As a smaller reporting company as defined by the SEC, the provisions of ASC 326 are effective as of the beginning of our fiscal year 2024. We are currently evaluating the impacts of the provisions of ASC 326 on our financial condition, results of operations, cash flows, and disclosures.

Note 3—Revenue Recognition

Our revenue streams consist of wholesale, direct-to-consumer ecommerce and retail stores which are included in our Consolidated Statements of Operations. The table below identifies the amount and percentage of net sales by distribution channel (in thousands):

	Year Ended			
	September 2021		September 2020	
	\$	%	\$	%
Retail	\$ 11,222	3%	\$ 5,626	2%
Direct-to-consumer ecommerce	6,662	2%	7,994	2%
Wholesale	418,866	95%	367,415	96%
Net Sales	\$ 436,750	100%	\$ 381,035	100%

The table below provides net sales by reportable segment (in thousands) and the percentage of net sales by distribution channel for each reportable segment:

	Year Ended September 2021			
	Net Sales	Retail	Direct-to-Consumer ecommerce	Wholesale
Delta Group	\$ 387,015	0.2%	0.3%	99.5%
Salt Life Group	49,735	20.8%	11.0%	68.2%
Total	\$ 436,750			
	Year Ended September 2020			
	Net Sales	Retail	Direct-to-Consumer ecommerce	Wholesale
Delta Group	\$ 343,981	0.2%	0.5%	99.3%
Salt Life Group	37,144	12.9%	16.9%	70.2%
Total	\$ 381,035			

Note 4—Inventories

Inventories, net of reserves of \$15.9 million and \$15.0 million as of September 2021, and September 2020, respectively, consist of the following (in thousands):

	September 2021	September 2020
Raw materials	\$ 17,204	\$ 13,571
Work in process	20,954	13,984
Finished goods	123,545	117,960
	\$ 161,703	\$ 145,515

Raw materials include finished yarn and direct materials for the Delta Group, undecorated garments for the DTG2Go business, and direct embellishment materials for the Salt Life Group.

Note 5—Property, Plant and Equipment

Property, plant and equipment consist of the following (in thousands, except economic life data):

	Estimated Useful	September 2021		September 2020	
	Life (in years)				
Land and land improvements	25	\$	605	\$	569
Buildings	20		3,741		3,715
Machinery and equipment	10		113,193		106,102
Computers and software	3-10		24,373		24,362
Furniture and fixtures	7-25		11,493		7,135
Leasehold improvements	3-10		7,366		6,635
Vehicles and related equipment	5		587		587
Construction in progress	N/A		5,477		6,968
			166,835		156,073
Less accumulated depreciation and amortization			(99,271)		(92,123)
Total property, plant and equipment, net		\$	67,564	\$	63,950

Note 6—Goodwill and Intangible Assets

Goodwill and components of intangible assets consist of the following (in thousands):

	September 2021			September 2020			Economic Life
	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value	
	Goodwill	\$ 37,897	\$ —	\$ 37,897	\$ 37,897	\$ —	
Intangibles:							
Tradename/trademarks	\$ 16,000	\$ (4,317)	\$ 11,683	\$ 16,090	\$ (3,820)	\$ 12,270	20 - 30 yrs
Customer relationships	7,400	(2,473)	4,927	7,400	(1,733)	5,667	20 yrs
Technology	9,952	(1,715)	8,237	1,720	(1,380)	340	10 yrs
License agreements	2,100	(837)	1,263	2,100	(733)	1,367	15 - 30 yrs
Non-compete agreements	1,657	(1,476)	181	1,657	(1,353)	304	4 - 8.5 yrs
Total intangibles, net	\$ 37,109	\$ (10,818)	\$ 26,291	\$ 28,967	\$ (9,019)	\$ 19,948	

Goodwill represents the acquired goodwill net of the cumulative impairment losses recorded in fiscal year 2011 of \$0.6 million. As of September 2021, the Delta Group segment assets include \$18.0 million of goodwill, and the Salt Life Group segment assets include \$19.9 million.

Depending on the type of intangible assets, amortization is recorded under cost of goods sold or selling, general and administrative expenses. Amortization expense for intangible assets was \$1.8 million for the year ended September 2021, and \$1.7 million for the year ended September 2020. Amortization expense is estimated to be approximately \$1.6 million for the year ended September 2022, approximately \$1.5 million for the year ended September 2023, and approximately \$1.4 million for the years ended September 2024, 2025 and 2026.

Note 7—Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 2021	September 2020
Accrued employee compensation and benefits	\$ 17,374	\$ 13,958
Taxes accrued and withheld	2,960	1,565
Refund liabilities	991	1,347
Accrued freight	1,662	720
Income taxes payable	379	379
Accrued capital expenditures	2,299	—
Deferred purchase price ⁽¹⁾	1,500	—
Accrued interest	506	541
Other	2,657	2,043
	<u>\$ 30,328</u>	<u>\$ 20,553</u>

(1) Unsecured liability associated with purchase of intangible technology, payable in three quarterly installments of \$500,000 each beginning March 31, 2022.

Note 8—Long-Term Debt

Long-term debt consists of the following (in thousands):

	September 2021	September 2020
Revolving U.S. credit facility, interest at base rate or adjusted LIBOR rate plus an applicable margin (interest at 6.1% on September 2021) due November 2024	\$ 98,575	\$ 106,213
Revolving credit facility with Banco Ficohsa, a Honduran bank, interest at 7.25% as of September 2021 and 7.7% as of September 2020, due August 2025	667	9,529
Term loan with Banco Ficohsa, a Honduran bank, interest at 7.5%, quarterly installments beginning September 2021 through December 2025	8,621	—
Term loan with Banco Ficohsa, a Honduran bank, interest at 6.0%, monthly installments beginning November 2014 through December 2020	—	200
Term loan with Banco Ficohsa, a Honduran bank, interest at 6.0%, monthly installments beginning June 2016 through December 2020 ⁽¹⁾	—	485
Term loan with Banco Ficohsa, a Honduran bank, interest at 6.0%, monthly installments beginning October 2017 through December 2020 ⁽¹⁾	—	888
DTG2Go, LLC acquisition promissory note, interest at 6.0%, quarterly payments beginning January 2019 through October 2021	583	2,917
Salt Life Beverage, LLC promissory note, interest at 4.0%	301	109
	<u>108,747</u>	<u>120,341</u>
Less current portion of long-term debt	<u>(7,067)</u>	<u>(7,559)</u>
Long-term debt, excluding current maturities	<u>\$ 101,680</u>	<u>\$ 112,782</u>

(1) The previous year remaining balance settled under new term loan agreement in December 2020.

Credit Facility

On May 10, 2016, we entered into a Fifth Amended and Restated Credit Agreement (as further amended, the "Amended Credit Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"), as Administrative Agent, the Sole Lead Arranger and the Sole Book Runner, and the financial institutions named therein as Lenders, which are Wells Fargo, PNC Bank, National Association and Regions Bank. Our subsidiaries M.J. Soffe, LLC, Culver City Clothing Company (f/k/a Junkfood Clothing Company), Salt Life, LLC, and DTG2Go, LLC (f/k/a Art Gun, LLC) (collectively, the "Borrowers"), are co-borrowers under the Amended Credit Agreement. The Borrowers entered into amendments to the Amended Credit Agreement with Wells Fargo and the other lenders on November 27, 2017, March 9, 2018, and October 8, 2018.

On November 19, 2019, the Borrowers entered into a Consent and Fourth Amendment to the Fifth Amended and Restated Credit Agreement with Wells Fargo and the other lenders set forth therein (the "Fourth Amendment"). The Fourth Amendment, among other things, (i) increased the borrowing capacity under the Amended Credit Agreement from \$145 million to \$170 million (subject to borrowing base limitations), (ii) extended the maturity date from May 21, 2021 to November 19, 2024, (iii) reduced pricing on the revolver and first-in last-out "FILO" borrowing components by 25 basis points, and (iv) added 25% of the fair value of eligible intellectual property to the borrowing base calculation. In addition, the Fourth Amendment amended the definition of Fixed Charge Coverage Ratio to exclude up to \$10 million of capital expenditures incurred by the Borrowers in connection with the expansion of their distribution facility located within the Town of Clinton, Anderson County, Tennessee.

On April 27, 2020, the Borrowers entered into a Fifth Amendment to the Fifth Amended and Restated Credit Agreement with Wells Fargo Bank (the "Agent") and the other lenders set forth therein (the "Fifth Amendment"). The Fifth Amendment amends the financial covenant provisions from the amendment date through September 2020, including effectively lowering the minimum availability thresholds and removing the requirement that our Fixed Charge Coverage Ratio ("FCCR") for the preceding 12-month period must not be less than 1.1 to 1.0. The Fifth Amendment also, among other things, (i) allowed for an additional 30 days of aged receivables from customers in the borrowing base through August 1, 2020, (ii) ceased amortization of real estate and machinery and equipment assets in the borrowing base through August 1, 2020, (iii) postponed amortization of trademark assets in the borrowing base until October 4, 2020; (iv) amends the definition of Fixed Charge Coverage Ratio to reference the monthly amortization of the borrowing bases that were amended as part of the Fourth Amendment to the Fifth Amended and Restated Credit Agreement on November 19, 2019, (v) amends the LIBOR rate definition to include a floor rate of 1.0%, and (vi) required weekly reporting of accounts receivable to the Agent through October 3, 2020.

On August 28, 2020, the Borrowers entered into a Sixth Amendment to the Fifth Amended and Restated Credit Agreement with Wells Fargo Bank (the "Agent") and the other lenders set forth therein (the "Sixth Amendment"). The Sixth Amendment, (i) maintained lower minimum availability thresholds from the amendment date through July 3, 2021, (ii) allowed for an additional 30 days of aged receivables from customers in the borrowing base through April 3, 2021, (iii) increased the advance rate to 70% of real estate assets in the borrowing base and commences amortization on October 4, 2020, (iv) ceased amortization of machinery and equipment assets in the borrowing base through April 3, 2021, (v) postponed amortization of trademark assets in the borrowing base until April 4, 2021, (vi) required the Applicable Margin to be set at Level III through July 3, 2021 and increased the Applicable Margin by 50 basis points across all Levels within the Applicable Margin table for the remaining term of the Amended Credit Agreement, and (vii) required continued weekly reporting of accounts receivable to the Agent through July 3, 2021.

The Amended Credit Agreement allows us to borrow up to \$170 million (subject to borrowing base limitations), including a maximum of \$25 million in letters of credit. Provided that no event of default exists, we have the option to increase the maximum credit to \$200 million (subject to borrowing base limitations), conditioned upon the Administrative Agent's ability to secure additional commitments and customary closing conditions. The Amended Credit Agreement contains a subjective acceleration clause and a "springing" lockbox arrangement (as defined in ASC 470, *Debt* ("ASC 470")), whereby remittances from customers will be forwarded to our general bank account and will not reduce the outstanding debt until and unless a specified event or an event of default occurs. Pursuant to ASC 470, we classify borrowings under the facility as long-term debt.

Our U.S. revolving credit facility is secured by a first-priority lien on substantially all of the real and personal property of Delta Apparel, Junkfood, Soffe, Salt Life, and DTG2Go. All loans bear interest at rates, at the Company's option, based on either (a) an adjusted LIBOR rate, subject to a floor of 0.0%, plus an applicable margin or (b) a base rate plus an applicable margin, with the base rate equal to the greater of (i) the federal funds rate plus 1.0%, (ii) the LIBOR rate plus 1.0%, or (iii) the prime rate announced by Wells Fargo, National Association. The facility requires monthly installment payments of approximately \$0.2 to \$0.3 million beginning October 4, 2020, in connection with fixed asset and intellectual property amortizations, and these amounts reduce the amount of availability under the facility. Annual facility fees are 0.25% or 0.375% (subject to average excess availability) of the amount by which \$170 million exceeds the average daily principal balance of the outstanding loans and letters of credit accommodations. The annual facility fees are charged monthly based on the principal balances during the immediately preceding month.

At September 2021, we had \$98.6 million outstanding under our U.S. revolving credit facility at an average interest rate of 3.1%. Our cash on hand combined with the availability under the U.S. credit facility totaled \$45.3 million.

Our credit facility includes a financial covenant that if the availability under our credit facility falls below the amounts specified in our credit agreement, our Fixed Charge Coverage Ratio ("FCCR") (as defined in our credit agreement) for the preceding 12-month period must not be less than 1.1 to 1.0. Our availability at September 2021, was above the minimum thresholds specified in our credit agreement, and we were above the 1.1 to 1.0 FCCR for the preceding 12-month period.

Proceeds of the loans made pursuant to the Amended Credit Agreement may be used for permitted acquisitions (as defined in the Amended Credit Agreement), general operating expenses, working capital, other corporate purposes, and to finance credit facility fees and expenses. Pursuant to the terms of our credit facility, we are allowed to make cash dividends and stock repurchases if (i) as of the date of the payment or repurchase and after giving effect to the payment or repurchase, we have availability on that date of not less than 15% of the lesser of the borrowing base or the commitment, and average availability for the 30-day period immediately preceding that date of not less than 15% of the lesser of the borrowing base or the commitment; and (ii) the aggregate amount of dividends and stock repurchases after May 10, 2016, does not exceed \$10 million plus 50% of our cumulative net income (as defined in the Amended Credit Agreement) from the first day of the third quarter of fiscal year 2016 to the date of determination. At September 2021, and September 2020, there was \$19.0 million and \$8.8 million, respectively, of retained earnings free of restrictions to make cash dividends or stock repurchases.

Promissory Notes

On October 8, 2018, we acquired substantially all of the assets of Silk Screen Ink, Ltd. d/b/a SSI Digital Print Services. In conjunction with this acquisition, we issued a promissory note in the principal amount of \$7.0 million. The promissory note bears interest of 6% with quarterly payments that began January 2, 2019, with the final installment paid October 4, 2021. As of September 2021, there was \$0.6 million outstanding for this note.

Honduran Debt

Since March 2011, we have entered into term loans and a revolving credit facility with Banco Ficohsa, a Honduran bank, to finance both the operations and capital expansion of our Honduran facilities. In December 2020, we entered into a new term loan and revolving credit facility with Banco Ficohsa, both with five-year terms, and simultaneously settled the prior term loans and revolving credit facility with outstanding balances at the time of settlement of \$1.1 million and \$9.5 million, respectively. Each of these new loans is secured by a first-priority lien on the assets of our Honduran operations and is not guaranteed by our U.S. entities. These loans are denominated in U.S. dollars, and the carrying value of the debt approximates its fair value. As the revolving credit facility permits us to re-borrow funds up to the amount repaid, subject to certain objective covenants, and we intend to re-borrow funds, subject to those covenants, the amounts have been classified as long-term debt. Information about these loans and the outstanding balance as of September 2021, is listed as part of the long-term debt schedule above.

