

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended January 1, 2005

OR

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

For the transition period from _____ to _____

Commission File Number 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)

(678) 775-6900

(Registrant's telephone number, including area code)

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last report.)

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No .

As of January 31, 2005, there were outstanding 4,150,181 shares of the registrant's common stock, par value of \$0.01, which is the only class of the outstanding common or voting stock of the registrant.

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(in thousands, except shares and per share amounts)
(Unaudited)

	(Unaudited) January 1, 2005	July 3, 2004
Assets		
Current assets:		
Cash	\$ 53	\$ 333
Accounts receivable, net	27,739	38,610
Income taxes receivable	830	—
Inventories	106,655	105,888
Assets held for sale	6,384	—
Prepaid expenses and other current assets	1,457	1,616
Deferred income taxes	1,071	1,075
Total current assets	<u>144,189</u>	<u>147,522</u>
Property, plant and equipment, net	16,326	19,529
Deferred income taxes	283	178
Other assets	2,403	2,150
Total assets	<u>\$163,201</u>	<u>\$169,379</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 27,411	\$ 30,511
Income taxes payable	—	1,793
Current portion of long-term debt	17,025	20,810
Total current liabilities	<u>44,436</u>	<u>53,114</u>
Long-term debt	32,628	29,246
Other liabilities	8,533	11,527
Total liabilities	<u>85,597</u>	<u>93,887</u>
Stockholders' equity:		
Preferred stock—2,000,000 shares authorized; none issued and outstanding.	—	—
Common stock—par value \$.01 a share, 7,500,000 shares authorized, 4,823,486 shares issued, and 4,146,181 and 4,136,259 shares outstanding as of January 1, 2005 and July 3, 2004, respectively.	48	48
Additional paid-in capital	53,867	53,867
Retained earnings	31,471	29,473
Treasury stock—677,305 and 687,227 shares as of January 1, 2005 and July 3, 2004, respectively.	(7,782)	(7,896)
Total stockholders' equity	<u>77,604</u>	<u>75,492</u>
Total liabilities and stockholders' equity	<u>\$163,201</u>	<u>\$169,379</u>

See accompanying notes to condensed consolidated financial statements.

DELTA APPAREL, INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Income**

(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	January 1, 2005	December 27, 2003	January 1, 2005	December 27, 2003
Net sales	\$ 49,195	\$ 45,623	\$103,495	\$ 76,425
Cost of goods sold	38,379	36,714	81,102	63,434
Gross profit	10,816	8,909	22,393	12,991
Selling, general and administrative expenses	8,094	8,148	16,540	11,207
Other expense (income)	15	31	5	(50)
Operating income	2,707	730	5,848	1,834
Interest expense, net	835	892	1,538	1,046
Income (loss) before income taxes	1,872	(162)	4,310	788
Income tax expense (benefit)	718	(71)	1,712	290
Net income (loss)	\$ 1,154	\$ (91)	\$ 2,598	\$ 498
Earnings (loss) per share				
Basic	\$ 0.28	(\$0.02)	\$ 0.63	\$ 0.12
Diluted	\$ 0.27	(\$0.02)	\$ 0.61	\$ 0.12
Weighted average number of shares outstanding	4,146	4,064	4,144	4,054
Dilutive effect of stock options	135	—	136	122
Weighted average number of shares assuming dilution	4,281	4,064	4,280	4,176
Cash dividends declared per common share	\$ 0.07	\$ 0.06	\$ 0.14	\$ 0.12

See accompanying notes to condensed consolidated financial statements.

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DELTA APPAREL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Six Months Ended	
	January 1, 2005	December 27, 2003
Operating activities:		
Net income	\$ 2,598	\$ 498
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,383	2,263
Deferred income taxes	(101)	(318)
Loss on sale of property and equipment	30	4
Noncash compensation	828	670
Changes in operating assets and liabilities:		
Accounts receivable	10,871	11,867
Inventories	(1,014)	(12,121)
Prepaid expenses and other current assets	159	882
Other noncurrent assets	(253)	1,990
Accounts payable and accrued expenses	(3,869)	(2,002)
Income taxes	(2,623)	(235)
Other liabilities	(2,994)	535
Net cash provided by operating activities	<u>6,015</u>	<u>4,033</u>
Investing activities:		
Purchases of property, plant and equipment	(5,439)	(1,084)
Proceeds from sale of property, plant and equipment	92	4
Cash paid for business, net of cash received	—	(51,250)
Net cash used in investing activities	<u>(5,347)</u>	<u>(52,330)</u>
Financing activities:		
(Repayment of) proceeds from Soffe revolving credit facility, net	(3,969)	19,755
Proceeds from long-term debt	24,476	34,419
Repayment of long-term debt	(20,910)	(5,224)
Repurchase of common stock	—	(148)
Proceeds from exercise of stock options	35	144
Dividends paid	(580)	(487)
Net cash (used in) provided by financing activities	<u>(948)</u>	<u>48,459</u>
(Decrease) increase in cash	(280)	162
Cash at beginning of period	333	203
Cash at end of period	<u>\$ 53</u>	<u>\$ 365</u>
Supplemental cash flow information:		
Cash paid during the period for interest	<u>\$ 1,200</u>	<u>\$ 621</u>
Cash paid during the period for income taxes	<u>\$ 4,804</u>	<u>\$ 843</u>
Noncash financing activity—issuance of common stock	<u>\$ 59</u>	<u>\$ 37</u>

See accompanying notes to condensed consolidated financial statements.

DELTA APPAREL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note A—Basis of Presentation

We prepared the accompanying interim condensed consolidated financial statements in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. We believe these condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation. Operating results for the three and six months ended January 1, 2005 are not necessarily indicative of the results that may be expected for the year ending July 2, 2005. For more information regarding our results of operations and financial position refer to the consolidated financial statements and footnotes included in our Form 10-K for the year ended July 3, 2004, filed with the Securities and Exchange Commission.

“Delta Apparel,” the “Company,” and “we,” “us” and “our” are used interchangeably to refer to Delta Apparel, Inc. together with our wholly-owned subsidiary, M. J. Soffe Co. (“M. J. Soffe”, or “Soffe”), and our other subsidiaries, as appropriate to the context.

Note B—Accounting Policies

Our accounting policies are consistent with those described in our Summary of Significant Accounting Policies in our Form 10-K for the year ended July 3, 2004 filed with the Securities and Exchange Commission.

Note C—New Accounting Standards

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95, *Statements of Cash Flows*. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) *requires* all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Statement 123(R) must be adopted for annual periods beginning after June 15, 2005. Early adoption will be permitted in periods in which financial statements have not yet been issued. We expect to adopt Statement 123(R) on July 3, 2005. We are currently evaluating the effect that the adoption of Statement 123(R) will have on our financial position and results of operations.

Note D—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. For the second quarter of fiscal years 2005 and 2004, distribution costs included in selling, general and administrative expenses totaled \$1.9 million and \$2.1 million, respectively. For the first six months of fiscal years 2005 and 2004, distribution costs included in selling, general and administrative expenses totaled \$3.8 million and \$3.2 million, respectively. The Soffe segment was included in our results beginning October 3, 2004. In addition, selling, general and administrative expenses include costs related to sales associates, administrative personnel cost, advertising and marketing expenses and general and administrative expenses.

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Note E—Inventories

Inventories consist of the following:

	<u>January 1, 2005</u>	<u>July 3, 2004</u>
Raw materials	\$ 4,784	\$ 5,406
Work in process	24,980	26,540
Finished goods	76,891	73,942
	<u>\$106,655</u>	<u>\$105,888</u>

Raw materials at July 3, 2004 included raw cotton for the Delta segment and finished yarn for the Soffe segment. In addition, it included direct materials for both segments. On December 27, 2004, we sold our entire inventory located at our yarn manufacturing facility in Edgefield, South Carolina to Parkdale (see Note M). Prior to the sale, raw cotton was the primary raw material in the Delta segment. Subsequent to the sale, finished yarn becomes our primary raw material in both the Delta and Soffe segments. Therefore, raw materials at January 1, 2005 included finished yarn and direct materials for both the Delta and Soffe segments.

Note F—Debt

The Soffe Facility contains both a subjective acceleration clause and a lockbox arrangement, whereby remittances from the customers reduce the current outstanding borrowings. Pursuant to Emerging Issues Task Force (“EITF”) 95-22, we are classifying borrowings under the Soffe Facility as current debt. Borrowings under the Soffe Facility classified as current debt at January 1, 2005 and July 3, 2004 were \$13.2 million and \$17.2 million, respectively.