Total Debt

The aggregate maturities of debt at September 2021, are as follows (in thousands):

September		Amount
2022	\$	7,067
2023		6,183
2024		6,183
2025		88,805
2026		509
Thereafter		—
	\$	108,747

Note 9—Income Taxes

The Tax Cuts and Jobs Act of 2017 (the “New Tax Legislation”) was enacted on December 22, 2017, which significantly revised the U.S. corporate income tax code by, among other things, lowering federal corporate income tax rates, implementing a modified territorial tax system and imposing a repatriation tax, (“transition tax”), on deemed repatriated cumulative earnings of foreign subsidiaries which will be paid over eight years. In addition, new taxes were imposed related to foreign income, including a tax on global intangible low-taxed income (“GILTI”) as well as a limitation on the deduction for business interest expense (“Section 163(j)"). GILTI is the excess of the shareholder’s net controlled foreign corporations, (“CFC”) net tested income over the net deemed tangible income. The Section 163(j) limitation does not allow the amount of deductible interest to exceed the sum of the taxpayer’s business interest income or 30% of the taxpayer’s adjusted taxable income. We have included in our calculation of our effective tax rate the estimated impact of GILTI and Section 163(j) which were effective for us beginning fiscal year 2019. We have elected to account for the tax on GILTI as a period cost and, therefore, do not record deferred taxes related to GILTI on our foreign subsidiaries.

The Coronavirus Aid, Relief, and Economic Security (“CARES Act”), which was enacted on March 27, 2020, provided temporary changes to income and non-income-based tax laws, including some provisions which were previously enacted under the New Tax Legislation. The CARES Act revised the U.S. corporate income tax code on a temporary basis by, among other things, eliminating the 80% of taxable income limitation on net operating loss (“NOL”) carryforwards, allowing NOL carrybacks, and increasing the Section 163(j) interest limitation deduction from 30% to 50% of adjusted taxable income. We have included the estimated impact of these provisions in our effective tax rate calculation.

The provision for (benefit from) income taxes consists of the following (in thousands):

	Year Ended	
	September 2021	September 2020
Current:		
Federal	\$ 1,579	\$ 300
State	449	50
Foreign	135	120
Total current	\$ 2,163	\$ 470
Deferred:		
Federal	\$ 3,327	\$ (3,200)
State	215	(530)
Total deferred	3,542	(3,730)
Provision for (benefit from) income taxes	\$ 5,705	\$ (3,260)

For financial reporting purposes our income (loss) before provision for income taxes includes the following components (in thousands):

	Year Ended	
	September 2021	September 2020
United States, net of loss attributable to non-controlling interest	\$ 15,505	\$ (22,056)
Foreign	10,496	8,219
	\$ 26,001	\$ (13,837)

Our effective income tax rate on operations for 2021 was 21.9% compared to a rate of 23.6% in the prior year. We generally benefit from having income in foreign jurisdictions that are either exempt from income taxes or have tax rates that are lower than those in the United States. As such, changes in the mix of U.S. taxable income compared to profits in tax-free or lower-tax jurisdictions can have a significant impact on our overall effective tax rate. In addition, the future impact of the CARES Act and New Tax Legislation may differ from historical amounts, possibly materially, due to, among other things, changes in interpretations and assumptions made regarding the CARES Act and New Tax Legislation, guidance that may be issued, and actions we may take as a result of the CARES Act and New Tax Legislation.

A reconciliation between the actual provision for income taxes and the provision for income taxes computed using the federal statutory income tax rate of 21.0% for fiscal years 2021 and 2020 is as follows (in thousands):

	Year Ended	
	September 2021	September 2020
Income tax expense at the statutory rate of 21.0%	\$ 5,460	\$ (2,906)
State income tax benefits, net of federal income tax benefit	653	(430)
Impact of foreign earnings in tax-free zone	(2,070)	(1,604)
GILTI inclusion	1,063	1,596
Other permanent differences	(69)	109
Impact of state rate changes	(70)	(144)
Permanent reinvestment of foreign earnings	728	—
Other	10	119
Provision for (benefit from) income taxes	\$ 5,705	\$ (3,260)

Significant components of our deferred tax assets and liabilities are as follows (in thousands):

	September 2021	September 2020
Deferred tax assets:		
State net operating loss carryforwards	\$ 2,239	\$ 2,490
Section 163(j) deduction carryforwards	—	1,913
Receivable allowances and reserves	314	509
Inventories and reserves	883	4,176
Accrued compensation and benefits	3,002	2,213
Operating lease liabilities	8,801	13,939
Other	4,258	517
Gross deferred tax assets	\$ 19,497	\$ 25,757
Less valuation allowance — state net operating loss carryforwards	(586)	(600)
Net deferred tax assets	\$ 18,911	\$ 25,157
Deferred tax liabilities:		
Depreciation	(4,647)	(3,540)
Goodwill and intangibles	(4,943)	(3,768)
Operating lease assets	(8,367)	(13,705)
Other	(620)	(92)
Gross deferred tax liabilities	\$ (18,577)	\$ (21,105)
Net deferred tax assets	\$ 334	\$ 4,052

As of September 2021, we had state net operating losses ("NOLs") of approximately \$46.3 million, with deferred tax assets of \$2.2 million related to these state NOLs, and related valuation allowances against them of approximately \$0.6 million. These state net loss carryforwards expire at various intervals from 2026 through 2040. Our deferred tax asset related to state net operating loss carryforwards is reduced by a valuation allowance to result in net deferred tax assets we consider more likely than not to be realized.

For both federal and state purposes, the ultimate realization of deferred tax assets depends upon the generation of future taxable income or tax planning strategies during the periods in which those temporary differences become deductible or when the carryforwards are available.

ASC 740, *Income Taxes* ("ASC 740") requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more-likely-than-not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Accrued interest and penalties related to unrecognized tax benefits would also be recorded. We did not have any material unrecognized tax benefits as of September 2021 or September 2020.

As of September 2021, we are indefinitely reinvested in the cumulative undistributed earnings of and original investments in our foreign subsidiaries, with the exception of our equity method investment, which has been properly accounted for. Future remittances could be subject to additional foreign withholding taxes, U.S. state taxes, and certain tax impacts relating to foreign currency exchange effects. It is not practicable to estimate the amount of any unrecognized tax effects on these reinvested earnings and original investments in foreign subsidiaries.

We file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. Tax years 2017, 2018, 2019, and 2020, according to statute and with few exceptions, remain open to examination by various federal, state, local, and foreign jurisdictions.

Note 10—Leases

We lease property and equipment under operating lease arrangements, most of which relate to distribution centers and manufacturing facilities in the U.S., Honduras, El Salvador, and Mexico. We also lease machinery and equipment in the U.S. under finance lease arrangements. We include both the contractual term as well as any renewal option that we are reasonably certain to exercise in the determination of our lease terms. For leases with a term of greater than 12 months, we value lease liabilities and the related assets as the present value of the lease payments over the related term. We apply the short-term lease exception to leases with a term of 12 months or less and exclude such leases from our Condensed Consolidated Balance Sheet. Payments related to these short-term leases are expensed on a straight-line basis over the lease term and are reflected as a component of lease cost within our Condensed Consolidated Statements of Operations. Our operating lease agreements for buildings generally include provisions for the payment of our proportional share of operating costs, property taxes, and other variable payments. These incremental payments are excluded from our calculation of operating lease liabilities and right of use assets. We have elected to use the practical expedient present in ASC 842 to not separate lease and non-lease components for all significant underlying asset classes and instead account for them together as a single lease component in the measurement of our lease liabilities.

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Generally, the rate implicit in our operating leases is not readily determinable. Therefore, we discount future lease payments using our estimated incremental borrowing rate at lease commencement. We determine this rate based on a credit-adjusted risk-free rate, which approximates a secured rate over the lease term. The weighted average discount rate for operating leases was 4.3% and 4.1% as of September 2021 and September 2020, respectively. We discount our finance lease payments based on the rate implicit and stated in the lease. The weighted average discount rate for finance leases was 5.8% and 5.1% as of September 2021 and September 2020, respectively.

The following table presents the future undiscounted payments due on our operating and finance lease liabilities as well as a reconciliation of those payments to our operating and finance lease liabilities, recorded as of September 2021 (in thousands):

	Operating Leases	Finance Leases
2022	\$ 10,264	\$ 7,640
2023	8,149	6,936
2024	7,113	5,457
2025	7,181	3,563
2026	6,766	1,026
Thereafter	14,914	-
Undiscounted fixed lease payments	\$ 54,387	\$ 24,622
Discount due to interest	(7,332)	(2,332)
Total lease liabilities	\$ 47,055	\$ 22,290
Less current maturities	(8,509)	(6,621)
Lease liabilities, excluding current maturities	\$ 38,546	\$ 15,669

As of September 2021, we have entered into certain operating leases that havenot yet commenced, but the annual fixed lease payments are not significant.

Our Ceiba Textiles manufacturing facility is leased under an operating lease arrangement with a Honduran company, of which we own 31% of the outstanding capital stock of the lessor at September 2021. During 2021 and 2020 we paid approximately \$1.8 million and \$1.3 million, respectively, in lease payments under this arrangement.

As of September 2021 and September 2020, we had \$45.3 million and \$54.6 million, respectively, of operating lease ROU assets which were reflected within Operating lease assets in our Consolidated Balance Sheet, and \$26.7 million and \$23.6 million, respectively, of finance lease ROU assets, which were reflected within Property, plant, and equipment, net in our Consolidated Balance Sheet.

The weighted average remaining lease terms for our operating leases and finance leases were approximately 7 years and 3 years, respectively, as of September 2021 and September 2020.

The components of total lease expense were as follows for the period ended September 2021 (in thousands):

Operating lease fixed expense	\$ 11,454
Operating lease variable cost expense	1,692
Finance lease amortization of ROU assets expense	4,074
Finance lease interest expense	1,228
Total lease expense	\$ 18,448

Cash outflows for operating lease payments were \$11.0 million during both 2021 and 2020. Cash outflows for interest payments on finance leases were \$1.2 million and \$0.7 million during 2021 and 2020, respectively. These outflows are classified within net cash provided by operating activities on the Consolidated Statement of Cash Flows. Cash outflows for finance lease payments during 2021 and 2020 were \$7.0 million and \$4.0 million, respectively, and are classified within net cash used in financing activities on the Consolidated Statement of Cash Flows.

During the quarter ended June 2020, in response to the COVID-19 pandemic, the Company entered into certain lease arrangements deferring approximately \$1.7 million of operating lease payments and approximately \$1.7 million of finance lease payments. The operating lease deferrals were paid over the next 2 months while finance lease deferrals will be repaid at the end of each lease.

ROU assets obtained in exchange for operating lease liabilities during 2021 and 2020 were \$1.2 million and \$22.7 million, respectively. ROU assets obtained in exchange for finance lease liabilities during 2021 and 2020 were \$12.3 and \$5.0 million, respectively.

We do not have significant leasing transactions in which we are the lessor.

Note 11—Employee Benefit Plans

We sponsor and maintain a 401(k) retirement savings plan (the “401(k) Plan”) for our employees who meet certain requirements. The 401(k) Plan permits participants to make pre-tax contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code, as well as a Roth Plan that allows for after tax contributions. The 401(k) Plan requires for us to make a guaranteed match of a defined portion of the employee’s contributions. We contributed \$0.9 million and \$1.0 million, respectively to the 401(k) Plan during 2021 and 2020, respectively.

We provide post-retirement life insurance benefits for certain retired employees. The plan is noncontributory and is unfunded, and therefore, benefits and expenses are paid from our general assets as they are incurred. All of the employees in the plan are fully vested, and the plan was closed to new employees in 1990. The discount rate used in determining the liability was 6.0% for 2021 and 2020. The following table presents the benefit obligation, which is included in accrued expenses in the accompanying balance sheets (in thousands).

	September 2021	September 2020
Balance at beginning of year	\$ 289	\$ 307
Interest expense	—	2
Benefits paid	(18)	(20)
Balance at end of year	\$ 271	\$ 289

Note 12—Stock-Based Compensation

On February 6, 2020, our shareholders approved the Delta Apparel, Inc. 2020 Stock Plan (“2020 Stock Plan”) to replace the 2010 Stock Plan, which was previously re-approved by our shareholders on February 4, 2015 and was scheduled to expire by its terms on September 14, 2020. The 2020 Stock Plan is substantially similar in both form and substance to the 2010 Stock Plan. The purpose of the 2020 Stock Plan is to continue to give our Board of Directors and its Compensation Committee the ability to offer a variety of compensatory awards designed to enhance the Company’s long-term success by encouraging stock ownership among its executives, key employees and directors. Under the 2020 Stock Plan, the Compensation Committee of our Board of Directors has the authority to determine the employees and directors to whom awards may be granted and the size and type of each award and manner in which such awards will vest. The awards available under the plan consist of stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock, performance units, and other stock and cash awards. If a participant dies or becomes disabled (as defined in the 2020 Stock Plan) while employed by the Company or serving as a director, all unvested awards become fully vested. The Compensation Committee is authorized to establish the terms and conditions of awards granted under the 2020 Stock Plan, to establish, amend and rescind any rules and regulations relating to the 2020 Stock Plan, and to make any other determinations that it deems necessary. The aggregate number of shares of common stock that may be delivered under the 2020 Stock Plan is 449,714 plus any shares of common stock subject to outstanding awards under the 2010 Stock Plan that are subsequently forfeited or terminated for any reason before being exercised. Similar to the 2010 Stock Plan, the 2020 Stock Plan limits the number of shares that may be covered by awards to any participant in a given calendar year and also limits the aggregate awards of restricted stock, restricted stock units and performance stock granted in a given calendar year. The 2010 Stock Plan terminated and the 2020 Stock Plan became effective on February 6, 2020, the date of shareholders’ approval.

Shares are generally issued from treasury stock upon the vesting of the restricted stock units, performance units or other awards under the 2020 Stock Plan.

Compensation expense is recorded on the selling, general and administrative expense line item in our Consolidated Statements of Operations over the vesting periods. Total employee stock-based compensation expense for 2021 and 2020 was \$2.5 million and \$3.0 million, respectively. Associated with the compensation cost are income tax benefits recognized of \$0.6 million for 2021 and \$0.9 million for 2020.

The following table summarizes the restricted stock unit and performance unit award activity during the periods ended September 2021 and September 2020:

	Year Ended			
	September 2021		September 2020	
	Number of Units	Weighted average grant date fair value	Number of Units	Weighted average grant date fair value
Units outstanding, beginning of fiscal period	406,000	\$ 20.16	283,500	\$ 19.78
Units granted	12,000	\$ 30.80	294,000	\$ 20.72
Units issued	(116,000)	\$ 18.96	(132,858)	\$ 22.13
Units forfeited	(42,000)	\$ 25.17	(38,642)	\$ 19.37
Units outstanding, end of fiscal period	<u>260,000</u>	<u>\$ 20.38</u>	<u>406,000</u>	<u>\$ 20.16</u>

During 2021, restricted stock units and performance units representing 74,000 and 42,000 shares of our common stock, respectively, vested upon the filing of our Annual Report on Form 10-K for the year ended September 2020, and were issued in accordance with their respective agreements. All vested awards were paid in common stock.

During 2020, restricted stock units and performance units representing 54,750 and 78,108 shares of our common stock, respectively, vested upon the filing of our Annual Report on Form 10-K for the year ended September 2019 and were issued in accordance with their respective agreements. Of these vested units, 86,589 were paid in common stock and 46,269 were paid in cash.

During 2021, restricted stock units representing 12,000 shares of our common stock were granted and are eligible to vest upon the filing of our Annual Report on Form 10-K for the year ended September 2022. These restricted stock units are payable in common stock.

During 2020, restricted stock units representing 50,000 shares of our common stock were granted and are eligible to vest upon the filing of our Annual Report on Form 10-K for the year ended September, 2021. These restricted stock units are payable in common stock.

During 2020, restricted stock units representing 124,000 shares of our common stock were granted and 108,000, net of forfeitures, are eligible to vest upon the filing of our Annual Report on Form 10-K for the year ended September 2022. These restricted stock units are payable in common stock.

As of September 2021, there was \$1.4 million of total unrecognized compensation cost related to unvested restricted stock units and performance units under the 2020 Stock Plan. This cost is expected to be recognized over a period of 1.1 years.

The following table summarizes information about the unvested restricted stock units and performance units as of September 2021.

Restricted Stock Units/Performance Units	Number of Units	Average Market Price on Date of Grant	Vesting Date*
Fiscal Year 2020 Performance Units	45,000	\$ 23.06	November 2021
Fiscal Year 2020 Restricted Units	95,000	\$ 17.42	November 2021
Fiscal Year 2020 Restricted Units	108,000	\$ 20.70	November 2022
Fiscal Year 2021 Restricted Units	12,000	\$ 30.80	November 2022
	<u>260,000</u>		

* These awards are eligible to vest upon the filing of our Annual Report on Form 10-K for the applicable fiscal year, which is anticipated to be during the month and year indicated in this column.

Note 13—Business Segments

Our operations are managed and reported in two segments, Delta Group and Salt Life Group, which reflect the manner in which the business is managed and results are reviewed by the Chief Executive Officer, who is our chief operating decision maker.

The Delta Group is comprised of our business units primarily focused on core activewear styles, and includes our DTG2Go and Delta Activewear business units. We are a market leader in the on-demand, direct-to-garment digital print and fulfillment industry, bringing technology and innovation to the supply chain of our many customers. We use highly-automated factory processes and our proprietary software to deliver on-demand, digitally printed apparel direct to consumers on behalf of our customers. Our Activewear business is organized around key customer channels and how they source their various apparel needs. Delta Activewear is a preferred supplier of activewear apparel to regional and global brands, direct to retail and through wholesale markets. We offer a broad portfolio of apparel and accessories under the Delta, Delta Platinum, Soffe, and sourced-branded products that we distribute utilizing our network of fulfillment centers. Delta Direct services key channels, such as the screen print, promotional, and eRetailer channels as well as the retail licensing channel, whose customers sell through to many mid-tier and mass market retailers. In our Global Brands & Retail Direct business we serve our customers as their supply chain partner, from product development to shipment of their branded products, with the majority of products being sold with value-added services including embellishment, hangtags, and ticketing. We also serve retailers by providing our portfolio of products directly to their retail stores and through their ecommerce channels. We sell our products to a diversified audience, including sporting goods and outdoor retailers, specialty and resort shops, farm and fleet stores, department stores, and mid-tier retailers. We also service custom apparel to major branded sportswear companies, trendy regional brands, and all branches of the United States armed forces. We also offer our Soffe products direct to consumers at www.soffe.com.

The Salt Life Group is comprised of our lifestyle brands focused on a broad range of apparel garments, headwear and related accessories to meet consumer preferences and fashion trends, and includes our Salt Life business unit. These products are sold through specialty and boutique shops, traditional department stores, and outdoor retailers, as well as direct-to-consumer through branded ecommerce sites and branded retail stores. Products in this segment are marketed under our lifestyle brands of Salt Life® as well as other labels.

Our Chief Operating Decision Maker and management evaluate performance and allocate resources based on profit or loss from operations before interest, income taxes and special charges ("segment operating earnings"). Our segment operating earnings may not be comparable to similarly titled measures used by other companies. The accounting policies of our reportable segments are the same as those described in Note 2. Intercompany transfers between operating segments are transacted at cost and have been eliminated within the segment amounts shown in the following table (in thousands).

	Year Ended	
	September 2021	September 2020
Segment net sales:		
Delta Group	\$ 387,015	\$ 343,891
Salt Life Group	49,735	37,144
Total net sales	<u>\$ 436,750</u>	<u>\$ 381,035</u>
Segment operating income:		
Delta Group ⁽¹⁾	\$ 39,956	\$ 6,609
Salt Life Group ⁽²⁾	5,793	460
Total segment operating income	<u>\$ 45,749</u>	<u>\$ 7,069</u>
Purchases of property, plant and equipment:		
Delta Group	\$ 5,115	\$ 7,496
Salt Life Group	471	1,494
Corporate	—	—
Total purchases of property, plant and equipment	<u>\$ 5,586</u>	<u>\$ 8,990</u>
Depreciation and amortization:		
Delta Group	\$ 12,133	\$ 11,788
Salt Life Group	1,621	960
Corporate	—	8
Total depreciation and amortization	<u>\$ 13,754</u>	<u>\$ 12,756</u>

(1) In 2020, the Delta Group operating income included \$23.7 million of expenses related to the COVID-19 pandemic. These costs primarily related to the curtailment of manufacturing operations (\$11.9 million), incremental costs to right size production to new forecasted demand (\$2.6 million), increased accounts receivable and inventory reserves related to the heightened risks in the market as the U.S. continues its recovery (\$6.3 million), and other expenses (\$2.9 million). These costs are included within net sales (\$0.4 million), cost of goods sold (\$14.2 million), SG&A expenses (\$1.1 million), and other loss (income), net (\$8.0 million).

(2) In 2020, the Salt Life Group operating income included approximately \$0.3 million of increased accounts receivable and inventory reserves related to the heightened risks in the market as the U.S. continues its recovery from the COVID-19 pandemic, as well as \$0.5 million of other expenses. These costs are included within net sales (\$0.1 million), SG&A expenses (\$0.6 million), and other loss (income), net (\$0.1 million).

The following reconciles the segment operating income to the consolidated income before provision for income taxes (in thousands):

	Year Ended	
	September 2021	September 2020
Segment operating income	\$ 45,749	\$ 7,069
Unallocated corporate expenses	13,038	14,144
Unallocated interest expense	6,844	7,005
Consolidated income (loss) before provision for income taxes	<u>\$ 25,867</u>	<u>\$ (14,080)</u>

Our revenues include sales to domestic and foreign customers. Foreign customers are composed of companies whose headquarters are located outside of the United States. Sales to foreign customers represented less than 1% of our consolidated net sales for both fiscal years 2021 and 2020.

Our total assets and equity investment by segment are as follows (in thousands):

	As of	
	September 2021	September 2020
Total assets by segment:		
Delta Group	\$ 366,518	\$ 346,135
Salt Life Group	63,184	65,676
Corporate	4,586	8,420
Total assets	<u>\$ 434,288</u>	<u>\$ 420,231</u>
Equity investment in joint venture:		
Delta Group	\$ 10,433	\$ 10,573
Salt Life Group	—	—
Total equity investment in joint venture	<u>\$ 10,433</u>	<u>\$ 10,573</u>

We attribute our property, plant and equipment to a particular country based on the location of these assets. Summarized financial information by geographic area is as follows (in thousands):

	As of	
	September 2021	September 2020
United States	\$ 50,945	\$ 46,251
Honduras	12,247	13,445
El Salvador	3,253	3,066
Mexico	1,119	1,188
All foreign countries	16,619	17,699
Total property, plant and equipment, net	<u>\$ 67,564</u>	<u>\$ 63,950</u>

Note 14—Repurchase of Common Stock

Our Board of Directors has authorized management to use up to \$0.0 million to repurchase stock in open market transactions under our Stock Repurchase Program. There were no purchases of our common stock during 2021. During 2020, we purchased 99,971 shares of our common stock for a total cost of \$0.0 million. As of September 2021, we have purchased 3,598,933 shares of common stock for an aggregate of \$2.5 million since the inception of the Stock Repurchase Program. All purchases were made at the discretion of management and pursuant to the safe harbor provisions of SEC Rule 10b-18. As of September 2021, \$7.5 million remained available for future purchases under our Stock Repurchase Program, which does not have an expiration date.

Note 15—Commitments and Contingencies

(a) Litigation

At times, we are party to various legal claims, actions and complaints. We believe that, as a result of legal defense, insurance arrangements, and indemnification provisions with parties believed to be financially capable, such actions should not have a material adverse effect on our operations, financial condition, or liquidity.

(b) Purchase Contracts

We have entered into agreements, and have fixed prices, to purchase yarn, finished fabric, and finished apparel and headwear products. At September 2021, minimum payments under these contracts were as follows (in thousands):

Yarn	\$ 16,649
Finished fabric	5,453
Finished products	20,650
	<u>\$ 42,752</u>

(c) Letters of Credit

As of September 2021, we had outstanding standby letters of credit totaling \$0.4 million.

(d) Fair Value Measurements

From time to time we may use interest rate swaps or other instruments to manage our interest rate exposure and reduce the impact of future interest rate changes. These financial instruments are not used for trading or speculative purposes. The following financial instruments were outstanding as of September 2021:

	Effective Date	Notional Amount	LIBOR Rate	Maturity Date
Interest Rate Swap	July 25, 2018	\$20 million	3.18%	July 25, 2023

From time to time, we may purchase cotton option contracts to economically hedge the risk related to market fluctuations in the cost of cotton used in our operations. We do not receive hedge accounting treatment for these derivatives. As such, the realized and unrealized gains and losses associated with them are recorded within cost of goods sold on the Consolidated Statement of Operations. No such cotton contracts were outstanding as of September 2021, and September 2020.

ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Assets and liabilities measured at fair value are grouped in three levels. The levels prioritize the inputs used to measure the fair value of the assets or liabilities. These levels are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in market that are less active.
- Level 3 – Unobservable inputs that are supported by little or no market activity for assets or liabilities and includes certain pricing models, discounted cash flow methodologies and similar techniques.

The following financial liabilities are measured at fair value on a recurring basis (in thousands):

Period Ended	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest Rate Swap				
September 2021	\$ (1,052)	\$ —	\$ (1,052)	\$ —
September 2020	\$ (1,764)	\$ —	\$ (1,764)	\$ —
Contingent Consideration				
September 2021	\$ (1,897)	\$ —	\$ —	\$ (1,897)
September 2020	\$ (6,420)	\$ —	\$ —	\$ (6,420)

The fair value of the interest rate swap agreements was derived from a discounted cash flow analysis based on the terms of the contract and the forward interest rate curves adjusted for our credit risk, which fall in Level 2 of the fair value hierarchy. At September 2021 and September 2020, book value for fixed rate debt approximates fair value based on quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities (a Level 2 fair value measurement).

The following table summarizes the fair value and presentation in the Consolidated Balance Sheets for derivatives as of September 2021, and September 2020.

	September 2021	September 2020
Deferred tax asset	\$ 266	442
Accrued expenses	—	(108)
Other liabilities	(1,052)	(1,656)
Accumulated other comprehensive loss	<u>\$ (786)</u>	<u>\$ (1,322)</u>

The DTG2Go acquisition purchase price consisted of additional payments contingent on the combined businesses' achievement of certain performance targets related to sales and earnings before interest, taxes, depreciation and amortization ("EBITDA") for the period from April 1, 2018, through September 29, 2018, as well as for years 2019, 2020, 2021 and 2022. The valuation of the fair value of the contingent consideration is based upon inputs into the Monte Carlo model, including projected results, which then are discounted to a present value to derive the fair value. The fair value of the contingent consideration is sensitive to changes in our projected results. During 2021, \$2.1 million was paid related to the 2020 period. As of September 2021, we estimated the fair value of contingent consideration to be \$1.9 million which was a \$4.5 million decrease from September 2020 due to the \$2.1 million payment and a \$2.4 million reduction in estimated future earnout payments.

In August 2013, we acquired Salt Life, which included contingent consideration as part of the purchase price and which is payable in cash after the end of calendar year 2019 if financial performance targets involving the sale of Salt Life-branded products were met during the 2019 calendar year. During 2020, it was determined that calendar year 2019 performance targets were not achieved and, as a result, the \$0.2 million accrual as of September 28, 2019, was reversed. At September 2020, no amount was accrued for contingent consideration in related to the acquisition of Salt Life.

Note 16—Subsequent Events

None

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO DELTA APPAREL, INC. IF PUBLICLY DISCLOSED.

YARN SUPPLY AGREEMENT

This YARN SUPPLY AGREEMENT (this "Agreement") is dated this 5th day of January, 2005 and is made by and between Parkdale Mills, Inc., a North Carolina corporation, and Parkdale America, LLC, a North Carolina limited liability company (collectively, "Parkdale"), and Delta Apparel, Inc., a Georgia corporation ("Delta").

WITNESSETH

WHEREAS, Parkdale produces yarns and related products for sale and Delta and its Subsidiaries (as hereafter defined) consume yarns in connection with the manufacture of activewear;

WHEREAS, Parkdale America, LLC and Delta have entered into an Asset Purchase Agreement, dated as of November 18, 2004 (the "Acquisition Agreement"), pursuant to which Parkdale America, LLC has agreed to purchase from Delta substantially all of the assets and properties used in the operation of a yarn-spinning facility located in Edgefield, South Carolina (the "Facility"); and

WHEREAS, Parkdale and Delta wish to enter into an agreement for the supply of yarn.

NOW, THEREFORE, in consideration of the promises and of the mutual covenants and agreements herein contained, the legal sufficiency and adequacy of which is hereby expressly acknowledged, the parties hereto agree as set forth in this Agreement.

1. Definitions. The following terms used in this Agreement shall have the meanings set forth in this SECTION 1:

"Acquisition Agreement" shall have the meaning set forth in the Recitals.

"Basis" shall mean the premium or discount charged by merchants (suppliers) of cotton over and above the future market cost of such cotton, which premium or discount is based on the quality type, payment terms and delivery point of such cotton and which Basis (i) is calculated in points per pound where one point is equal to \$.0001 (or one hundredth of one cent) and (ii) shall be proposed annually by Parkdale on the anniversary date of this Agreement and be acceptable to Delta.

"Cost Price" shall mean the cotton price per pound based on the pricing procedures set forth on EXHIBIT C.

"Disputes" shall have the meaning set forth in SECTION 15.

"Facility" shall have the meaning set forth in the Recitals.

"New Business" shall have the meaning set forth in SECTION 3.

"Specifications" shall have the meaning set forth in SECTION 4(a).