The Delta Facility contains a subjective acceleration clause and a “springing” lockbox arrangement (as defined in EITF 95-22), whereby remittances from customers are forwarded to our general bank account and do not reduce the outstanding debt until and unless a specified event or an event of default occurs. Pursuant to EITF 95-22, we are classifying borrowings under the Delta Facility as noncurrent debt.

On November 8, 2004, we amended the Delta Facility to increase our line of credit by an additional \$2.75 million to \$42.75 million.

In conjunction with the sale of the yarn manufacturing plant, on January 6, 2005, we amended our Delta Facility to lower the Fixed Asset Loan Limit Amount from \$10.0 million to \$5.0 million.

Note G—Income Taxes

Our effective income tax rate for the six months ended January 1, 2005 was 39.7%, compared to 32.4% for the fiscal year ended July 3, 2004. During the fiscal year ended June 30, 2001, we recorded a tax liability in the amount of approximately \$0.9 million with respect to our tax sharing agreement between Delta Woodside Industries, Inc. (our former parent company) and the Company. During the fiscal year ended July 3, 2004, we determined that it was no longer probable that a tax liability might occur as a result of this tax sharing agreement. Therefore, we reversed the \$0.9 million tax liability that had been created, resulting in the lower effective tax rate during fiscal year 2004.

Note H—Stock Options and Incentive Stock Awards

We have elected to follow Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” and related Interpretations in accounting for our employee stock options because the alternative fair value accounting provided for under Financial Accounting Standards Board Statement No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”), requires use of option valuation models that were not developed for use in valuing employee stock options.

Pro forma information regarding net income and earnings per share is required by SFAS 123 to be determined as if we had accounted for our employee stock options under the fair value method of that Statement. For purposes of pro forma disclosures, the estimated fair value of the options under the Option Plan and the Award Plan are amortized to expense over the options’ vesting period. Our pro forma information follows (in thousands, except per share amounts):

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	Three Months Ended		Six Months Ended	
	January 1, 2005	December 27, 2003	January 1, 2005	December 27, 2003
Net income (loss), as reported	\$ 1,154	\$ (91)	\$ 2,598	\$ 498
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	155	131	289	236
Deduct: Total stock-based employee compensation expense determined under fair value based method for all options and awards, net of related tax effects	(219)	(78)	(307)	(18)
Pro forma net income (loss)	<u>\$ 1,090</u>	<u>\$ (38)</u>	<u>\$ 2,580</u>	<u>\$ 554</u>
Earnings (loss) per share:				
Basic—as reported	\$ 0.28	(\$ 0.02)	\$ 0.63	\$ 0.12
Basic—pro forma	\$ 0.26	(\$ 0.01)	\$ 0.62	\$ 0.14
Diluted—as reported	\$ 0.27	(\$ 0.02)	\$ 0.61	\$ 0.12
Diluted—pro forma	\$ 0.25	(\$ 0.01)	\$ 0.60	\$ 0.13

Note I—Purchase Contracts

We have entered into agreements, and have fixed prices, to purchase yarn and finished apparel products for use in our manufacturing operations. At January 1, 2005, minimum payments under these contracts to purchase yarn and finished apparel products with non-cancelable contract terms were \$16.3 million and \$1.0 million, respectively.

Note J—Computation of Basic and Diluted Net Earnings per Share (EPS)

We compute basic net earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share includes the dilutive effect of stock options and non-vested stock awards granted under our Stock Option Plan and our Incentive Stock Award Plan.

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

Note K—Stockholders' Equity

Stock Repurchase Program

We have authorization from our Board of Directors to spend up to an aggregate of \$6.0 million for share repurchases under the Stock Repurchase Program. All purchases are made at the discretion of our management. We did not purchase shares of our common stock during the three months ended January 1, 2005. Since the inception of the Stock Repurchase Program, we've purchased 368,057 shares of our common stock pursuant to the program for an aggregate of \$4.2 million.

Quarterly Dividend Program

On October 28, 2004, our Board of Directors declared a cash dividend of seven cents per share of common stock pursuant to our quarterly dividend program. We paid the dividend on November 29, 2004 to shareholders of record as of the close of business on November 17, 2004. On January 20, 2005, our Board declared a cash dividend of seven cents per share of common stock payable on February 28, 2005 to shareholders of record as of the close of business on February 16, 2005. Although the Board may terminate or amend the program at any time, we currently expect to continue the quarterly dividend program.

Note L—Segment Reporting

We operate our business in two distinct segments: Delta and Soffe. Although the two segments are similar in their production processes and regulatory environment, they are distinct in their economic characteristics, products and distribution methods.

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The Delta segment manufactures, markets and distributes unembellished knit apparel under the brands of “Delta Pro Weight®”, “Delta Magnum Weight™” and “Quail Hollow™.” The products are primarily sold to screen printing companies. In addition, products are manufactured under private labels for retailers, corporate industry programs and sports licensed apparel marketers.

The Soffe segment manufactures, markets and distributes embellished and unembellished knit apparel under the “Soffe®” label. The products are sold through specialty sporting goods stores and department stores. In addition to these retail channels, Soffe also supplies college bookstores and produces activewear products for the U.S. Military.

Corporate and Unallocated is a reconciling category for reporting purposes and includes intercompany eliminations and other costs that are not allocated to the operating segments.

Our management evaluates performance and allocates resources based on profit or loss from operations before interest, income taxes and special charges (“Segment Operating Income”). Our Segment Operating Income 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 A. Intercompany transfers between operating segments are transacted at cost and eliminated in consolidation.

Information about our operations as of and for the three months ended January 1, 2005 and December 27, 2003, by operating segment, is as follows (in thousands):

	<u>Delta</u>	<u>Soffe</u>	<u>Corporate and Unallocated</u>	<u>Consolidated</u>
Fiscal Year 2005:				
Net sales	\$34,034	\$15,706	\$ (545)	\$ 49,195
Segment operating income	1,935	865	(93)	2,707
Segment assets	96,169	67,032	—	163,201
Fiscal Year 2004:				
Net sales	\$28,574	\$17,065	\$ (16)	\$ 45,623
Segment operating income	5	694	31	730
Segment assets	94,202	66,468	—	160,670

Information about our operations as of and for the six months ended January 1, 2005 and December 27, 2003, by operating segment, is as follows (in thousands):

	<u>Delta</u>	<u>Soffe</u>	<u>Corporate and Unallocated</u>	<u>Consolidated</u>
Fiscal Year 2005:				
Net sales	\$67,451	\$37,675	\$ (1,631)	\$ 103,495
Segment operating income	1,944	3,998	(94)	5,848
Fiscal Year 2004:				
Net sales	\$59,376	\$17,065	\$ (16)	\$ 76,425
Segment operating income	1,115	694	25	1,834

The following reconciles the Segment Operating Income to the consolidated income before income taxes for the three and six months ended January 1, 2005 and December 27, 2003.

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>January 1, 2005</u>	<u>December 27, 2003</u>	<u>January 1, 2005</u>	<u>December 27, 2003</u>
Segment operating income	\$ 2,707	\$ 730	\$ 5,848	\$ 1,834
Unallocated interest expense	835	892	1,538	1,046
Consolidated (loss) income before taxes	<u>\$ 1,872</u>	<u>\$ (162)</u>	<u>\$ 4,310</u>	<u>\$ 788</u>

Note M—Assets Held for Sale

On November 18, 2004 we signed an agreement with Parkdale America, LLC (“Parkdale”) to sell our yarn manufacturing plant in Edgefield, South Carolina. The sale of all inventory was completed on December 27, 2004. The sale of all real and personal property (excluding

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inventory), including supply parts, was completed on January 5, 2005. We reclassified the assets to be sold to assets held for sale, which includes \$6.1 million of property, plant and equipment and \$0.2 million of supply parts.

Note N—Subsequent Event

On January 5, 2005, we completed the sale of our yarn manufacturing plant in Edgefield, South Carolina to Parkdale America, LLC for \$10 million in cash. In conjunction with the sale transaction, we entered into a five-year agreement with Parkdale to supply our yarn requirements. During this five-year period, we will purchase exclusively from Parkdale all yarn required by Delta Apparel and our wholly owned subsidiary, M. J. Soffe Co., for use in our manufacturing operations (excluding yarns that Parkdale does not manufacture as of the date of the agreement in the ordinary course of its business). The purchase price of yarn will be based upon the cost of cotton plus a fixed conversion cost.