"Subsidiary" shall mean any corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity are the time owned, or the management of which is otherwise at the time controlled, directly or indirectly, through one or more intermediaries, or both, by Delta.

"Taxes" shall have the meaning set forth in SECTION 7.

"Term" shall have the meaning set forth in SECTION 2.

"Territory" shall mean the United States of America, Canada, Mexico, Guatemala, Belize, El Salvador, Honduras, Nicaragua, Costa Rica and Panama.

"Yarn" shall mean Yarn Counts made from one hundred percent (100%) cotton or fifty percent (50%) cotton/fifty percent (50%) polyester (hereinafter "50/50") open end spun yarn, ring spun yarn, or air jet spun yarn, or other cotton/polyester blends to form heather yarns ("hereinafter "Blends") to be delivered pursuant to SECTION 4, excluding, however, yarns that Parkdale does not manufacture as of the date of this Agreement in the ordinary course of its business.

"Yarn Counts" means such yarn counts made from 100% cotton or 50/50 open end spun yarn, ring spun yarn, or air jet spun yarn, or Blends as are set forth in the Specifications.

2. Term. The term of this Agreement (hereinafter the "Term") shall commence on January 1, 2005 and shall continue until and include December 31, 2009 unless written notice of termination is served by either party upon the other in accordance with the provisions of SECTIONS 11 OR 12 below.

3. Product; Quantity. Subject to the terms and conditions of this Agreement, during the Term, Delta shall purchase exclusively from Parkdale, and Parkdale shall supply to Delta, all Yarn required by Delta and its Subsidiaries for use in manufacturing operations conducted by Delta and its Subsidiaries in the Territory. Parkdale's obligation under this Agreement to supply to Delta, and Delta's obligation to purchase from Parkdale, Yarn required by Delta and its Subsidiaries shall include Yarn required by any new business operated or acquired (whether acquired by means of an asset purchase, stock purchase, merger, consolidation, or otherwise) by Delta or any of its Subsidiaries during the Term (each, a "New Business"), as long as such Yarn is required for use in manufacturing operations conducted by such New Business in the Territory. Notwithstanding the foregoing, Delta shall not be required to purchase exclusively from Parkdale, and Parkdale shall not be required to supply to Delta, any Yarn required by any New Business acquired by Delta or any of its Subsidiaries during the Term to the extent that an obligation exists for such New Business to acquire Yarn from a supplier other than Parkdale under a supply agreement or other binding arrangement in effect prior to Delta's or its Subsidiary's acquisition of such New Business.

4. Duties and Obligations of Parkdale.

(a) Compliance with Standards. Parkdale shall supply Yarn in full compliance with the product specifications (the "Specifications") set forth in EXHIBIT A attached hereto. Any modifications to the Specifications may only be made by agreement in writing by both parties.

(b) Delivery. Parkdale shall ship and regularly fulfill the weekly supply of Yarn (as set forth in purchase orders provided by Delta to Parkdale) to Delta or to such destination(s) as Delta shall designate in writing on an F.O.B. (Parkdale's facility) basis with carriers designated by Delta so that Delta shall assume all freight, transportation, and insurance from the time of delivery. If Parkdale determines that it will be unable to meet Delta's delivery requirements, as set forth in any purchase order provided by Delta to Parkdale, it shall so notify Delta no later than ten (10) days after receipt of Delta's order and propose an alternative delivery schedule. If such alternative delivery schedule is not acceptable to Delta, Delta shall have the right to reject the alternative delivery schedule by written notice to Parkdale and to utilize an alternative supply source with respect to such order. In addition, in the event that Parkdale fails to deliver Yarn on any required delivery date, Delta may utilize an alternative supply source with respect to such Yarn. Claims by Delta for inadequate delivery of Yarn shall be void unless Delta gives Parkdale written notice of the claim within thirty (30) calendar days of receipt of the Yarn at the destination designated by Delta.

(c) Records. All original records, in whatever form, relating to the manufacturing, production, quality control assurance, proof of origin records and shipment of Yarn shall be retained by Parkdale for a period of not less than two (2) years from the date of delivery of each lot of Yarn to which said records pertain. Parkdale shall provide Delta or its representatives with access, upon reasonable notice to Parkdale, to inspect Parkdale's quality control and other records relating to the Yarn and all other records relating to obligations of Parkdale pursuant to this Agreement.

(d) Shipping Pallets. Parkdale shall, at its expense, (i) provide all shipping pallets for the transportation of Yarn, and (ii) pick up on a regular basis and return to its premises all shipping pallets which have been emptied by Delta.

(e) Time of the Essence. Parkdale acknowledges that time is of the essence under this Agreement.

(f) Location of Manufacturing Operations. Parkdale agrees that all Yarn delivered hereunder shall be manufactured by it in North Carolina, South Carolina, or Virginia, or at such other location as Delta may approve in writing.

5. Warranty. Parkdale warrants that the Yarn delivered hereunder shall conform in all respects to the Specifications and shall be manufactured, produced and shipped in accordance with the Specifications and warrants that the Yarn shall be free from defects in materials and workmanship and that, at the time of delivery, Parkdale shall have good title and right to transfer and sell the same and that the same shall be delivered free of encumbrances. If Parkdale fails to deliver any Yarn hereunder free of encumbrances, Delta may reject such Yarn pursuant to SECTION 6 or Delta may, upon written notice to Parkdale, require that Parkdale, at its expense, defend the title thereto and promptly cause any security interest, claim, demand, lien, or other encumbrance to be removed. EXCEPT FOR THE WARRANTIES SET FORTH IN THIS SECTION 5, PARKDALE MAKES NO OTHER WARRANTIES OF QUALITY, AND PARKDALE HEREBY DISCLAIMS ALL OTHER WARRANTIES OF QUALITY, WHETHER EXPRESS OR IMPLIED, WHETHER CREATED BY CONTRACT OR BY OPERATION OF LAW, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

6. Rejection of Yarn.

(a) Delta may reject any Yarn that does not conform in any respect to the warranties provided by Parkdale in SECTION 5 of this Agreement provided that Delta gives notice to Parkdale of such rejection within thirty (30) days after Delta discovers the nonconformity.

(b) Upon rejection of Yarn by Delta, Parkdale shall promptly replace the nonconforming Yarn with Yarn conforming to the warranties in SECTION 5 of this Agreement. Parkdale shall bear all costs in fulfilling its obligation to replace nonconforming Yarn, including all freight costs associated with return of nonconforming Yarn to Parkdale and all freight costs associated with the shipment of replacement Yarn to Delta.

7. Purchase Price, Payment; Rebates. The purchase price for each pound of Yarn delivered by Parkdale pursuant to this Agreement shall be calculated in accordance with

the formula set forth on EXHIBIT B attached hereto. Parkdale shall invoice Delta weekly for all Yarn delivered during the preceding week pursuant to Delta's purchase orders. Such invoices shall be payable by Delta on a net forty-five (45) day basis following actual receipt of the invoice. All payments shall be remitted to Parkdale at the address specified in or given pursuant to SECTION 18 hereof. Delta is solely responsible for, and will pay, any and all applicable sales, use, value added, or excise taxes, and any and all imposts, customs, duties or consular fees or charges related to importation or exportation of goods, imposed by any governmental authority in the Territory in connection with the sale of Yarn by Parkdale to Delta (collectively "Taxes"), excluding, however, any Taxes measured upon Parkdale's income. Each party agrees to take all actions reasonably required to obtain exemptions from or reductions of Taxes (other than income Taxes) required to be paid or withheld that may be applicable to any payment due hereunder. Parkdale agrees to pay to Delta all rebate amounts actually received by Parkdale under any rebate program(s) administered by the USDA for the benefit of cotton consumers to the extent such rebates are attributable to bales of cotton opened by Parkdale to fulfill its obligations under this Agreement. Such rebate payments shall be made by Parkdale within seven (7) days of the end of each month.

8. Purchase Orders. All sales of Yarn produced for Delta in accordance with this Agreement will be made pursuant to purchase orders submitted by Delta from time to time, the terms of which shall be controlled by the terms of this Agreement, regardless of whether such purchase orders reference this Agreement. To the extent the terms of a purchase order conflict with the terms of this Agreement, the terms of this Agreement shall control. Except as provided in SECTION 4(b) with respect to delivery schedules, each purchase order for Yarn submitted by Delta in accordance with the provisions of this Agreement shall be deemed automatically accepted by Parkdale, subject to the provisions of Section 4(b) with respect to delivery requirements.

9. Limitation of Liability. Subject to compliance with the Specifications and without limiting SECTION 5, the determination of the suitability of the Yarn furnished hereunder for the uses contemplated by Delta is the sole responsibility of Delta and Parkdale shall have no responsibility in connection therewith. Except in the case of gross negligence or gross misconduct, Parkdale's sole liability and Delta's sole remedy for the non-delivery or delivery of inadequate quantities of Yarn, or for the delivery of Yarn not conforming to Specifications, shall be for Delta's direct damages, if such failure is not excused pursuant to SECTION 11 of this Agreement. Neither party shall, under any circumstances, be liable for loss of profits or any other indirect or consequential damages except in the case of gross negligence or gross misconduct.

10. Confidentiality.

(a) This Agreement, the terms hereof, and all information furnished or to be furnished by Delta to Parkdale or by Parkdale to Delta in connection with and during the Term of this Agreement shall be kept confidential by the party receiving said information, except for purposes authorized by this Agreement, and neither party shall disclose such information to any person or firm unless previously authorized in writing by the other party to do so; provided, however, that the party receiving such information may disclose the same to its responsible officers and employees who require the information for the purposes contemplated by this Agreement, provided that such officers and employees are made aware of, and agree to be bound by, the provisions of this Section. Any other provision hereof to the contrary notwithstanding, it is expressly understood and agreed by the parties that each party's obligations of confidentiality and nondisclosure herein assumed shall not apply to any information which (i) such party can demonstrate was already lawfully in its possession prior to the disclosure thereof by the other party, (ii) became known to the public through no fault of such party, (iii) is later lawfully acquired by such party from other sources without breach of any confidentiality obligation; or (iv) is required to be disclosed by applicable law or legal process. In the event that disclosure is required pursuant to legal process, (a) the receiving party shall provide the other party with prompt notice of such requirement so the other party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Agreement; (b) in the event that a protective order or other remedy is obtained, the receiving party shall use all reasonable efforts to assure that all information disclosed shall be covered by such order or other remedy; and (c) whether or not such protective order or other remedy is obtained or the other party waives compliance with the provisions of this Agreement, the receiving party will disclose only that portion of the information which it is legally required to disclose.

(b) The provisions of this SECTION 10 shall remain in force for a period of two (2) years following the termination of this Agreement, except with respect to any information that constitutes a trade secret, the protection of which shall be unlimited in duration.

(c) The parties acknowledge that breach of this SECTION 10 by either party may cause damage to the other party which could not be adequately compensated by a monetary award. Accordingly, such other party shall be entitled, in addition to any other right or remedy available to it, to an injunction restraining such breach or any threatened breach and to specific performance of every provision of this SECTION 10 and, in any such case, no security shall be required to be posted in connection with such injunction.

11. Force Majeure.

(a) Neither party shall be liable to the other for damages resulting from any failure to perform its obligations hereunder if such failure is due to any of the following: strikes, lockouts, concerted acts of workmen or other industrial disturbances, fires, explosions, floods or other natural catastrophes, civil disturbance, riots or armed conflict whether declared or undeclared, curtailment, shortage, rationing or allocation of normal sources of supply of labor, materials, transportation, energy or utilities, accidents, acts of God, delays of subcontractors or vendors, sufferance of or voluntary compliance with acts of government and government regulations (whether valid or invalid), embargoes, or any other similar or dissimilar cause, any of which is beyond the reasonable control of the party affected and which makes performance commercially impracticable.

(b) Neither party shall be required to make any concession or grant any demand or request to bring to an end any strike or other concerted act of workmen.

(c) Either party affected by an event described in SECTION 11(a) shall promptly, upon learning of such event and ascertaining that it has affected or will affect that party's performance under this Agreement, give notice to the other party, stating the nature of the event, its anticipated duration and any action being taken to amend or minimize its effect, and such party will use commercially reasonable efforts to minimize the effect of such event on the performance of its obligations under this Agreement.

(d) If any event described in SECTION 11(a) partially reduces Parkdale's ability to produce or deliver Yarn, then Parkdale may prorate its available supply amongst Delta and Parkdale's other customers in a fair and equitable manner. If any event described in SECTION 11(a) partially or wholly reduces Parkdale's ability to produce or deliver Yarn, Delta shall be entitled to purchase Yarn from alternative sources of supply and, if such inability to produce or deliver Yarn persists in excess of sixty (60) days, Delta shall have the option to terminate this Agreement by written notice to Parkdale.

(e) Notwithstanding this SECTION 11, Delta shall pay Parkdale for all Yarn shipped and received by Delta during the Term pursuant to the terms of this Agreement.

12. Termination. This Agreement may be earlier terminated as set forth below.

(a) Either party by written notice may terminate this Agreement at any time if the other party materially defaults in carrying out its terms and does not cure such default within thirty (30) days of receipt of written notice thereof. Notwithstanding the foregoing, Delta may terminate this Agreement forthwith upon notice to Parkdale, with no additional cure rights for Parkdale, if Parkdale fails for any reason whatsoever to deliver Yarn in accordance with the requirements of this Agreement on more than two (2) occasions in any one (1) calendar year.

(b) Delta may terminate this Agreement forthwith upon notice to Parkdale if Andy Warlick is no longer actively involved in the operation of Parkdale.

(c) Delta may terminate this Agreement forthwith upon written notice to Parkdale if (i) Parkdale disposes or attempts to dispose of all or any material portion of its business, whether by way of sale of assets or stock, or by way of merger, consolidation, joint venture or other arrangement, (ii) Parkdale ceases to function as a going concern, (iii) Parkdale ceases to conduct its operations in the ordinary course of business, (iv) a receiver for Parkdale is appointed, or (v) Parkdale otherwise takes advantage of any insolvency, bankruptcy, moratorium or similar laws or an involuntary proceeding under any such laws is initiated against Parkdale and such involuntary proceeding is not dismissed within ninety (90) days after it is initiated.

Upon termination of this Agreement as set forth above, neither party shall have any further obligation to the other; provided, however, that upon termination of this Agreement pursuant to this SECTION 12, Parkdale shall supply to Delta, and Delta shall purchase from Parkdale, all Yarn that was ordered by Delta pursuant to purchase orders submitted by it prior to termination of this Agreement. No termination of this Agreement shall prejudice any claim that arises prior to such termination or arises pursuant to deliveries of Yarn made pursuant to this Agreement.

13. Authority; No Conflict. Each party represents and warrants to the others that (a) it has the power and authority to enter into this Agreement and to carry out its terms and (b) the performance of this Agreement is not restricted by, in violation of, or in conflict with, any applicable agreement, contract, or order to which it is a party.