The sale of the Edgefield Plant resulted in a pre-tax financial gain of \$3.6 million, or estimated after-tax gain of \$0.51 per diluted share. This gain will be recorded in the fiscal quarter ending April 2, 2005.

In conjunction with the sale of the yarn manufacturing plant, on January 6, 2005, we amended our Delta Facility to lower the Fixed Asset Loan Limit Amount from \$10.0 million to \$5.0 million.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The following discussion contains various “forward-looking statements”. All statements, other than statements of historical fact, that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. Examples are statements that concern future revenues, future costs, future capital expenditures, business strategy, competitive strengths, competitive weaknesses, goals, plans, references to future success or difficulties and other similar information. The words “estimate”, “project”, “forecast”, “anticipate”, “expect”, “intend”, “believe” and similar expressions, and discussions of strategy or intentions, are intended to identify forward-looking statements.

The forward-looking statements in this Quarterly Report are based on our 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 also subject to a number of business risks and uncertainties, any of which could cause actual results to differ materially from those set forth in or implied by the forward-looking statements. The risks and uncertainties include, among others, changes in the retail demand for apparel products, the cost of raw materials, competitive conditions in the apparel and textile industries, the relative strength of the United States dollar as against other currencies, changes in United States trade regulations and the discovery of unknown conditions (such as with respect to environmental matters and similar items) and other risks described from time to time in our reports filed with the Securities and Exchange Commission. Accordingly, any forward-looking statements do not purport to be predictions of future events or circumstances and may not be realized.

We do not undertake publicly to update or revise the forward-looking statements even if it becomes clear that any projected results will not be realized.

BUSINESS OUTLOOK

Our sales for the second quarter of fiscal year 2005 increased over the prior quarter by 7.8% to record revenue of \$49.2 million. The increase was primarily due to organic growth in the core Delta business. While the apparel business remains competitive, overall demand for our products appears strong. Revenue in the Delta business grew 19.1% compared to the prior year’s quarter, resulting from increased unit sales and higher average selling prices. We continued to grow the customer base in the Delta segment during the quarter, shipping to approximately 18% more accounts year to date than in the prior year, now servicing over 3,400 accounts. Our average selling price was \$18.30 per dozen versus \$18.08 per dozen in the first quarter and up \$1.64, or 9.8% from the second quarter of the prior year. The percentage of basic white tee shirts decreased in the second quarter to 27% of total sales compared to 42% in the same quarter of the last year and our first quarter level of 31%. We have adjusted our manufacturing mix in an effort to maintain this lower percentage level of white shirts. We continue to have success selling higher-margin, higher quality goods in the Delta business. In the Soffe business, our revenue decreased 8% to \$15.7 million for the second quarter of fiscal year 2005 compared to the prior year. Our sales were impacted by a conservative inventory position in fashion fleece. We recently introduced our expanded product offerings for spring and fall of 2005. Our core products and additional ladies styles in our Soffe business are booking well and we expect sales growth during the second half of fiscal year 2005.

In response to increased demand for our products, we are increasing the output of our manufacturing locations to support the demand. We are going into the spring selling season with lean tee shirt inventories and expect to run our Delta facilities at high levels of capacity utilization into next fall as we service our customer demand and rebuild inventories for next year. We have recently started producing tee shirt fabric in the Soffe textile facility to supplement our needs. We expect that this will allow us to continue to grow our business vertically without

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significant capital investment and will drive down costs at Soffe with improved fixed overhead absorption. In addition, we plan to reduce our domestic sewing operations in the Soffe segment and are currently evaluating the extent of these reductions. We believe we must stay focused on our low-cost global manufacturing and sourcing strategy in order to be competitive in the marketplace.

We continue our focus on our distribution capabilities in anticipation of our growth. During the second quarter, we closed on the purchase of our new distribution center in Clinton, Tennessee to replace the Knoxville, Tennessee distribution facility. This new facility will allow us to continue to expand our pick and pack operations, and lower our maintenance and labor cost. We are almost complete with our renovations and will be moving into this building in February. We expect to have our New Jersey distribution center ready to service the Northeast starting with our spring selling season. We believe this new distribution center will help us continue to expand our customer base in that region, driving additional sales for our Company. This will also allow us to consolidate distribution operations with Soffe, which will lead to efficiencies in the Northeast. We also added the Soffe product line in our Florida DC to allow for a higher service level in the Florida region.

During the first week in January, we completed the sale of our yarn manufacturing assets in Edgefield, South Carolina to Parkdale America, LLC. In connection with the sale, we entered into a yarn supply agreement with Parkdale. We are looking forward to our relationship with Parkdale as our supplier of yarn. As a result of these transactions, we will be assured of an adequate supply of high quality yarn at competitive cost while eliminating the prospect of a major capital investment in yarn manufacturing equipment. We will continue our strategy with our capital investments of equipment to ensure we have the flexibility to move production as necessary to lower cost manufacturing regions. In the near term we will continue to invest in marketing and distribution as a key strategy to grow our overall business.

We believe business conditions will remain positive for the remainder of our 2005 fiscal year. Increased output in our manufacturing facilities for the remainder of the year should improve our absorption of fixed cost. We also anticipate that lower raw material cost and cost reduction efforts will improve margins in the upcoming quarters if pricing on tee shirts remains consistent with current levels.

RESULTS OF OPERATIONS

Net sales for the second quarter of fiscal year 2005 increased 7.8% to \$49.2 million compared to \$45.6 million for the second quarter of the prior year. The sales increase primarily resulted from a 19.1% increase in the Delta business, resulting from increased unit sales and higher average selling prices. Although pricing is still competitive in the marketplace, pricing on most styles was higher than in the prior year quarter reflecting increased raw material cost. In addition, increased sales of dyed tee shirts and specialty products drove an improved product mix, which also contributed to higher average selling prices. The Soffe business contributed \$15.7 million in sales, an 8.0% decrease from sales in the prior year's quarter. Sales in the Soffe business were impacted by a conservative inventory position in fashion fleece. For the six months ended January 1, 2005, net sales increased 35.4% to \$103.5 million compared to \$76.4 million in the prior year. The increase in sales was primarily the result of the Soffe sales in the first quarter of fiscal 2005, which accounted for \$22.0 million, as the acquisition of Soffe was completed on October 3, 2003.

Gross profit as a percentage of net sales increased to 22.0% in the second quarter of fiscal year 2005 from 19.5% in the second quarter of the prior year. Gross margins in both business segments improved as compared to the prior year. The 250 basis point improvement in gross margin was primarily driven by increased sales of higher margin products, including our Quail Hollow line and our magnum weight styles. Lower textile and sewing manufacturing costs also contributed to the improved gross margins in the second quarter of fiscal year 2005 compared to the prior year. These improvements were partially offset by unfavorable absorption of fixed costs from reduced production levels, and higher raw material costs. Gross profit as a percentage of net sales increased to 21.6% in the first six months of fiscal year 2005 from 17.0% in the same period of the prior year, resulting primarily from the higher gross profits associated with M. J. Soffe Co., which were included for three months in the first six months of fiscal year 2004. Gross margins as a percentage of sales are higher in the Soffe segment than the Delta segment due to the higher average selling prices achieved on the branded products, partially offset by higher manufacturing costs. Assuming no material decline in pricing, we expect margins in both the Delta and the Soffe segments to improve for fiscal year 2005 as compared to fiscal year 2004. Our gross margins may not be comparable to other companies, since some entities include costs related to their distribution network in cost of goods sold and we exclude a portion of them from gross margin, including them in selling, general and administrative expenses.

Selling, general and administrative expenses, including the provision for bad debts, for the second quarter of fiscal year 2005 were \$8.1 million, or 16.5% of sales, compared to \$8.2 million, or 17.9% of sales for the same period in the prior year. Selling costs decreased as a percentage of sales primarily as a result of the higher sales during the quarter in the Delta segment. Selling, general and administrative expenses, including the provision for bad debts, for the first six months of fiscal year 2005 were \$16.5 million, or 16.0% of sales, compared to \$11.2 million, or 14.7% of sales for the same period in the prior year. The increase as a percentage of sales primarily relates to the inclusion of the Soffe operations in our results for the full six month period during fiscal year 2005. Selling costs as a percentage of net sales are higher in the Soffe segment primarily due to the additional staffing, higher commissions and increased advertising expenses associated with selling branded apparel products. We expect selling, general and administrative expenses as a percentage of net sales for fiscal year 2005 to remain relatively consistent with fiscal year 2004 in both business segments.

Other expense for the first six months of fiscal year 2005 was \$5 thousand, a decrease of \$55 thousand compared with other income of \$50 thousand for the first six months of the prior year. Other income in the six months ended December 27, 2003 primarily related to a net gain on the sale of cotton options.

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Operating income for the second quarter of fiscal year 2005 increased to \$2.7 million, an increase of \$2.0 million, or 270.8%, from \$0.7 million for the second quarter of the prior year. The increase in operating income was primarily the result of higher gross profit. Operating income for the first six months of fiscal year 2004 was \$5.8 million, an increase of \$4.0 million, or 218.9%, from \$1.8 million for the first six months of the prior year. The increase in operating income for the six months ended January 1, 2005 was primarily the result having the operations of Soffe included in the operating results for the full six months.

Net interest expense for the second quarter of fiscal year 2005 was \$0.8 million, consistent with the second quarter of the prior year. Higher interest rates in the quarter ended January 1, 2005 were offset by lower debt levels compared to the quarter ended December 27, 2003.

Our effective income tax rate for the six months ended January 1, 2005 was 39.7%, compared to 32.4% for the fiscal year ended July 3, 2004. During the fiscal year ended June 30, 2001, we recorded a tax liability in the amount of approximately \$0.9 million with respect to our tax sharing agreement between Delta Woodside Industries, Inc. (our former parent company) and the Company. During the fiscal year ended July 3, 2004, we determined that it was no longer probable that a tax liability might occur as a result of this tax sharing agreement. Therefore, we reversed the \$0.9 million tax liability that had been created, resulting in the lower effective tax rate during fiscal year 2004.

Net income for the second quarter of fiscal year 2005 was \$1.2 million compared to a net loss of \$0.1 million in the prior year second fiscal quarter. Net income for the first six months of fiscal year 2005 was \$2.6 million, an increase of \$2.1 million, or 421.7%, from net income of \$0.5 million for the first six months of the prior year. The prior year results included the operations of Soffe for three months, as M. J. Soffe Co. was acquired on October 3, 2003.

Accounts receivable decreased \$10.9 million from July 3, 2004 to \$27.7 million on January 1, 2005. The decrease was primarily the result of lower sales during the quarter ended January 1, 2005 compared to the quarter ended July 3, 2004, partially offset by higher days sales outstanding. In addition, as of January 1, 2005 we had a \$1.3 million receivable from the sale of inventory to Parkdale in December.

Inventories at January 1, 2005 were \$106.7 million, consistent with the inventory at July 3, 2004. During the first six months of fiscal 2005, we adjusted production schedules to manage our overall inventory levels. Although we expect to increase production over the next several quarters, we expect to further reduce our inventory levels through sales in excess of our increased production.

Capital expenditures in the second quarter of fiscal year 2005 were \$3.1 million compared to \$0.6 million in the second quarter of the prior year. Capital expenditures in the first six months of fiscal year 2005 totaled \$5.4 million compared to \$1.1 million in the first six months of the prior year. The expenditures during fiscal year 2005 primarily related to the acquisition of the distribution center in Tennessee, and upgrading the air filtration system and adding an additional spinning frame at our Edgefield yarn plant. The expenditures during fiscal year 2004 primarily related to increasing capacity and lowering costs in our existing textile facilities. Capital expenditures for fiscal year 2005 are expected to total approximately \$10 million, which includes the capital expenditure of approximately \$4 million related to the acquisition of the distribution center in Tennessee and \$1.8 million related to the Edgefield yarn spinning facility. In order to continue to increase capacity and lower costs in our existing facilities, we expect our future capital expenditure needs to be approximately \$4 million per year.

LIQUIDITY AND CAPITAL RESOURCES

Our primary cash needs are for working capital and capital expenditures. In addition, we use cash to fund our dividend payments and share repurchases under our Stock Repurchase Program.

On October 3, 2003, we entered into an Amended and Restated Loan and Security Agreement with Wachovia Bank, N. A. (successor by merger to Congress Financial Corporation (Southern)), as lender and as agent for the financial institutions named as lenders, pursuant to which our existing line of credit (the "Delta Facility") was increased to \$40 million, which represented a \$5 million increase in our predecessor credit facility. On November 8, 2004, we amended the Delta Facility to increase our line of credit by an additional \$2.75 million to \$42.75 million. The purpose of the amendment was to provide funds for our acquisition of a more modern distribution center in Tennessee.

In conjunction with the sale of the yarn manufacturing plant, on January 6, 2005, we amended our Delta Facility to lower the Fixed Asset Loan Limit Amount from \$10.0 million to \$5.0 million.

Also on October 3, 2003, M. J. Soffe Co. entered into a Loan and Security Agreement with Wachovia Bank, N. A. (successor by merger to Congress Financial Corporation (Southern)), which provides M. J. Soffe Co. with a \$38.5 million line of credit (the "Soffe Facility"). Together, the Delta Facility and the Soffe Facility provide for lines of credit in an aggregate amount of \$81.25 million. The Delta Facility and the Soffe Facility are secured by a first priority lien on all of the assets of Delta Apparel and M. J. Soffe Co. Delta Apparel is a guarantor of the Soffe Facility, and M. J. Soffe Co. is a guarantor of the Delta Facility. M. J. Soffe Co. has the option to increase the Soffe Facility from \$38.5 million to \$41.0 million, provided that no event of default exists under the facility. The restricted net assets of M. J. Soffe Co. do not exceed 25% of the consolidated net assets as of July 3, 2004.

The Soffe Facility contains both a subjective acceleration clause and a lockbox arrangement, whereby remittances from customers reduce the current outstanding borrowings. Pursuant to Emerging Issues Task Force ("EITF") 95-22, we are classifying borrowings under the Soffe

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Facility as current debt. The Delta Facility contains a subjective acceleration clause and a “springing” lockbox arrangement (as defined in EITF 95-22), whereby remittances from customers are forwarded to our general bank account and do not reduce the outstanding debt until and unless a specified event or an event of default occurs. Pursuant to EITF 95-22, we are classifying borrowings under the Delta Facility as noncurrent debt.

All loans under the credit agreements bear interest at rates based on an adjusted LIBOR rate plus an applicable margin or a bank’s prime rate plus an applicable margin. At January 1, 2005, we had \$43.7 million outstanding under our credit facilities at an average interest rate of 4.9%.

In addition to the credit facilities with Wachovia Bank, N. A., we have a seller note payable to the former Soffe shareholders pursuant to the Stock Purchase Agreement dated as of October 3, 2003. At January 1, 2005, we had \$6.0 million outstanding under the note at an interest rate of 8.0%.

During the quarter ended January 1, 2005, we paid the former Soffe shareholders \$1.0 million pursuant to the First Amendment to Amended and Restated Stock Purchase Agreement and Agreement regarding Earnout Amounts for Bonus Year 2004. Additional amounts are payable to the prior shareholders of M. J. Soffe if specified financial performance targets are met by M. J. Soffe Co. during annual periods beginning on September 28, 2004 and ending on September 30, 2006 (the “Earnout Amounts”). The Earnout Amounts are capped at a maximum aggregate amount of \$4.0 million per year and are payable five business days subsequent to the filing of the Form 10-Q for the first fiscal quarter of fiscal years 2006 and 2007. Based on current projections, we anticipate paying approximately \$3.3 million in Earnout Amount in November 2005.

Operating Cash Flows

Net cash provided by operating activities was \$6.0 million and \$4.0 million for the first six months of fiscal year 2005 and 2004, respectively. Our cash flow from operating activities is primarily due to net income plus depreciation and changes in working capital. We monitor changes in working capital by analyzing our investment in accounts receivable and inventories and by the amount of accounts payable. During fiscal year 2005, our cash flow provided by operating activities was primarily from net income and a reduction in accounts receivable. The cash provided by operating activities in fiscal year 2004 was primarily the result of a reduction in accounts receivable and net income plus depreciation, offset partially by increases in inventory. In December 2003, we received a net \$7.7 million cash refund of federal taxes, resulting from a tax loss generated as a result of no value being allocated in the purchase price allocation to the property, plant and equipment of M. J. Soffe Co.

Investing Cash Flows

During the six months ended January 1, 2005, investing activities used \$5.4 million in cash for capital expenditures. The expenditures during fiscal year 2005 primarily related to the purchase of a distribution center in Tennessee, and upgrading the air filtration system and adding an additional spinning frame at our Edgefield yarn plant. During the six months ended December 27, 2003, investing activities used \$52.3 million in cash and principally represented the acquisition of M. J. Soffe Co. We spent \$1.1 million in capital expenditures during the first six months of fiscal 2004, primarily related to increasing capacity and lowering costs in our textile facilities. Capital expenditures for fiscal year 2005 are expected to total approximately \$10 million, which includes the capital expenditure of approximately \$4 million related to the acquisition of the distribution center in Tennessee and \$1.8 million related to the Edgefield yarn spinning facility.