14. Independent Contractor. Parkdale is an independent contractor and neither Parkdale nor Delta is in any way an agent or partner of the other. Neither Parkdale nor Delta shall have any right to enter into any contract or agreement on behalf of the other or to bind the other in any manner.

15. Dispute Resolution. Except for (a) matters relating to specific performance, injunctive relief or other equitable remedies or (b) third party claims, the parties hereto agree that any disputes, controversies or claims relating to the rights and obligations of the parties under, and to the transactions contemplated by, this Agreement ("Disputes") that are not resolved by the personnel of the respective parties directly involved shall first be referred to the appropriate senior management personnel of each party for resolution. If said senior management personnel are unable to resolve the Dispute within thirty (30) days following its referral to them, the Dispute shall be determined and adjudged by a panel of three arbitrators, unless the amount in controversy is less than \$250,000, in which case a single arbitrator shall preside. The hearing shall be held in Charlotte, North Carolina. The selection of an arbitrator and the procedure shall be in accordance with the commercial arbitration rules then in effect of the American Arbitration Association. The arbitrator(s) shall be empowered to order discovery to the extent permitted under the Federal Rules of Civil Procedure. Any award rendered shall be final and conclusive upon the parties and a judgment thereon may be entered in the highest court of the forum, state or federal, having jurisdiction. The expenses of the arbitration shall be borne equally by the parties to the arbitration, provided that each party pay for and bear the costs of its own experts, evidence, and counsel's fees, and provided further that in the discretion of the arbitrator, any award may include the fees of a party's counsel if the arbitrator expressly determines that the party against which such award is entered has caused the dispute, controversy, or claim to be submitted to arbitration in bad faith.

16. Assignment. Neither party may assign or transfer this Agreement without the other party's written consent, except that (i) Parkdale may assign its rights to payment

under this Agreement to any bank, trust company, insurance company, or financial institution under the terms of financing agreements (but any such assignment shall not relieve Parkdale of its obligations hereunder); (ii) Delta may collaterally assign this Agreement to any bank, trust company, insurance company, or financial institution under the terms of financing agreements (but any such assignment shall not relieve Delta of its obligations hereunder); (iii) each of Delta and Parkdale America, LLC may assign this Agreement to a wholly-owned subsidiary or a successor resulting from a consolidation or merger provided that any such successor shall have assumed the obligations of Delta or Parkdale America, LLC, as applicable, hereunder; and (iv) each of Delta and Parkdale may assign this Agreement to a purchaser of substantially all of its business and assets provided that any such purchaser shall have assumed the obligations of Delta or Parkdale, as applicable, hereunder (but any such assignment shall not relieve Delta or Parkdale, as applicable, of its obligations hereunder). Notwithstanding the foregoing, Parkdale may not assign this Agreement or control of the Facility to any Delta Competitor. For purposes hereof, the term Delta Competitor shall mean any marketer or manufacturer of activewear.

17. Binding Effect. Except as otherwise provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of all parties and their respective successors and permitted assigns.

18. Notices. Except for routine communications hereunder, all notices, requests, demands, and other communications hereunder shall be in writing (which shall include communications by facsimile transmission) and shall be delivered (a) in person or by courier or overnight service, (b) by mail by first class registered or certified mail, postage prepaid, return receipt requested, or (c) by facsimile transmission, as follows:

To Delta:

Delta Apparel, Inc.
2750 Premiere Parkway, Suite 100
Duluth, GA 30097
Attention: Robert W. Humphreys, President and CEO
Telecopy: 678-775-6999
Telephone: 678-775-6900

To Parkdale:

Parkdale Mills, Inc.
531 Cotton Blossom Circle
Gastonia, NC 28054 Attention:
Telecopy:
Telephone:

or to such other address of a party as that party may designate in writing to the other in accordance with this Section. Either party may change the address to which notices are to be sent by giving written notice of such change of address to the other party in the manner provided above for giving notice. If delivered personally or by courier, the date on which the notice, request, instruction or document is delivered shall be the date on which such delivery is made and if delivered by facsimile transmission or mail as aforesaid, the date on which such notice, request, instruction or document is received shall be the date of delivery.

19. Waiver. A waiver of a breach of any term of this Agreement will not be construed as a waiver of any succeeding breach of that term or as a waiver of the term itself. A party's performance after the other's breach shall not be construed as a waiver of that breach. No failure or delay by either party to enforce or take advantage of any provision or right under this Agreement shall constitute a waiver of that provision or right, nor shall it be a waiver of any of the other terms and conditions of this Agreement.

20. Headings. Whenever the context requires in this Agreement, the singular includes the plural, the plural includes the singular, and the gender of any pronoun includes the other gender. Headings, titles and captions of or in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, extend, or describe the scope of this Agreement or the intent of any of its provisions.

21. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of North Carolina, without regard to conflicts of laws and principles. The parties acknowledge and agree that the Yarn sold hereunder and this Agreement are not subject to any provision of the United Nations Convention on the International Sale of Goods.

22. Counterparts. This Agreement may be executed in one or more counterparts, each of which once executed shall be deemed an original but all of which together shall constitute one and the same instrument.

23. Currency. All amounts referred to in this Agreement and all payments hereunder shall be made in the lawful currency of the United States of America.

24. Entire Agreement; Modification. This Agreement and all documents incorporated herein by reference constitute the entire agreement between the parties, and supersede all prior agreements and understandings between them, relating to the subject matter hereof. This Agreement may not be supplemented, amended or modified except by a written instrument duly signed and executed by or on behalf of each party hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective duly authorized officers as of the day and year first above written.

PARKDALE MILLS, INC.

By: -
Name:
Title:

PARKDALE AMERICA LLC

By: -
Name:
Title:

DELTA APPAREL, INC.

By: -
Name:
Title:

EXHIBIT A
SPECIFICATIONS:

See Attached.

EXHIBIT B

PURCHASE PRICE OF YARN:

The purchase price for each pound of Yarn delivered shall be calculated in accordance with the following formula: $PURCHASE PRICE = [(A + B) / C] + D$

Where: A = Cost Price

B = Basis, which for the purposes hereof for 2005 shall

C = [*] (representing a waste factor of [*]) for 100%

D = Conversion Price for each of the following respective

mean [*] points off

cotton Yarn and [*](representing a waste factor of

counts of Yarn (the "Yarn Counts");

[*]) for 50/50 Yarn and Blends

Yarn Count:

Conversion Price Per Pound:

<S>
10/1 count (50/50)
14/1 count (50/50)
18/1 count (50/50)
17 counts (100%)
18/1 count (100%)
19 counts (100%)
20/1 count (50/50)
20/1 count (100%)
18/1 count heathers
17/1 count heathers

<C>
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]

This EXHIBIT B shall be amended from time to time to add conversion prices per pound for Yarn Counts required by Delta or any of its Subsidiaries not set forth above, as agreed to by the parties in their reasonable discretion.

EXAMPLE: [*]

The Conversion Price per pound will be increased in 2007 by [*] per pound and by an additional [*] per pound in 2009. The Cost Price per pound shall be adjusted over the term of this Agreement on a quarterly basis and shall be calculated for any given quarter based on the weighted average of cotton prices fixed for that quarter pursuant to EXHIBIT C. The Basis per pound shall be adjusted over the term of this Agreement on an annual basis on each anniversary date of this Agreement.

Cotton Prices:

Parkdale shall purchase cotton at prices determined by Delta in accordance with EXHIBIT C attached hereto.

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Inventory acquired Pursuant to Acquisition Agreement:

Notwithstanding any other provision of this Agreement to the contrary, the purchase price for Yarn produced from raw materials and work-in-process purchased by Parkdale from Delta pursuant to the Acquisition Agreement shall be computed (i) in the case of raw materials, on the basis of the Stated Value of the Inventory (as such terms are defined in the Acquisition Agreement) in lieu of Cost Price and Basis, and (ii) in the case of any work-in-process other than cotton at uniflock, on the basis of the Stated Value of the Inventory in lieu of Cost Price and Basis, a waste factor of [*] for 100% cotton Yarn and [*] for 50/50 Yarn and Blends in lieu of the applicable waste factor, and fifty (50%) percent of the applicable conversion price in lieu of the applicable conversion price.

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT C
COTTON PRICING:

For each quarter during the term of this Agreement, Delta shall prior to the respective dates set forth below (i) deliver fixation orders to Parkdale in writing for cotton at a price per pound or a range of acceptable prices per pound for the applicable NY Futures Cover Month and in multiples of 100 bales or (ii) transfer to a brokerage account of Parkdale an equivalent number of NYBOT Cotton Futures. In the event that Delta fails to exercise its right to fix the price of cotton for any quarter prior to the respective date set forth below, Parkdale shall have the right to fix the cotton price for that quarter. If Delta fails to fix the price of cotton for any quarter in quantities that are sufficient for Parkdale to fulfill the purchase orders for Yarn issued by Delta for delivery during that quarter, the applicable Cost Price for such excess Yarn shall be equal to the cost fixed by Parkdale, if Parkdale manufactures such excess Yarn from cotton delivered to it pursuant to futures contracts, or Parkdale's cost to obtain cotton in the spot market, if Parkdale manufactures such excess Yarn from cotton purchased by it in the spot market.

SCHEDULE FOR COTTON PRICE FIXATIONS:

<u>Quarter:</u>	<u>Prices to be fixed prior to:</u>	<u>NY Futures Cover Month:</u>
<S>	<C>	<C>
First	November 30	March
Second	February 28	May
Third	May 31	July
Fourth	August 30	December

In the event that the number of bales fixed for any quarter exceeds the actual cotton content of the Yarn delivered by Parkdale during such quarter, the excess cotton fixation will be rolled forward to the next quarter at the price for the current quarter and Delta shall reimburse Parkdale's carrying costs for the excess cotton fixation until such fixation is exhausted. Carrying costs are [*] per bale per month ([*] per pound) and shall accrue on the last day of the month (e.g. unused cotton on March 31st will be subject to carrying charges if still unused on April 30th). Accrued carrying costs shall be paid by Delta on a quarterly basis or upon demand by Parkdale.

All fixation orders and executions must be promptly confirmed in writing by any of the respective representatives listed below or otherwise designated by written notice in accordance with Section 18.

INDIVIDUALS RESPONSIBLE FOR FIXATION ORDERS/EXECUTION:

Delta:
<S>
Robert W. Humphreys
Herbert W. Mueller
Charles Sutlief
Deborah H. Merrill

Parkdale:
<C>
Duke Kimbrell
Andy Warlick
Gene Frye
Stuart Frazer

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT 10.6.1

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO DELTA APPAREL, INC. IF PUBLICLY DISCLOSED.

FIRST AMENDMENT TO YARN SUPPLY AGREEMENT

This First Amendment to Yarn Supply Agreement (this "First Amendment") is made as of the 26th day of June, 2009, by and between Parkdale Mills, Inc., a North Carolina corporation, and Parkdale America, LLC, a North Carolina limited liability company (collectively, "Parkdale"), and Delta Apparel, Inc., a Georgia corporation ("Delta").

WHEREAS, Parkdale and Delta entered into that certain Yarn Supply Agreement dated as of January 5, 2005 with respect to the supply of yarn by Parkdale to Delta (the "Agreement"); and

WHEREAS, Parkdale and Delta desire to amend the Agreement as set forth in this First Amendment;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Capitalized terms not otherwise defined in this First Amendment shall have the meanings ascribed thereto in the Agreement;
 2. The Term of the Agreement is hereby extended until December 31, 2011.
 3. Effective as of July 1, 2009, Exhibits B and C to the Agreement are amended and replaced in their entirety by Exhibits B and C attached to this First Amendment.
 4. Except as expressly set forth in this First Amendment, all terms and conditions of the Agreement shall remain in full force and effect. In the event of any conflict between the terms and conditions of this First Amendment and any of the terms and conditions of the Agreement, the terms and conditions of this First Amendment shall control.
 5. This First Amendment shall be governed and controlled as to validity, enforcement, interpretation, construction, and effect, and in all other respects, by the laws of the State of North Carolina, without regard to principles of conflict of law.
 6. This First Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.
-

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective duly authorized officers as of the day and year first above written.

PARKDALE MILLS, INC.

By: /s/ Charles S. Heilig III

Name: Charles S. Heilig III

Title: Executive Vice President

PARKDALE AMERICA LLC

By: /s/ Charles S. Heilig III

Name: Charles S. Heilig III

Title: Executive Vice President

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Chairman and CEO

Exhibit B
Purchase Price of Yarn:

The purchase price for each pound of Yarn delivered shall be calculated in accordance with the following formula: **Purchase Price = [(A + B) ÷ C] + D**

Where: A = Cost Price

B = Basis, as set forth in the table below

C = 1.00 – applicable waste factor set forth in the table below (in decimal format)

D = Applicable conversion price set forth in the table below

Basis, Waste Factors, and Conversion Prices

	Basis	Waste	Conversion \$ per pound
Polyester / Cotton			
8/1 50/50 (OES Backing)	[*]	[*]	[*]
10/1 50/50 (OES Backing)	[*]	[*]	[*]
15/1 50/50 (OES Backing)	[*]	[*]	[*]
14/1 50/50 (OES)	[*]	[*]	[*]
16/1 50/50(OES)	[*]	[*]	[*]
18/1 50/50(OES)	[*]	[*]	[*]
20/1 50/50(OES)	[*]	[*]	[*]
22/1 50/50(OES)	[*]	[*]	[*]
26/1 50/50 (OES)	[*]	[*]	[*]
Air Jet	[*]	[*]	[*]
20/1 100% AJ	[*]	[*]	[*]
16/1 50/50 AJ	[*]	[*]	[*]
26/1 50/50 AJ	[*]	[*]	[*]
28/1 50/50 AJ	[*]	[*]	[*]
100% Open End	[*]	[*]	[*]
14/1 100% KPOE	[*]	[*]	[*]
16/1 100% KPOE	[*]	[*]	[*]
17/1 100% KPOE	[*]	[*]	[*]
17.5/1 100% KPOE	[*]	[*]	[*]
18/1 100% KPOE	[*]	[*]	[*]
19/1 100% KPOE	[*]	[*]	[*]
20/1 100% KPOE	[*]	[*]	[*]
22/1 100% KPOE	[*]	[*]	[*]
24/1 100% KPOE	[*]	[*]	[*]
26/1 100% KPOE	[*]	[*]	[*]
28/1 100% KPOE	[*]	[*]	[*]
30/1 100% KPOE	[*]	[*]	[*]
Open End Heather	[*]	[*]	[*]
14/1 90/10 KPOE	[*]	[*]	[*]
16/1 90/10 KPOE	[*]	[*]	[*]
17/1 90/10 KPOE	[*]	[*]	[*]
18/1 90/10 KPOE	[*]	[*]	[*]
20/1 90/10 KPOE	[*]	[*]	[*]
22/1 90/10 KPOE	[*]	[*]	[*]
24/1 90/10 KPOE	[*]	[*]	[*]
28/1 90/10 KPOE	[*]	[*]	[*]
30/1 90/10 KPOE	[*]	[*]	[*]
14/1 99/1 KPOE	[*]	[*]	[*]
16/1 99/1 KPOE	[*]	[*]	[*]
17/1 99/1 KPOE	[*]	[*]	[*]
18/1 99/1 KPOE	[*]	[*]	[*]
20/1 99/1 KPOE	[*]	[*]	[*]
22/1 99/1 KPOE	[*]	[*]	[*]
Tri-Blend	[*]	[*]	[*]
14/1 50/40/10 Open End	[*]	[*]	[*]
16/1 50/40/10 Open End	[*]	[*]	[*]
18/1 50/40/10 Open End	[*]	[*]	[*]
22/1 50/40/10 Open End	[*]	[*]	[*]
26/1 50/40/10 Open End	[*]	[*]	[*]
14/1 50/49/1 Open End	[*]	[*]	[*]
16/1 50/49/1 Open End	[*]	[*]	[*]
18/1 50/49/1 Open End	[*]	[*]	[*]
22/1 50/49/1 Open End	[*]	[*]	[*]
26/1 50/49/1 Open End	[*]	[*]	[*]
Ring Spun	[*]	[*]	[*]
16/1 100% KPRS	[*]	[*]	[*]
17/1 100% KPRS	[*]	[*]	[*]
18/1 100% KPRS	[*]	[*]	[*]