Financing Activities

For the first six months of fiscal 2005 we used \$0.9 million in cash in financing activities, primarily related to the payment of dividends and repayment of long-term debt. For the first six months of fiscal 2004, financing activities provided \$48.5 million principally from our credit facilities and primarily related to the acquisition of M. J. Soffe Co. We paid dividends to our shareholders totaling \$0.6 million and \$0.5 million in the first six months of fiscal years 2005 and 2004, respectively.

Based on our expectations, we believe that our \$81.25 million credit facilities should be sufficient to satisfy our foreseeable working capital needs, and that the cash flow generated by our operations and funds available under our credit facilities should be sufficient to service our debt payment requirements, to satisfy our day-to-day working capital needs, to fund our planned capital expenditures, to fund purchases of our stock as described below and to fund the payment of dividends as described below. Any material deterioration in our results of operations, however, may result in the Company losing its ability to borrow under its credit facilities and to issue letters of credit to suppliers or may cause the borrowing availability under the facilities to be insufficient for our needs.

Purchases by Delta Apparel of its Own Shares

We have authorization from our Board of Directors to spend up to an aggregate of \$6.0 million for share repurchases under the Stock Repurchase Program. All purchases are made at the discretion of our management. We did not purchase shares of our common stock during the three months ended January 1, 2005. Since the inception of the Stock Repurchase Program, we’ve purchased 368,057 shares of our common stock pursuant to the program for an aggregate of \$4.2 million.

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Dividend Program

On October 28, 2004, our Board of Directors declared a cash dividend of seven cents per share of common stock pursuant to our quarterly dividend program. We paid the dividend on November 29, 2004 to shareholders of record as of the close of business on November 17, 2004. On January 20, 2005, our Board declared a cash dividend of seven cents per share of common stock payable on February 28, 2005 to shareholders of record as of the close of business on February 16, 2005. Although the Board may terminate or amend the program at any time, we currently expect to continue the quarterly dividend program.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. 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. The most significant estimates and assumptions relate to the adequacy of receivable and inventory reserves, self-insurance accruals and the accounting for income taxes.

The detailed Summary of Significant Accounting Policies is included in Note B to the Condensed Consolidated Financial Statements.

Revenue Recognition and Accounts Receivable

We consider revenue realized or realizable and earned when the following criteria are met: persuasive evidence of an agreement exists, shipment has occurred, the price is fixed and determinable and the collectibility is reasonably assured. Sales are recorded net of discounts and provisions for estimated returns and allowances. We estimate returns and allowances on an ongoing basis by considering historical and current trends. We record these costs as a reduction to net sales and cost of sales. We estimate the net collectibility of our accounts receivable and establish an allowance for doubtful accounts based upon this assessment. Specifically, we analyze the aging of accounts receivable balances, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms. Significant changes in customer concentration or payment terms, deterioration of customer credit-worthiness or weakening in economic trends could have a significant impact on the collectibility of receivables and our operating results.

Inventories

Our inventory is carried at the lower of FIFO cost or market. We regularly review inventory quantities on hand and record a provision for damaged, excess and out of style or otherwise obsolete inventory based primarily on our historical selling prices for these products and our estimated forecast of product demand for the next twelve months. If actual market conditions are less favorable than those projected, or if liquidation of the inventory is more difficult than anticipated, additional inventory write-downs may be required.

Self Insurance

Our medical, prescription and dental care benefits are self-insured. Our self-insurance accruals are based on claims filed and estimates of claims incurred but not reported. We develop estimates of claims incurred but not reported based upon the historical time it takes for a claim to be reported and historical claim amounts. While the time it takes for a claim to be reported has been declining, if claims are greater than we originally estimate, or if costs increase beyond what we have anticipated, our recorded reserves may not be sufficient, and it could have a significant impact on our operating results.

Income Taxes

We use the liability method of accounting for income taxes, which requires recognition of temporary differences between financial statement and income tax basis of assets and liabilities measured by enacted tax rates. We have recorded deferred tax assets for certain state operating loss carryforwards and nondeductible accruals. We established a valuation allowance related to certain of the state operating loss carryforward amounts in accordance with the provisions of FASB Statement No. 109, *Accounting for Income Taxes*. 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 tax locations.

There have been no changes in our critical accounting policies since the filing of our Annual Report on Form 10-K for the year ended July 3, 2004.

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NEW ACCOUNTING STANDARDS

On December 16, 2004, the FASB issued FASB Statement No. 123 (revised 2004), *Share-Based Payment*, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95, *Statements of Cash Flows*. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) *requires* all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Statement 123(R) must be adopted for annual periods beginning after June 15, 2005. Early adoption will be permitted in periods in which financial statements have not yet been issued. We expect to adopt Statement 123(R) on July 3, 2005. We are currently evaluating the effect that the adoption of Statement 123(R) will have on our financial position and results of operations.

ENVIRONMENTAL AND REGULATORY MATTERS

On May 27, 2002, we received a renewal of our National Pollution Discharge Elimination System (“NPDES”) permit from the North Carolina Department of Environment and Natural Resources, Division of Water Quality (“DWQ”) for our Maiden, North Carolina textile plant. Among other things, the new permit required us to reduce our effluent (waste discharge) color to specified color concentration limits. We believed that the DWQ exceeded its authority and acted arbitrarily in imposing the specific color concentration limitations within the new permit and, on July 23, 2002 contested the permit by filing a petition with the North Carolina Office of Administrative Hearings. We have reached a settlement with the DWQ and have negotiated a permit modification. The permit modification became effective February 1, 2005.

The modified permit, as agreed by DWQ and us, provides that we will have approximately one year to research and test alternative color removal technologies and thereafter must select and implement a technology by October 2005 if we continue to require our NPDES discharge permit. In addition, we must continue to monitor our color removal and will be subject to a gradual lowering of our effluent color standard. Our NPDES permit will be subject to renewal in the spring of 2006.

We are currently evaluating the future cost to comply with the modified permit. Although we do not believe that the cost to comply with the modified permit will be material, there can be no assurance that the cost of compliance will not be material to the financial condition of the Company.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

COMMODITY RISK SENSITIVITY

On January 5, 2005, in conjunction with the sale of our yarn spinning facility in Edgefield, South Carolina, we entered into a five-year agreement with Parkdale to supply our yarn requirements. During this five-year period, we will purchase exclusively from Parkdale all yarn required by Delta Apparel and our wholly owned subsidiary, M. J. Soffe Co., for use in our manufacturing operations (excluding yarns that Parkdale does not manufacture as of the date of the agreement in the ordinary course of its business). The purchase price of yarn will be based upon the cost of cotton plus a fixed conversion cost. Thus, we are still subject to the commodity risk of cotton prices and cotton price movements which could result in unfavorable yarn pricing for us. We will fix our cotton prices in advance of the shipment of finished yarn from Parkdale, pursuant to our supply agreement. 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.

Yarn with respect to which we have fixed cotton prices at January 1, 2005 was valued at \$16.3 million, and is scheduled for delivery between January 2005 and June 2005. At January 1, 2005, a 10% decline in the market price of the cotton covered by our fixed price yarn would have had a negative impact of approximately \$1.1 million on the value of the yarn.

We may use derivatives, including cotton option contracts, to manage our exposure to movements in commodity prices. We do not designate our options as hedge instruments upon inception. Accordingly, we mark to market changes in the fair market value of the options as other expense (income) in the statements of income. We did not own any cotton options contracts on January 1, 2005.

INTEREST RATE SENSITIVITY

Our credit agreements provide that outstanding amounts bear interest at variable rates. If the amount of outstanding indebtedness at January 1, 2005 under the revolving credit facilities had been outstanding during the entire three months ended January 1, 2005 and the interest rate on this outstanding indebtedness were increased by 100 basis points, our interest expense would have increased by approximately \$109,000, or 13.1%, during the quarter. This compares to an increase of \$433,000, or 9.3%, for the 2004 fiscal year, or an average of \$108,250 per quarter, based on the outstanding indebtedness at July 3, 2004. The actual increase in interest expense resulting from a change in interest rates would depend on the magnitude of the increase in rates and the average principal balance outstanding.