19/1 100% KPRS	[*]	[*]	[*]
20/1 100% KPRS	[*]	[*]	[*]
22/1 100% KPRS	[*]	[*]	[*]
26/1 100% KPRS	[*]	[*]	[*]
28/1 100% KPRS	[*]	[*]	[*]
16/1 100% CPRS	[*]	[*]	[*]
18/1 100% CPRS	[*]	[*]	[*]
20/1 100% CPRS	[*]	[*]	[*]
22/1 100% CPRS	[*]	[*]	[*]
30/1 100% CPRS	[*]	[*]	[*]
18/1 100% CPRS 50/50	[*]	[*]	[*]
20/1 100% CPRS 50/50	[*]	[*]	[*]
26/1 100% CPRS 50/50	[*]	[*]	[*]
30/1 100% CPRS 50/50	[*]	[*]	[*]
40/1 100% CPRS	[*]	[*]	[*]
Ring Spun Heather	[*]	[*]	[*]
28/1 99/1 KPRS	[*]	[*]	[*]
16/1 90/10 KPRS	[*]	[*]	[*]
17/1 90/10 KPRS	[*]	[*]	[*]
18/1 90/10 KPRS	[*]	[*]	[*]
19/1 90/10 KPRS	[*]	[*]	[*]
20/1 90/10 KPRS	[*]	[*]	[*]
30/1 90/10 KPRS	[*]	[*]	[*]
18/1 90/10 CPRS	[*]	[*]	[*]
30/1 90/10 CPRS	[*]	[*]	[*]

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

This **Exhibit B** shall be amended from time to time to add basis, waste factors, and conversion prices per pound for Yarn Counts required by Delta or any of its Subsidiaries not set forth above, as agreed to by the parties in their reasonable discretion.

The Cost Price per pound shall be adjusted over the term of this Agreement as described on **Exhibit C** and shall be calculated for any given period based on the weighted average of cotton prices fixed for that period pursuant to **Exhibit C**. The Basis per pound shall be adjusted over the term of this Agreement on an annual basis on each anniversary date of the Agreement.

Cotton Prices:

Parkdale shall purchase cotton at prices determined by Delta in accordance with **Exhibit C** attached hereto.

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Exhibit C
Cotton Pricing:

Parkdale is responsible for purchasing the cotton. Delta is responsible for fixing the cotton price in accordance with the existing yarn pricing formula in place with the Agreement and the following procedure:

For each period during the term of the Agreement, Delta shall prior to the respective dates set forth below (i) deliver fixation orders to Parkdale in writing for cotton at a price per pound or a range of acceptable prices per pound for the applicable NY futures cover month in multiples of 100 bales or (ii) transfer to a brokerage account of Parkdale an equivalent number of ICE cotton futures.

Schedule for Cotton Price Fixations

<u>Months</u>	<u>Prices to be fixed no later than:</u>	<u>Cover Month</u>
Jan, Feb, Mar	The latest business day closest to but not exceeding December 25 th	March
Apr, May	The latest business day closest to but not exceeding March 25 th	May
Jun, Jul	The latest business day closest to but not exceeding May 25 th	July
Aug, Sep	The latest business day closest to but not exceeding July 25 th	October
Oct, Nov, Dec	The latest business day closest to but not exceeding September 24 th	December

In the event that the number of bales fixed for any pricing period exceeds the actual cotton content of the yarn delivered by Parkdale during such period, the excess cotton fixation will be rolled forward to the next period at the price for the current period and Delta shall reimburse Parkdale's carrying costs for the excess cotton fixation until such fixation is exhausted. Carrying costs are [*] per bale per month and shall accrue after two weeks of the following period (e.g. unused cotton on March 31st will be subject to carrying charges if still unused on April 14th. Accrued carrying costs shall be paid by Delta on a pricing period basis or upon demand by Parkdale.

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

In the event that the actual cotton content of the yarn delivered by Parkdale during such period exceeds the number of bales fixed for that period Delta may elect to cover the shortfall using the next period's fixations at the next period's price.

For example assume 8,000 bales are fixed for the second period basis May at 50 cents and 5,000 bales are fixed for the third period basis July at 52 cents. The actual cotton consumed for the second period is 10,000 bales. Delta may elect to utilize fixations for 2,000 bales from the third period at 52 cents. In this case, fixations for 2,000 bales would be rolled to the second period making the second period's price the average of .5040 (8,000 @ .5000 and 2,000 @ .5200). There would then be fixations for 3,000 bales remaining for the third period at .5200.

In the event that Delta fails to fix the price of cotton for any period prior to the respective date set forth above and Delta does not elect to roll fixations back, Parkdale shall have the right to fix the cotton price for that period. If Delta fails to fix the price of cotton for any period in quantities that are sufficient for Parkdale to fulfill the purchase orders for yarn issued by Delta for delivery during that period the applicable market price for such excess yarn shall be equal to the price fixed by Parkdale if Parkdale manufactures such excess yarn from cotton delivered to it pursuant to futures contracts, or Parkdale's cost to obtain cotton in the spot market if Parkdale manufactures such excess yarn from cotton purchased by it in the spot market.

The amount of cotton bales consumed in the period shall be based on invoice date and shall be derived using the following formula:

$$((Y \times P) / (1-W))/500$$

Where:

Y = Pounds of Yarn

P = Percent of Cotton

W = Waste Factor in decimal format (for example: 5% would be
.05)

All fixation orders and executions must be promptly confirmed in writing by any of the respective representatives listed below or otherwise designated by written notice.

Individuals Responsible for Fixation Orders/Execution:

Delta

Parkdale

Will McGhee

Jim Martin

Gene Frye

Andy Warlick

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT 10.6.2

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO DELTA APPAREL, INC. IF PUBLICLY DISCLOSED.

SECOND AMENDMENT TO YARN SUPPLY AGREEMENT

This Second Amendment to the Yarn Supply Agreement (this "Second Amendment") is made as of the 21st day of October, 2011, by and between Parkdale Mills, Inc., a North Carolina corporation, and Parkdale America, LLC, a North Carolina limited liability company (collectively, "Parkdale"), and Delta Apparel, Inc., a Georgia corporation ("Delta").

WHEREAS, Parkdale and Delta entered into that certain Yarn Supply Agreement dated as of January 5, 2005 with respect to the supply of yarn by Parkdale to Delta (the "Agreement"); and

WHEREAS, Parkdale and Delta desire to amend the Agreement as set forth in this Second Amendment;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Capitalized terms not otherwise defined in this Second Amendment shall have the meanings ascribed thereto in the Agreement;
 2. The Term of the Agreement is hereby extended until March 31, 2013.
 3. Effective as of January 1, 2012, Exhibit 1B shows the adjusted conversion prices for Open End and Air Jet spun yarns. Effective April 1, 2012, Exhibit 2B shows the adjusted conversion prices for the Ring Spun yarns. Exhibit C is unchanged.
 4. Except as expressly set forth in this Second Amendment, all terms and conditions of the Agreement shall remain in full force and effect. In the event of any conflict between the terms and conditions of this Second Amendment and any of the terms and conditions of the Agreement, the terms and conditions of this Second Amendment shall control.
 5. This Second Amendment shall be governed and controlled as to validity, enforcement, interpretation, construction, and effect, and in all other respects, by the laws of the State of North Carolina, without regard to principles of conflict of law.
 6. This Second Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.
-

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective duly authorized officers as of the day and year first above written.

PARKDALE MILLS, INC.

By: /s/ Charles S. Heilig III

Name: Charles S. Heilig III

Title: Executive V.P.

PARKDALE AMERICA LLC

By: /s/ Charles S. Heilig III

Name: Charles S. Heilig III

Title: Executive V.P.

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Chairman & CEO

Exhibit 1B
Effective January 1, 2012
Purchase Price of Yarn:

The purchase price for each pound of Yarn delivered shall be calculated in accordance with the following formula: **Purchase Price = [(A + B) ÷ C] + D**

Where: A = Cost Price

B = Basis, as agreed upon by the parties from time to time

C = 1.00 – applicable waste factor set forth in the table below (in decimal format)

D = Applicable conversion price set forth in the table below

Waste Factors and Conversion Prices

Conversion

Polyester / Cotton

Waste

\$ per pound

8/1 50/50 (OES Backing)

[*]

[*]

10/1 50/50 (OES Backing)

[*]

[*]

12/1 50/50 (OES Backing)

[*]

[*]

15/1 50/50 (OES Backing)

[*]

[*]

14/1 50/50 (OES)

[*]

[*]

16/1 50/50(OES)

[*]

[*]

18/1 50/50(OES)

[*]

[*]

20/1 50/50(OES)

[*]

[*]

22/1 50/50(OES)

[*]

[*]

26/1 50/50 (OES)

[*]

[*]

Air Jet

12/1 100% AJ

[*]

[*]

18/1 100% AJ

[*]

[*]

20/1 100% AJ

[*]

[*]

20.5/1 100% AJ

[*]

[*]

22/1 100% AJ

[*]

[*]

16/1 50/50 AJ

[*]

[*]

26/1 50/50 AJ

[*]

[*]

27/1 50/50 AJ

[*]

[*]

28/1 50/50 AJ

[*]

[*]

100% Open End

14/1 100% KPOE

[*]

[*]

16/1 100% KPOE

[*]

[*]

17/1 100% KPOE

[*]

[*]

17.5/1 100% KPOE

[*]

[*]

18/1 100% KPOE

[*]

[*]

19/1 100% KPOE

[*]

[*]

20/1 100% KPOE Soft Spun

[*]

[*]

20/1 100% KPOE Style Spun

[*]

[*]

20/1 100% KPOE

[*]

[*]

22/1 100% KPOE

[*]

[*]

24/1 100% KPOE

[*]

[*]

26/1 100% KPOE

[*]

[*]

28/1 100% KPOE

[*]

[*]

30/1 100% KPOE

[*]

[*]



Open End Heather

14/1 90/10 KPOE

[*]

[*]

16/1 90/10 KPOE

[*]

[*]

17/1 90/10 KPOE

[*]

[*]

18/1 90/10 KPOE

[*]

[*]

20/1 90/10 KPOE

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22/1 90/10 KPOE

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24/1 90/10 KPOE

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[*]

28/1 90/10 KPOE

[*]

[*]

30/1 90/10 KPOE

[*]

[*]

14/1 99/1 KPOE

[*]

[*]

16/1 99/1 KPOE

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[*]

17/1 99/1 KPOE

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18/1 99/1 KPOE

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[*]

20/1 99/1 KPOE

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[*]

22/1 99/1 KPOE

[*]

[*]

26/1 99/1 KPOE

[*]

[*]

30/1 99/1 KPOE

[*]

[*]

18/1 70/30 cotton/blk poly KPOE

[*]

[*]

Tri-Blend

14/1 50/40/10 Open End

[*]

[*]

16/1 50/40/10 Open End

[*]

[*]

18/1 50/40/10 Open End

[*]

[*]

20/1 50/40/10 Open End

[*]

[*]

22/1 50/40/10 Open End

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[*]

26/1 50/40/10 Open End

[*]

[*]

14/1 50/49/1 Open End

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16/1 50/49/1 Open End

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[*]

18/1 50/49/1 Open End

[*]

[*]

20/1 50/49/1 Open End

[*]

[*]

22/1 50/49/1 Open End

[*]

[*]

26/1 50/49/1 Open End

[*]

[*]

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Exhibit 2B
Effective April 1, 2012
Conversion Prices for Ring Spun Yarn

Ring Spun

16/1 100% KPRS

[*]

[*]

18/1 100% KPRS

[*]

[*]

20/1 100% KPRS

[*]

[*]

22/1 100% KPRS

[*]

[*]

26/1 100% KPRS

[*]

[*]

28/1 100% KPRS

[*]

[*]

16/1 100% CPRS

[*]

[*]

18/1 100% CPRS

[*]

[*]

20/1 100% CPRS

[*]

[*]

22/1 100% CPRS

[*]

[*]

24/1 100% CPRS

[*]

[*]

26/1 100% CPRS

[*]

[*]

30/1 100% CPRS

[*]

[*]

32/1 100% CPRS

[*]

[*]

36/1 100% CPRS

[*]

[*]

18/1 50/50 CPRS

[*]

[*]

20/1 50/50 CPRS

[*]

[*]

22/1 50/50 CPRS

[*]

[*]

24/1 50/50 CPRS

[*]

[*]

26/1 50/50 CPRS

[*]

[*]

30/1 50/50 CPRS

[*]

[*]

40/1 100% CPRS

[*]

[*]

Ring Spun Heather

16/1 90/10 KPRS

[*]

[*]

18/1 90/10 KPRS

[*]

[*]

19/1 90/10 KPRS

[*]

[*]

20/1 90/10 KPRS

[*]

[*]

22/1 90/10 KPRS

[*]

[*]

30/1 90/10 KPRS

[*]

[*]

18/1 90/10 CPRS

[*]

[*]

22/1 80/20 CPRS

[*]

[*]

30/1 80/20 CPRS

[*]

[*]

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

This **Exhibit 1B and Exhibit 2B** shall be amended from time to time to add basis, waste factors, and conversion prices per pound for Yarn Counts required by Delta or any of its Subsidiaries not set forth above, as agreed to by the parties in their reasonable discretion.

The Cost Price per pound shall be adjusted over the term of this Agreement as described on **Exhibit C** and shall be calculated for any given period based on the weighted average of cotton prices fixed for that period pursuant to **Exhibit C**. The Basis per pound shall be adjusted over the term of this Agreement on an annual basis on each anniversary date of the Agreement.

Cotton Prices:

Parkdale shall purchase cotton at prices determined by Delta in accordance with **Exhibit C** attached hereto.

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Exhibit C
Cotton Pricing:

Parkdale is responsible for purchasing the cotton. Delta is responsible for fixing the cotton price in accordance with the existing yarn pricing formula in place with the Agreement and the following procedure:

For each period during the term of the Agreement, Delta shall prior to the respective dates set forth below (i) deliver fixation orders to Parkdale in writing for cotton at a price per pound or a range of acceptable prices per pound for the applicable NY futures cover month in multiples of 100 bales or (ii) transfer to a brokerage account of Parkdale an equivalent number of ICE cotton futures.

Schedule for Cotton Price Fixations

<u>Months</u>	<u>Prices to be fixed no later than:</u>	<u>Cover Month</u>
Jan, Feb, Mar	The latest business day closest to but not exceeding December 25 th	March
Apr, May	The latest business day closest to but not exceeding March 25 th	May
Jun, Jul	The latest business day closest to but not exceeding May 25 th	July
Aug, Sep	The latest business day closest to but not exceeding July 25 th	October
Oct, Nov, Dec	The latest business day closest to but not exceeding September 24 th	December

In the event that the number of bales fixed for any pricing period exceeds the actual cotton content of the yarn delivered by Parkdale during such period, the excess cotton fixation will be rolled forward to the next period at the price for the current period and Delta shall reimburse Parkdale's carrying costs for the excess cotton fixation until such fixation is exhausted. Carrying costs are [*] per bale per month and shall accrue after two weeks of the following period (e.g. unused cotton on March 31st will be subject to carrying charges if still unused on April 14th. Accrued carrying costs shall be paid by Delta on a pricing period basis or upon demand by Parkdale.

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

In the event that the actual cotton content of the yarn delivered by Parkdale during such period exceeds the number of bales fixed for that period Delta may elect to cover the shortfall using the next period's fixations at the next period's price.

For example assume 8,000 bales are fixed for the second period basis May at 50 cents and 5,000 bales are fixed for the third period basis July at 52 cents. The actual cotton consumed for the second period is 10,000 bales. Delta may elect to utilize fixations for 2,000 bales from the third period at 52 cents. In this case, fixations for 2,000 bales would be rolled to the second period making the second period's price the average of .5040 (8,000 @ .5000 and 2,000 @ .5200). There would then be fixations for 3,000 bales remaining for the third period at .5200.

In the event that Delta fails to fix the price of cotton for any period prior to the respective date set forth above and Delta does not elect to roll fixations back, Parkdale shall have the right to fix the cotton price for that period. If Delta fails to fix the price of cotton for any period in quantities that are sufficient for Parkdale to fulfill the purchase orders for yarn issued by Delta for delivery during that period the applicable market price for such excess yarn shall be equal to the price fixed by Parkdale if Parkdale manufactures such excess yarn from cotton delivered to it pursuant to futures contracts, or Parkdale's cost to obtain cotton in the spot market if Parkdale manufactures such excess yarn from cotton purchased by it in the spot market.

The amount of cotton bales consumed in the period shall be based on invoice date and shall be derived using the following formula:

$$((Y \times P) / (1-W))/500$$

Where:

Y = Pounds of Yarn

P = Percent of Cotton

W = Waste Factor in decimal format (for example: 5% would be

.05)

All fixation orders and executions must be promptly confirmed in writing by any of the respective representatives listed below or otherwise designated by written notice.

Individuals Responsible for Fixation Orders/Execution:

Delta

Parkdale

Gene Frye

Andy Warlick

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT 10.6.3

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO DELTA APPAREL, INC. IF PUBLICLY DISCLOSED.

THIRD AMENDMENT TO YARN SUPPLY AGREEMENT

This Third Amendment to Yarn Supply Agreement (the "Third Amendment") is made as of the 11th day of March, 2013, by and between Parkdale Mills, Incorporated, a North Carolina corporation, and Parkdale America, LLC, a North Carolina limited liability company (collectively, "Parkdale"), and Delta Apparel, Inc., a Georgia corporation ("Delta").

WHEREAS, Parkdale and Delta entered into that certain Yarn Supply Agreement dated as of January 5, 2005, with respect to the supply of yarn by Parkdale to Delta (the "Yarn Supply Agreement"); and

WHEREAS, Parkdale and Delta entered into that First Amendment to Yarn Supply Agreement dated as of June 26, 2009 (the "First Amendment"), which amended the Yarn Supply Agreement in certain respects; and

WHEREAS, Parkdale and Delta entered into that Second Amendment to Yarn Supply Agreement dated as of October 21, 2011 (the "Second Amendment"), which further amended the Yarn Supply Agreement in certain respects (the Yarn Supply Agreement, First Amendment and Second Amendment are collectively referred to herein as the "Agreement"); and

WHEREAS, Parkdale and Delta desire to further amend the Agreement as set forth in this Third Amendment;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Capitalized terms not otherwise defined in this Third Amendment shall have the meanings ascribed thereto in the Agreement;
2. The Term of the Agreement is hereby extended until December 31, 2015.
3. Section 5 of the Agreement is hereby amended and replaced in its entirety by the following:

Warranty and Indemnification. Parkdale represents and warrants as follows: (1) the Yarn delivered hereunder shall conform in all material respects to the Specifications and applicable laws, rules and regulations and shall be manufactured, produced and shipped in accordance with the Specifications and applicable laws, rules and regulations; (2) the Yarn shall be free from defects in materials and workmanship and that, at the time of delivery, Parkdale shall have good title and right to transfer and sell the same and that the same shall be delivered free of encumbrances; and (3) the Yarn shall be free from the claim of any person or entity arising from patent, trade secret, trademark, copyright or other proprietary or intellectual property right infringement except to the extent that any such claim arises as a result of the Specifications or other instructions provided to Parkdale by Delta. If Parkdale fails to deliver any Yarn hereunder free of encumbrances, Delta may reject such Yarn pursuant to SECTION 6 or Delta may, upon written notice to Parkdale, require that Parkdale, at its expense, defend the title thereto and promptly cause any security interest, claim, demand, lien, or other encumbrance to be removed. EXCEPT FOR THE WARRANTIES SET FORTH IN THIS SECTION 5, PARKDALE MAKES NO OTHER WARRANTIES OF QUALITY, AND PARKDALE HEREBY DISCLAIMS ALL OTHER WARRANTIES OF QUALITY, WHETHER EXPRESS OR IMPLIED, WHETHER CREATED BY CONTRACT OR BY OPERATION OF LAW, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

Parkdale shall defend, indemnify and hold harmless Delta from and against any and all damages, claims, losses, expenses, costs, obligations, and liabilities, including without limiting the generality of the foregoing, liabilities for reasonable and documented attorney's fees ("Claims"), suffered by Delta directly by reason of or arising out of any breach of any representation or warranty made by Parkdale under this Agreement, except to the extent that any Claim arises as a result of Delta's negligence, bad faith or willful misconduct. Delta shall defend, indemnify and hold harmless Parkdale from and against any Claims brought against or incurred by Parkdale caused by the Specifications or other explicit written instructions provided by Delta to Parkdale in connection with the supply of Yarn under this Agreement, except to the extent that any Claim arises as a result of Parkdale's negligence, bad faith or willful misconduct.

4. Section 8 of the Agreement is hereby amended and replaced in its entirety by the following:

Purchase Orders. All sales of Yarn produced for Delta in accordance with this Agreement will be made pursuant to purchase orders submitted by Delta from time to time, the terms of which shall be controlled by the terms of this Agreement, regardless of whether such purchase orders reference this Agreement. To the extent the terms of a purchase order, Parkdale invoice, order acknowledgment or any other document exchanged between the parties conflict with the terms of this Agreement, the terms of this Agreement shall control. To the extent the terms of a purchase order conflict with the terms of a Parkdale invoice, order acknowledgment or any other document originating from Parkdale, the terms of the purchase order shall control as between such documents. Except as provided in SECTION 4(b) with respect to delivery schedules, each purchase order for Yarn submitted by Delta in accordance with the provisions of this Agreement shall be deemed automatically accepted by Parkdale, subject to the provisions of Section 4(b) with respect to delivery requirements.

5. Effective as of May 1, 2013, Exhibits 1B and 2B of the Agreement are hereby amended and replaced in their entirety by Exhibit 3B attached hereto.
6. Exhibit C of the Agreement is hereby amended and replaced to revise the "Individuals Responsible for Fixation Orders/Execution" on behalf of Delta referenced therein as follows:

Robert W. Humphreys
Steven E. Cochran
Deborah H. Merrill

7. Except as expressly set forth in this Third Amendment, all terms and conditions of the Agreement shall remain in full force and effect. In the event of any conflict between the terms and conditions of this Third Amendment and any of the terms and conditions of the Agreement, the terms and conditions of this Third Amendment shall control.

8. This Third Amendment shall be governed and controlled as to validity, enforcement, interpretation, construction, and effect, and in all other respects, by the laws of the State of North Carolina, without regard to principles of conflict of law.

9. This Third Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective duly authorized officers as of the day and year first above written.

PARKDALE MILLS, INC.

PARKDALE AMERICA LLC

By: /s/ Charles S. Heilig III

Name: Charles S. Heilig III

Title: President

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

Name: Robert W. Humphreys

Title: Chairman & CEO

By: /s/ Charles S. Heilig III

Name: Charles S. Heilig III

Title: President

Exhibit 3B
Effective May 1, 2013
Purchase Price of Yarn:

The purchase price for each pound of Yarn delivered shall be calculated in accordance with the following formula: **Purchase Price = [(A + B) ÷ C] + D**

Where: A = Cost Price

B = Basis, as agreed upon by the parties from time to time

C = 1.00 – applicable waste factor set forth in the table below (in decimal format)

D = Applicable conversion price set forth in the table below

Waste Factors and Conversion Prices

Yarn	Cotton Waste	Poly Waste	Conversion \$ Per Pound
Y0800CPRS100 DL HTNSP 001891	[*]		[*]
Y1600CPRS100 DL KTNWP 002169	[*]		[*]
Y1800CPRS100 DL KTNWP 001894	[*]		[*]
Y1800KPRS100 DL KTNWP 001890	[*]		[*]
Y2000CPRS100 DL KTNWP 000899	[*]		[*]
Y2000KPRS100 DL KTNWP 001890	[*]		[*]
Y2000KPRS9406 DLOG KTNWC 000899	[*]		[*]
Y2200CPRS100 DL KTNWP 002504	[*]		[*]
Y2200CPRS9406 DLOG KTNWP 002504	[*]		[*]
Y3000CPRS100 DL KTNWP 001824	[*]		[*]
Y3000KPRS100 DL KCNWL 002954	[*]		[*]
Y3000KPRS100 DL KTNWP 002954	[*]		[*]
Y3600CPRS100 DL KTNWC 001887	[*]		[*]
Y1800CPRS5050 NNDL KCNWP 001901	[*]	[*]	[*]
Y1800KPRS5050 URDL KCNWL 002388	[*]	[*]	[*]
Y1800KPRS9010 DLBP KCNWP 00002	[*]	[*]	[*]
Y2000CPRS5050 DWDL KCNWC 001901	[*]	[*]	[*]
Y2000KPRS841006 DLBPOGKCNWC 000007	[*]	[*]	[*]
Y2000KPRS9010 DLBK KCNWP 000007	[*]	[*]	[*]
Y2000KPRS9010 DLBP KCNWP 002282	[*]	[*]	[*]
Y2200CPRS5050 NNDL KCNWP 001901	[*]	[*]	[*]
Y2200CPRS752005DLBPOG KCNWP 000002	[*]	[*]	[*]
Y2200CPRS8020 DLBP KCNWP 000002	[*]	[*]	[*]
Y2400CPRS5050 NNDL KCNWP 001901	[*]	[*]	[*]
Y2400CPRS8020 DLBP KCNWP 000002	[*]	[*]	[*]
Y3000CPRS5050 NNDL KCNWP 002034	[*]	[*]	[*]
Y3000CPRS553510DMDLBPKCNWP 001909	[*]	[*]	[*]
Y3000CPRS6040 DLDM KCNWP 001926	[*]	[*]	[*]
Y3000CPRS6535 DMDL KTNWL 002471	[*]	[*]	[*]
Y3000KPRS5050 DMDL KTNWL 002471	[*]	[*]	[*]
Y3000KPRS9010 DLBP KCNWP 00007	[*]	[*]	[*]
Y0800KPOE5050 NGBD KTNWL 000002	[*]		[*]
Y1000KPOE8020 DLDV KTNWP 000044			[*]
Y1400KPOE100 DT KTNWD 000063	[*]		[*]
Y1400KPOE504010DLPEBPKTNWP 000044	[*]	[*]	[*]
Y1400KPOE504901DLPEBPKTNWP 000044	[*]	[*]	[*]
Y1400KPOE5050 DPDL KTNWL 000002	[*]	[*]	[*]
Y1500KPOE5050 NGBD KTNWL 000002	[*]	[*]	[*]
Y1600KPOE100 DL KTNWP 002729	[*]		[*]
Y1600KPOE504010DLPEBPKTNWL 000044	[*]	[*]	[*]
Y1600KPOE5050 DPDL KTNWL 000002	[*]	[*]	[*]
Y1600KPOE9010 DLBP HTNSP 000063	[*]	[*]	[*]
Y1800KPOE100 DL KTNWP 002936	[*]		[*]
Y1800KPOE504010DLPEBPKTNWP 000044	[*]	[*]	[*]
Y1800KPOE5050 DPDL KTNWL 000002	[*]	[*]	[*]
Y1800KPOE7030 DLBP KTNWP 000063	[*]	[*]	[*]
Y1800KPOE9010 DLBP KTNWP 000063	[*]	[*]	[*]
Y1800KPOE9901 DLBP KTNWP 000063	[*]	[*]	[*]
Y2000KPOE5050 DPDL KTNWL 000002	[*]	[*]	[*]
Y2200KPOE100 DL KTNWP 000063	[*]		[*]
Y2200KPOE9010 DLBP KTNWD 000002	[*]	[*]	[*]
Y2600KPOE100 DL KTNWP 000063	[*]		[*]

Y2600KPOE504010DLPEBPKTNWP 000044	[*]	[*]	[*]
Y2600KPOE504901DLPEBPKTNWL 000044	[*]	[*]	[*]
Y2600KPOE5050 DPDL KTNWP 002871	[*]	[*]	[*]
Y3000KPOE100 DL KTNWC 000002	[*]		[*]
Y3000KPOE100 DL KTSWP 000002	[*]		[*]
Y3000KPOE100 DL KTSWP 000063	[*]		[*]
Y1200KPAJ100 NA KTNWL 001196		[*]	[*]
Y1600KPAJ5050 D4DL KTNWL 000007	[*]	[*]	[*]
Y2200KPAJ100 NP KTNWL 000007		[*]	[*]
Y2700KPAJ5050 D4DL KTNWL 000007	[*]	[*]	[*]
Y3000KPV5100 DL KTNWD 000484	[*]	[*]	[*]

This **Exhibit 3B** shall be amended from time to time to add basis, waste factors and conversion prices per pound for Yarn Counts required by Delta or any of its Subsidiaries not set forth above, as agreed to by the parties in their reasonable discretion.