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Item 4: Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of January 1, 2005, and, based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us 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 required to be disclosed by us 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.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The following summarizes the votes at the Annual Meeting of the Company's shareholders held on November 11, 2004:

Election of Directors	For	Against	Withheld	Abstentions	Broker Non-votes
David S. Fraser	4,028,553	N/A	2,341	N/A	N/A
William F. Garrett	3,456,494	N/A	574,400	N/A	N/A
Robert W. Humphreys	4,028,243	N/A	2,651	N/A	N/A
Dr. Max Lennon	4,004,760	N/A	26,134	N/A	N/A
E. Erwin Maddrey, II	3,456,674	N/A	574,220	N/A	N/A
Philip J. Mazzilli	4,027,226	N/A	3,668	N/A	N/A
Buck A. Mickel	4,004,760	N/A	26,134	N/A	N/A
David Peterson	4,004,842	N/A	26,052	N/A	N/A
Approve the Delta Apparel, Inc. 2004 Non-employee Director Stock Plan	3,206,059	319,554	N/A	2,016	503,265
Ratification of the Appointment of Ernst & Young LLP as Independent Auditors for Fiscal Year 2005	4,028,006	2,390	N/A	498	0

Item 5. Other Information

On November 11, 2004, the Company's shareholders approved the 2004 Non-Employee Director Stock Plan (the "Plan"). The Plan is described in Item 2 of the Company's Proxy Statement, filed with the Securities and Exchange Commission on October 1, 2004, which description is hereby incorporated by reference herein.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

- 2.2.1 First Amendment to Amended and Restated Stock Purchase Agreement and Agreement regarding Earnout Amounts for Bonus Year 2004 and Indemnification dated November 11, 2004 among Delta Apparel, Inc., M. J. Soffe Co., and James F. Soffe, John D. Soffe, and Anthony M. Cimaglia.

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- 2.3 Asset Purchase Agreement dated as of November 18, 2004 between Delta Apparel, Inc. and Parkdale America, LLC. *
- *Certain exhibits and schedules to Exhibit 2.3 have been omitted in accordance with Item 601(b)(2) of Regulation S-K. Delta Apparel, Inc. will furnish supplementally a copy of any omitted exhibit or schedule to the Commission upon request.
- 2.3.1 First Amendment to the Asset Purchase Agreement dated as of December 31, 2004 between Delta Apparel, Inc. and Parkdale America, LLC.
- 10.2.2 Third Amendment to Amended and Restated Loan and Security Agreement dated as of January 6, 2005 among Delta Apparel, Inc., Wachovia Bank, N. A., as Agent, and certain financial institutions named therein, as Lenders.
- 10.29 Yarn Supply Agreement dated as of January 5, 2005 between Delta Apparel, Inc. and Parkdale Mills, LLC and Parkdale America, LLC. **
- **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.
- 10.30 Delta Apparel, Inc. 2004 Non-Employee Director Stock Plan.
- 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.

(b) Reports on Form 8-K.

On November 12, 2004, the Company filed and furnished a Current Report on Form 8-K dated November 11, 2004 reporting information under Item 1.01 (Entry into a Material Definitive Agreement) and Item 9.01 (Financial Statements and Exhibits).

On November 18, 2004, the Company filed and furnished a Current Report on Form 8-K reporting information under Item 1.01 (Entry into a Material Definitive Agreement), Item 7.01 (Regulation FD Disclosure) and Item 9.01 (Financial Statements and Exhibits).

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SIGNATURES

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

February 7, 2005

Date

DELTA APPAREL, INC.
(Registrant)

By: /s/ Herbert M. Mueller

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

EXHIBIT 2.2.1

FIRST AMENDMENT TO AMENDED AND RESTATED STOCK PURCHASE
AGREEMENT AND AGREEMENT REGARDING EARNOUT AMOUNTS FOR BONUS
YEAR 2004 AND INDEMNIFICATION CLAIM

This FIRST AMENDMENT TO AMENDED AND RESTATED STOCK PURCHASE AGREEMENT AND AGREEMENT REGARDING EARNOUT AMOUNTS FOR BONUS YEAR 2004 AND INDEMNIFICATION CLAIM (the "First Amendment") is entered into as of November 10, 2004 by and among Delta Apparel, Inc., a Georgia corporation ("Delta"), M. J. Soffe Co., a North Carolina corporation (the "Company"), and James F. Soffe, John D. Soffe, and Anthony M. Cimaglia (collectively, the "Shareholders").

WHEREAS, Delta, the Company, and the Shareholders entered into that certain Amended and Restated Stock Purchase Agreement (the "Stock Purchase Agreement"), dated as of October 3, 2003, pursuant to which the Shareholders agreed to sell, and Delta agreed to purchase (through a wholly-owned subsidiary of Delta), all of the outstanding shares of capital stock of M.J. Soffe Co.; and

WHEREAS, Delta, the Company, and the Shareholders desire to amend the definition of EBITDA contained in the Stock Purchase Agreement and to make an adjustment to the EBITDA calculation with respect to Bonus Year 2004 (as such term is defined in the Stock Purchase Agreement); and

WHEREAS, Delta, the Company, and the Shareholders desire to resolve Delta's claim for indemnification by the Shareholders with respect to the understatement of current accrued liabilities set forth on the Closing Financial Information (as such term is defined in the Stock Purchase Agreement); and

WHEREAS, capitalized terms used herein, unless otherwise defined herein, shall have the same meanings as given such terms in the Stock Purchase Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Delta, the Company, and the Shareholders hereby agree as follows:

1. The definition of "EBITDA" contained in Exhibit L to the Stock Purchase Agreement is hereby deleted in its entirety and replaced with the following, effective as of October 3, 2003:

"EBITDA means the earnings of the Company (including income received in the Ordinary Course of Business from sources other than sales of inventory) before interest expense and income Taxes, plus depreciation and amortization (including the addition of depreciation expense that is capitalized in inventory owned by the Company on the Closing Date and sold by the Company during the applicable

period, but not including any depreciation expense that is capitalized in any other inventory), determined in accordance with GAAP consistently applied and using methodologies that are consistent with those used on the Company's opening balance sheet (which opening balance sheet shall be prepared in accordance with the methodologies set forth on Schedule X attached hereto and made a part hereof)."

2. Delta hereby agrees that EBITDA with respect to Bonus Year 2004 shall be increased (from the amount it otherwise would have been) by the amount of \$26,000 for purposes of calculating the EBITDA Earnout Amount and the Return Rate Earnout Amount with respect to Bonus Year 2004 (together, the "2004 Earnout Amounts").

3. The Shareholders acknowledge and agree that the current accrued liabilities of M.J. Soffe Co. at Closing, as reflected in the Closing Financial Information, were understated by an amount equal to \$1,541,090, as further described in Exhibit A attached hereto, and that such understatement constituted a breach by the Shareholders of Section 8.11 of the Stock Purchase Agreement (the "Breach"). The Shareholders further acknowledge and agree that, pursuant to the terms of the Stock Purchase Agreement, Delta is entitled to assert a Claim for indemnification with respect to the Breach in the amount of \$1,541,090 (the "Closing Financial Information Claim"). Pursuant to the terms of the Stock Purchase Agreement, the Shareholders are obligated to indemnify Delta from and against Losses in excess of an aggregate of \$600,000 (the "Threshold Amount").

Delta acknowledges and agrees that the Shareholders would be entitled to deduct the Threshold Amount from the amount due and owing to Delta with respect to the Closing Financial Information Claim. However, in consideration of the agreements contained in Sections 1 and 2 of this First Amendment, the Shareholders hereby waive their right to deduct the Threshold Amount from the amount due and owing to Delta with respect to the Closing Financial Information Claim and agree to pay to Delta the amount of \$1,541,090 by allowing Delta to offset such amount against the 2004 Earnout Amounts in accordance with Section 4 of this First Amendment.

4. Each Shareholder hereby agrees that Delta shall deduct the amount of \$1,541,090 (the "Agreed Amount") from the 2004 Earnout Amounts to be paid by Delta to the Shareholders pursuant to the Stock Purchase Agreement. The Shareholders hereby also acknowledge that they owe to Delta, in addition to the Agreed Amount, the amount of \$512,000 (the "Delta Receivable Amount"). Each Shareholder hereby agrees that, in addition to deducting the Agreed Amount from the 2004 Earnout Amounts to be paid by Delta to the Shareholders pursuant to the Stock Purchase Agreement, Delta shall deduct the Delta Receivable Amount from the 2004 Earnout Amounts to be paid by Delta to the Shareholders pursuant to the Stock Purchase Agreement. Payment of the 2004 Earnout Amounts shall otherwise be made in accordance with the terms and conditions of the Stock Purchase Agreement. Delta agrees that, upon payment by it to the Shareholders of the 2004 Earnout Amounts, reduced by the Agreed Amount and by the Delta Receivable Amount, the Closing Financial Information Claim shall have been satisfied and Delta shall have no further right to assert any Claim under the Stock Purchase Agreement with respect to the Breach. The Shareholders hereby waive any and all claims regarding the deduction of the Agreed Amount or the deduction of the Delta Receivable Amount from the 2004 Earnout Amounts.