The Cost Price per pound shall be adjusted over the term of this Agreement as described on **Exhibit C** and shall be calculated for any given period based on the weighted average of cotton prices fixed for that period pursuant to **Exhibit C**. The Basis per pound shall be adjusted over the term of this Agreement on an annual basis on each anniversary date of the Agreement.

Cotton Prices:

Parkdale shall purchase cotton at prices determined by Delta in accordance with **Exhibit C** attached hereto.

EXHIBIT 10.6.4

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO DELTA APPAREL, INC. IF PUBLICLY DISCLOSED.

FOURTH AMENDMENT TO YARN SUPPLY AGREEMENT

This Fourth Amendment to Yarn Supply Agreement (the "Fourth Amendment") is made as of the 11th day of December 2015, by and between Parkdale Mills, Incorporated, a North Carolina corporation, and Parkdale America, LLC, a North Carolina limited liability company (collectively, "Parkdale"), and Delta Apparel, Inc., a Georgia corporation ("Delta").

WHEREAS, Parkdale and Delta entered into that certain Yarn Supply Agreement dated as of January 5, 2005, with respect to the supply of yarn by Parkdale to Delta (the "Yarn Supply Agreement"); and

WHEREAS, Parkdale and Delta entered into that First Amendment to Yarn Supply Agreement dated as of June 26, 2009 (the "First Amendment"), which amended the Yarn Supply Agreement in certain respects; and

WHEREAS, Parkdale and Delta entered into that Second Amendment to Yarn Supply Agreement dated as of October 21, 2011 (the "Second Amendment"), which further amended the Yarn Supply Agreement in certain respects; and

WHEREAS, Parkdale and Delta entered into that Third Amendment to Yarn Supply Agreement dated as of March 11, 2013 (the "Third Amendment"), which further amended the Yarn Supply Agreement in certain respects (the Yarn Supply Agreement, First Amendment, Second Amendment and Third Amendment are collectively referred to herein as the "Agreement"); and

WHEREAS, Parkdale and Delta desire to further amend the Agreement as set forth in this Fourth Amendment;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Capitalized terms not otherwise defined in this Fourth Amendment shall have the meanings ascribed thereto in the Agreement;
2. The Term of the Agreement is hereby extended until December 31, 2018.
3. Section 4(f) of the Agreement is hereby amended and replaced in its entirety by the following:

(f) Location of Manufacturing Operations. Parkdale agrees that upon written request from Delta, any particular Yarn product delivered hereunder shall be (i) manufactured at locations that it operates within the United States, or at such other location(s) as Delta may separately specify in writing and/or (ii) manufactured from 100% United States cotton and, as applicable, other materials manufactured exclusively within the United States from components originating within the United States.

4. The following language is hereby added to the end of Section 7 of the Agreement:

Parkdale represents and warrants that with respect to any type or category of Yarn and/or Yarn Count(s) hereunder of which Delta and/or its Subsidiaries has purchased at least 1,000,000 pounds from Parkdale in any twelve (12)-month period during the term of the Agreement, Parkdale shall immediately provide to Delta a conversion price based on Parkdale's lowest conversion price methodology for the production and delivery of comparable quality yarn provided on a contractual, ongoing or other routine basis to any of Parkdale's customers; provided that, in determining whether Delta is receiving the lowest conversion price methodology, Parkdale may take into account the terms, conditions and volume of yarn supplied to Delta and Parkdale's other customers.

5. Section 11(d) of the Agreement is hereby amended and replaced in its entirety by the following:

(d) If any event described in Section 11(a) partially reduces, restricts or delays Parkdale's ability to produce or deliver Yarn, then Parkdale shall use its commercially reasonable efforts to commit sufficient production resources to ensure that Delta receives a consistent supply of Yarns in the quantities that Delta requests, in accordance with the terms of this Agreement. If any event described in Section 11(a) partially reduces, restricts or delays Parkdale's ability to produce or deliver Yarn, Delta and its Subsidiaries shall be entitled to purchase Yarn from alternative sources of supply and, if such inability to produce or deliver Yarn persists in excess of sixty (60) days, Delta shall have the option to terminate this Agreement by written notice to Parkdale.

6. Section 12(b) of the Agreement is hereby amended and replaced in its entirety by the following:

(b) Delta may terminate this Agreement forthwith upon notice to Parkdale if either Anderson D. Warlick or Charles S. Heilig III is no longer actively involved in the operation of Parkdale.

7. The address for notices to be provided to Delta pursuant to Section 18 of the Agreement is hereby amended and replaced as follows:

To Delta:

Delta Apparel, Inc.

322 South Main Street

Greenville, SC 29601

Attention: Robert W. Humphreys, CEO

Facsimile: (864) 232-5199

Telephone: (864) 232-5200

8. Effective as of January 1, 2016, Exhibit 3B of the Agreement is hereby amended and replaced in its entirety by Exhibit 3B attached to this Fourth Amendment.

9. Exhibit C of the Agreement is hereby amended and replaced to revise the "Individuals Responsible for Fixation Orders/Execution" on behalf of Delta referenced therein as follows:

Robert W. Humphreys
Deborah H. Merrill

10. Except as expressly set forth in this Fourth Amendment, all terms and conditions of the Agreement shall remain in full force and effect. In the event of any conflict between the terms and conditions of this Fourth Amendment and any of the terms and conditions of the Agreement, the terms and conditions of this Fourth Amendment shall control.

11. This Fourth Amendment shall be governed and controlled as to validity, enforcement, interpretation, construction, and effect, and in all other respects, by the laws of the State of North Carolina, without regard to principles of conflict of law.

12. This Fourth Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.

IN WITNESS WHEREOF, the parties have caused this Fourth Amendment to be duly executed by their respective duly authorized officers as of the day and year first above written.

PARKDALE MILLS, INC.

By: /s/ Anderson D. Warlick

Name: Anderson D. Warlick

Title: Chief Executive Officer

PARKDALE AMERICA, LLC

By: /s/ Anderson D. Warlick

Name: Anderson D. Warlick

Title: Chief Executive Officer

DELTA APPAREL, INC.

By: /s/ Deborah H. Merrill

Name: Deborah H. Merrill

Title: Vice President, Chief Financial Officer & Treasurer

Exhibit 3B
Effective January 1, 2016
Purchase Price of Yarn:

The purchase price for each pound of Yarn delivered shall be calculated in accordance with the following formula: **Purchase Price = [(A + B) ÷ C] + D**

- Where: A = Cost Price
- B = Basis, as agreed upon by the parties from time to time
- C = 1.00 - applicable waste factor set forth in the table below (in decimal format)
- D = Applicable conversion price set forth in the table below

Waste Factors and Conversion Prices

<u>Yarn</u>	<u>Cotton Waste</u>	<u>Poly Waste</u>	<u>Conversion \$ Per Pound</u>
0800 CPRS 100% cotton	[*]		[*]
1600 CPRS 100% cotton	[*]		[*]
1800 CPRS 100% cotton	[*]		[*]
1800 KPRS 100% cotton	[*]		[*]
2000 CPRS 100% cotton	[*]		[*]
2000 KPRS 100% cotton	[*]		[*]
2000 KPRS 94% cotton / 6% organic cotton	[*]		[*]
2200 CPRS 100% cotton	[*]		[*]
2200 CPRS 94% cotton / 6% organic cotton	[*]		[*]
3000 CPRS 100% cotton	[*]		[*]
3000 KPRS 100% cotton	[*]		[*]
3600 CPRS 100% cotton	[*]		[*]
1800 KPRS 50% cotton / 50% polyester	[*]	[*]	[*]
1800 CPRS 50% cotton / 50% polyester	[*]	[*]	[*]
1800 KPRS 90% cotton / 10% black polyester	[*]	[*]	[*]
2000 CPRS 50% cotton / 50% polyester	[*]	[*]	[*]
2000 KPRS 90% cotton / 10% black polyester	[*]	[*]	[*]
2000 KPRS 84% cotton / 6% organic cotton / 10% black polyester	[*]	[*]	[*]
2200 CPRS 50% cotton / 50% polyester	[*]	[*]	[*]
2200 CPRS 75% cotton / 5% organic cotton / 20% black polyester	[*]	[*]	[*]
2200 CPRS 80% cotton / 20% black polyester	[*]	[*]	[*]
2400 CPRS 50% cotton / 50% polyester	[*]	[*]	[*]
2400 CPRS 80% cotton / 20% black polyester	[*]	[*]	[*]
3000 KPRS 50% cotton / 50% polyester	[*]	[*]	[*]
3000 CPRS 50% cotton / 50% polyester	[*]	[*]	[*]
3000 CPRS 55% polyester / 10% black polyester / 35% cotton	[*]	[*]	[*]
3000 CPRS 60% cotton / 40% polyester	[*]	[*]	[*]
3000 CPRS 65% polyester / 35% cotton	[*]	[*]	[*]
3000 KPRS 90% cotton / 10% black polyester	[*]	[*]	[*]
0800 KPOE 50% cotton / 50% polyester	[*]	[*]	[*]
1400 KPOE 100% cotton	[*]		[*]
1400 KPOE 50% cotton / 40% polyester / 10% black polyester	[*]	[*]	[*]
1400 KPOE 50% cotton / 49% polyester / 1% black polyester	[*]	[*]	[*]
1400 KPOE 50% cotton / 50% polyester	[*]	[*]	[*]
1500 KPOE 50% cotton / 50% polyester	[*]	[*]	[*]
1600 KPOE 100% cotton	[*]		[*]
1600 KPOE 50% cotton / 40% polyester / 10% black polyester	[*]	[*]	[*]
1600 KPOE 50% cotton / 50% polyester	[*]	[*]	[*]
1600 KPOE 90% cotton / 10% black polyester	[*]	[*]	[*]
1800 KPOE 100% cotton	[*]		[*]
1800 KPOE 50% cotton / 40% polyester / 10% black polyester	[*]	[*]	[*]
1800 KPOE 50% cotton / 50% polyester	[*]	[*]	[*]
1800 KPOE 70% cotton / 30% black polyester	[*]	[*]	[*]
1800 KPOE 90% cotton / 10% black polyester	[*]	[*]	[*]
1800 KPOE 99% cotton / 1% black polyester	[*]	[*]	[*]
2000 KPOE 50% cotton / 50% polyester	[*]	[*]	[*]
2200 KPOE 100% cotton	[*]		[*]
2200 KPOE 90% cotton / 10% black polyester	[*]	[*]	[*]
2600 KPOE 100% cotton	[*]		[*]
2600 KPOE 50% cotton / 40% polyester / 10% black polyester	[*]	[*]	[*]
2600 KPOE 50% cotton / 49% polyester / 1% black polyester	[*]	[*]	[*]
2600 KPOE 50% cotton / 50% polyester	[*]	[*]	[*]
3000 KPOE 100% cotton	[*]		[*]
3000 KPOE 100% cotton "soft"	[*]		[*]
1200 KPAJ 100% polyester		[*]	[*]
1600 KPAJ 50% cotton / 50% polyester	[*]	[*]	[*]
2200 KPAJ 100% polyester		[*]	[*]
2700 KPAJ 50% cotton / 50% polyester	[*]	[*]	[*]

[*] Text omitted for confidential treatment. The redacted information has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

This **Exhibit 3B** shall be amended from time to time to add basis, waste factors and conversion prices per pound for Yarn Counts required by Delta or any of its Subsidiaries not set forth above, as agreed to by the parties in their reasonable discretion.

The Cost Price per pound shall be adjusted over the term of this Agreement as described on **Exhibit C** and shall be calculated for any given period based on the weighted average of cotton prices fixed for that period pursuant to **Exhibit C**. The Basis per pound shall be adjusted over the term of this Agreement on an annual basis on each anniversary date of the Agreement.

Cotton Prices:

Parkdale shall purchase cotton at prices determined by Delta in accordance with **Exhibit C** attached hereto.

EXHIBIT 21

SUBSIDIARIES OF DELTA APPAREL, INC.

Listed below are the subsidiaries of Delta Apparel, Inc.:

- (1) M. J. Soffe, LLC, a North Carolina limited liability company.
- (2) Culver City Clothing Company, a Georgia corporation.
- (3) Salt Life, LLC, a Georgia limited liability company.
- (4) Salt Life Beverage Management, LLC, a Delaware limited liability company.
- (5) Salt Life Beverage, LLC, a Delaware limited liability company.
- (6) DTG2Go, LLC, a Georgia limited liability company.
- (7) Delta Apparel Honduras, S.A., a Honduran sociedad anónima.
- (6) Delta Campeche, S.A. de C.V., a Mexican sociedad anónima de capital variable.
- (7) Delta Cortes, S.A., a Honduran sociedad anónima.
- (8) Campeche Sportswear, S. de R.L. de C.V., a Mexican sociedad de responsabilidad limitada de capital variable.
- (9) Textiles La Paz, LLC, a North Carolina limited liability company.
- (10) Ceiba Textiles, S. de R.L., a Honduran sociedad de responsabilidad limitada.
- (11) Atled Holding Company Honduras, S. de R.L., a Honduran sociedad de responsabilidad limitada.
- (12) La Paz Honduras, S. de R.L., a Honduran sociedad de responsabilidad limitada.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-237938) pertaining to the Delta Apparel, Inc. 2020 Stock Plan, and

(2) Registration Statement (Form S-3 No. 333-235578) of Delta Apparel, Inc.;

of our reports dated November 22, 2021, with respect to the consolidated financial statements of Delta Apparel, Inc. and Subsidiaries and the effectiveness of internal control over financial reporting of Delta Apparel, Inc. and Subsidiaries, included in this Annual Report (Form 10-K) of Delta Apparel, Inc. and Subsidiaries for the year ended October 2, 2021.

Atlanta, Georgia
November 22, 2021

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Robert W. Humphreys, certify that:

1. I have reviewed this Annual Report on Form 10-K of Delta Apparel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 22, 2021

/s/Robert W. Humphreys
Chairman and Chief Executive
Officer

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Deborah H. Merrill, certify that:

1. I have reviewed this Annual Report on Form 10-K of Delta Apparel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 22, 2021

/s/Deborah H. Merrill
Chief Financial Officer and
President, Delta Group

EXHIBIT 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Robert W. Humphreys, the Chief Executive Officer of Delta Apparel, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

1. The Annual Report on Form 10-K for the fiscal year ended October 2, 2021, of the Company, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 22, 2021

/s/Robert W. Humphreys
Robert W. Humphreys
Chairman and Chief Executive
Officer

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Deborah H. Merrill, the Chief Financial Officer of Delta Apparel, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

1. The Annual Report on Form 10-K for the fiscal year ended October 2, 2021, of the Company, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 22, 2021

/s/Deborah H. Merrill

Deborah H. Merrill

Chief Financial Officer and President, Delta Group

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.