5. Except as expressly set forth above, all terms and conditions of the Stock Purchase 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 Stock Purchase Agreement, the terms and conditions of this First Amendment shall control.

6. This First Amendment shall be governed by, construed, and applied in accordance with the laws of the State of North Carolina, without giving effect to any conflict of laws rules that would refer the matter to the laws of another jurisdiction. The parties hereto agree to submit any and all matters in dispute or controversy among them concerning the terms and conditions of this First Amendment to non-binding mediation for a period of no more than thirty (30) days. After mediation, each party hereto hereby irrevocably submits to the exclusive jurisdiction of the United States District Court for the Western District of North Carolina and, if such court does not have jurisdiction, of the courts of the State of North Carolina in Mecklenburg County, for the purposes of any action arising out of the First Amendment, or the subject matter hereof, brought by any other party. Subject to the foregoing provisions of this Section 6, to the extent permitted by applicable law, each party hereby waives and agrees not to assert, by way of motion, as a defense or otherwise in any such action, any claim (i) that it is not subject to the jurisdiction of the above-named courts, (ii) that the action is brought in an inconvenient forum, (iii) that it is immune from any legal process with respect to itself or its property, (iv) that the venue of the suit, action or proceeding is improper or (v) that this First Amendment, or the subject matter hereof, may not be enforced in or by such courts.

7. This First Amendment and the Stock Purchase Agreement constitute the full and entire understanding and agreement between the parties and supersede any other negotiations, commitments, writings, and agreements, written or oral, with regard to the subject matter hereof.

8. This First Amendment may not be released, waived, changed, or modified in any manner, except by an instrument in writing signed on behalf of each of the parties hereto or by their duly authorized representatives. The failure of any party hereto to enforce at any time any of the provisions of this First Amendment shall in no way be construed to be a waiver of any such provision, nor in any way be construed to affect the validity of this First Amendment or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this First Amendment shall be held to be a waiver of any other or subsequent breach.

9. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but if any one or more of the provisions contained herein shall, for any reason, be held to be

invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this First Amendment, and this First Amendment shall be construed as if such invalid, illegal, or unenforceable provision or provisions had never been contained herein.

IN WITNESS WHEREOF, the parties have duly executed this First Amendment as of the date first set forth above.

DELTA:

DELTA APPAREL, INC.

By: _____
Name:
Title:

THE COMPANY:

M. J. SOFFE CO.

By: _____
Name:
Title:

THE SHAREHOLDERS:

JAMES F. SOFFE

JOHN D. SOFFE

ANTHONY M. CIMAGLIA

EXHIBIT 2.3

ASSET PURCHASE AGREEMENT

between

DELTA APPAREL, INC.

and

PARKDALE AMERICA, LLC

Dated as of November 18, 2004

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is entered into as of November 18, 2004 by and between PARKDALE AMERICA, LLC, a North Carolina limited liability company ("Purchaser"), and DELTA APPAREL, INC., a Georgia corporation ("Seller").

W I T N E S S E T H

WHEREAS, Seller is engaged in, among other things, the operation of a yarn-spinning facility located at 32 Rabbit Trail, Edgefield, South Carolina (the "Edgefield Facility"); and

WHEREAS, Seller desires to sell, assign, and transfer to Purchaser, and Purchaser desires to purchase and acquire from Seller, substantially all of the assets and properties used in the operation of the Edgefield Facility (the "Business"), upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises made herein and of the mutual benefits to be derived herefrom, the parties hereto agree as follows (certain capitalized terms used in this Agreement are defined in SECTION 7.15 hereof):

ARTICLE 1.- SALE AND PURCHASE OF ASSETS

1.1 Sale and Purchase of Assets. Subject to all of the terms and conditions of this Agreement and in reliance upon the representations and warranties contained herein, at the Closing provided for in SECTION 1.3, Seller shall sell, transfer, assign, convey, and deliver to Purchaser, free and clear of all Liens (other than Permitted Liens), and Purchaser shall purchase from Seller, all right, title, and interest of Seller in and to all of the assets and properties of every nature, kind, and description, tangible and intangible, whether real, personal, or mixed, whether contingent or otherwise, whether now existing or hereinafter acquired, whether or not reflected on Seller's books, used or held for use in the operation of the Business, excluding in all cases only the Excluded Assets, as the same may exist as of the Closing Date (collectively, the "Assets"), including, without limitation, all right, title, and interest of Seller in, to, and under:

(a) The Edgefield Facility, together with the real property described on SCHEDULE 1.1(a) and the buildings, fixtures and improvements located thereon (the "Real Property");

(b) All machinery and equipment, tools, business machines, computers, terminals, computer equipment, telephones, telephone systems, furniture, office equipment, furnishings, vehicles, trucks, forklifts, rolling stock, trailers, and storage units located at the Edgefield Facility and any and all assignable warranties of third parties with respect thereto, including, without limitation, all personal property listed on SCHEDULE 2.1.4;

(c) All raw materials and work-in-process located at the Edgefield Facility (the "Inventory");

(d) To the extent transfer is permitted by Applicable Law, all licenses, permits, and orders issued by any Governmental Authority with respect to the operation of the Business, including, without limitation, those listed on SCHEDULE 2.1.7(b);

(e) All credits, prepaid rentals, and other prepaid expenses, deferred charges, advance payments, security deposits, and prepaid items relating to the Assets (excluding, however, prepaid insurance relating to the Business);

(f) Proceeds from any insurance or indemnity claims pending but unresolved as of the Closing Date with respect to any of the Assets;

(g) All choses in action, claims, and demands of any nature against third parties, whether by way of counterclaim or otherwise, with respect to the ownership, use, function, or value of any of the Assets, regardless of when such choses in action, claims, and demands arise;

(h) All books, records, files, invoices, data bases, computer programs, manuals and other materials (in any form or medium) relating to the operation of the Edgefield Facility, including, without limitation, personnel records of

Hired Employees (except to the extent transfer or disclosure thereof is restricted by Applicable Law); and

- (i) All goodwill attributable to the operation of the Business.

1.2 Excluded Assets. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, Seller will retain and not transfer, and Purchaser will not purchase or acquire, the following (collectively, the "Excluded Assets"):

- (a) All contracts, arrangements, leases and other agreements relating to the Business, including, without limitation, any right to receive payment pursuant to such contracts, arrangements, leases and other agreements;

- (b) All leased machinery, equipment and other items of personal property listed on SCHEDULE 1.2(b);

- (c) All accounts receivable attributable to the operation of the Business prior to the Closing Date;

- (d) All prepaid insurance relating to the Business; and

- (e) All cash and cash equivalents attributable to the operation of the Business prior to the Closing Date.

1.3 Closing. Subject to the satisfaction or waiver of all respective conditions to each party's obligations to close, the purchase and sale of the Assets and the consummation of the transactions contemplated hereby (the "Closing") shall be consummated at the offices of Kilpatrick Stockton LLP in Charlotte, North Carolina on December 31, 2004, or at such other place, time, or date as the parties hereto may agree in writing (the "Closing Date"), effective as of 11:59 p.m. on the Closing Date.

1.4 Purchase Price.

- (a) The purchase price to be paid by Purchaser to Seller for the sale, transfer, and conveyance of the Assets shall be the sum of (a) \$10,000,000 plus (b) the Stated Value of the Inventory (the "Purchase Price") payable by Purchaser to Seller in cash on the Closing Date.

- (b) On or immediately prior to the Closing Date, Purchaser and Seller (and/or their respective representatives) shall conduct a physical audit of all of the Inventory and Seller shall deliver to Purchaser a certificate executed by an executive officer of Seller and setting forth, in reasonable detail, the quantity and Stated Value of the Inventory.

1.5 Excluded Liabilities. Notwithstanding any provision of this Agreement to the contrary, Purchaser shall not assume any liabilities, obligations, or commitments of Seller relating to or arising out of the operation of the Business or the ownership of the Assets other than the Assumed Liabilities, and all such liabilities, obligations, and commitments shall be retained by Seller (the "Excluded Liabilities"). Without limiting the generality of the foregoing, all of the following shall be Excluded Liabilities for purposes of this Agreement:

- (i) All trade accounts payable, accrued payroll, and accrued employee benefits relating to the Business;

- (ii) All Taxes (whether pursuant to existing laws and regulations or laws and regulations subsequently enacted by any Governmental Authority) which arise from (A) the operation of the Business prior to the Closing Date; (B) the ownership of the Assets prior to the Closing Date; or (C) the consummation of the transactions contemplated herein;

- (iii) All costs, expenses, liabilities, or obligations incurred by Seller incident to the negotiation and preparation of this Agreement and its performance and compliance with the agreements and conditions contained herein;

- (iv) All liabilities and obligations of Seller arising from or in connection with recalls mandated by any Governmental Authority with respect to, or product liability claims relating to, products manufactured or sold by Seller prior to the Closing Date;

- (v) All liabilities or obligations of Seller relating to any Environmental Damages arising out of (i) the ownership or operation of the Assets or the Business prior to the Closing or (ii) any Release at, to, on or from the Real Property prior to the Closing Date, whether or not disclosed in any schedule to this Agreement or otherwise known to Purchaser;
- (vi) All liabilities of Seller for the unpaid Taxes of any Person under Reg. 1.1502-6 of the Code (or any other similar provision of state, local, or foreign law) as a transferee or successor, by contract, or otherwise;
- (vii) All liabilities or obligations of Seller for borrowed money or evidenced by bonds, debentures, notes, drafts, or similar instruments;
- (viii) All liabilities or obligations of Seller under any of the Plans or relating to payroll, vacation, sick leave, workers' compensation, unemployment benefits, pension benefits, employee stock option or profit-sharing plans, health care plans, or any other employee plans or benefits of any kind for employees of Seller;
- (ix) All liabilities or obligations of Seller relating to any claims by employees of Seller, whether pending as of Closing or arising after Closing, due to acts, alleged acts, or omissions of Seller under any federal labor or employment laws or state laws relating to or arising out of the employment relationship with Seller or the termination thereof, including, without limitation, any claims under the National Labor Relations Act, Fair Labor Standards Act, Family and Medical Leave Act, Title VII of the Civil Rights Act of 1964, Americans with Disabilities Act, Age Discrimination in Employment Act, and the Civil Rights Act of 1866 and 1970;
- (x) All liabilities or obligations under any employment, severance, retention, or termination agreement between Seller and any of its employees;
- (xi) All liabilities or obligations of Seller with respect to any actions, suits, proceedings, or possible claims, whether such actions, suits, proceedings, or possible claims are currently pending, threatened, contingent, or otherwise, to the extent such claims arise out of the conduct of the Business on or prior to the Closing Date, including any such matters disclosed on SCHEDULE 2.1.5 and without regard to whether any such actions, suits, proceedings, or possible claims are described on SCHEDULE 2.1.5; and
- (xii) All liabilities or obligations relating to the Excluded Assets.

1.6 Closing Date Deliveries.

(a) On the Closing Date, Seller shall deliver or cause to be delivered to Purchaser all of the documents, instruments, and opinions required to be delivered by Seller pursuant to SECTION 4.1.

(b) On the Closing Date, Purchaser shall deliver or cause to be delivered to Seller (i) the Purchase Price; and (ii) all of the documents, instruments, and opinions required to be delivered by Purchaser pursuant to SECTION 4.2.

1.7 Further Assurances. On the Closing Date, Seller shall (i) deliver to Purchaser such other bills of sale, deeds, endorsements, assignments, and other good and sufficient instruments of conveyance and transfer, in form reasonably satisfactory to Purchaser and its counsel, as Purchaser may reasonably request or as may be otherwise reasonably necessary to vest in Purchaser all the right, title, and interest of Seller in, to, or under all of the Assets, and (ii) take all steps as may be reasonably necessary to put Purchaser in actual possession and control of all the Assets. From time to time following Closing, the parties shall execute and deliver, or cause to be executed and delivered, to each other such other instruments and documents as may be reasonably requested or as may be otherwise reasonably necessary to consummate the transactions contemplated hereunder. Notwithstanding anything in this SECTION 1.7 to the contrary, this Agreement shall not constitute an agreement to assign any license, certificate,

approval, authorization, agreement, contract, lease, or other commitment included in the Assets if an attempted assignment thereof without the consent of a third party thereto or Governmental Authority would constitute a breach thereof or a violation of Applicable Law. If any such consent shall not be obtained or if any attempted assignment would be ineffective, Seller shall cooperate to the extent permitted by law with Purchaser, at Seller's sole cost and expense, in any other reasonable arrangement designed to provide to Purchaser the benefits of any such license, certificate, approval, authorization, agreement, contract, lease, or other commitment.

1.8 Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets in the manner set forth on SCHEDULE 1.8. Seller and Purchaser agree that such allocation is a fair and reasonable allocation of the Purchase Price, and Seller and Purchaser shall file all applicable tax returns and reports (including IRS Form 8594 issued pursuant to Section 1060 of the Code) in accordance with and based upon such allocation and shall not take any position in any tax return or report, or any tax proceeding or audit, that is inconsistent with such allocation.

ARTICLE 2. - REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties as to Seller. Seller represents and warrants to Purchaser as follows:

2.1.1 Corporate Status.

(a) Corporate Existence. Seller is a corporation duly organized, validly existing, and in good standing under the laws of the State of Georgia and has all requisite corporate power and authority to own, lease, and operate its properties and to carry on its business as presently conducted. Seller is duly qualified and in good standing as a foreign corporation duly authorized to do business in South Carolina.

(b) Authorization. Seller has full power and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby, and to perform its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller and constitutes the legal, valid, and binding obligation of Seller, enforceable against it in accordance with its terms. The other agreements and instruments to be executed by Seller in connection with this Agreement, when executed and delivered by Seller, will constitute the legal, valid, and binding obligations of Seller, enforceable against Seller in accordance with their respective terms.

2.1.2 Conflicts, Consents.

(a) Conflicts. Except as set forth on SCHEDULE 2.1.2, the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby in the manner contemplated hereby will not (x) result in the creation of any Lien upon any of the Assets; or (y) conflict with or result in any violation of or default under (or any event that, with notice or lapse of time or both, would constitute a default under), require any consent, notice, or other action under, or result in the acceleration or required prepayment of any indebtedness pursuant to the terms of, any provision of (i) the Articles of Incorporation or the Bylaws of Seller, (ii) any

mortgage, indenture, loan agreement, note, bond, deed of trust, or other agreement, commitment, or obligation for the borrowing of money or the obtaining of credit, material lease, or other material agreement, contract, license, franchise, permit, or instrument to which Seller is a party or by which Seller or its properties may be bound, or (iii) any material judgment, order, decree, law, statute, rule, or regulation applicable to Seller or any of the Assets.

(b) Consents. Except as set forth on SCHEDULE 2.1.2 and except as could not reasonably be expected to have a Material Adverse Effect, no consent, approval, authorization, permit, order, filing, registration, or qualification of or with any court, Governmental Authority, or third Person is required to be obtained by Seller (whether under Applicable Law, pursuant to agreements to which Seller is a party, or otherwise) in connection with the execution and delivery of this Agreement or the consummation by Seller of the transactions contemplated hereby in the manner contemplated hereby.

2.1.3 Real Property.

(a) The Seller has good and marketable title in fee simple to the Real Property free and clear of any Liens other than (i) Permitted Liens and (ii) Liens set forth on SCHEDULE 2.1.3, which Liens shall be released in full at or prior to Closing. The Seller has furnished Purchaser with true and complete copies of all deeds, other instruments of title and policies of insurance describing the Seller's ownership of the Real Property. The Real Property, including the buildings and operations of the Seller conducted thereon, is in compliance with all Applicable Laws relating to zoning and does not encroach on any property of others.

(b) The Seller is not in violation of, or default under, any Applicable Law pertaining to the Real Property, which violation or default could reasonably be expected to have a Material Adverse Effect, and no notice of violation of any Applicable Law, or of any covenant, condition, restriction or easement affecting any Real Property or with respect to the use or occupancy thereof, has been given by any Person.

(c) All of the structures located on the Real Property are supplied with utilities and other services necessary for the operation of such structures, and the business conducted by the Seller therein, including gas, electricity, water, telephone, sanitary sewer and storm sewer.

(d) No condemnation proceeding is pending or, to the knowledge of the Seller, threatened which would impair the occupancy, use or value of the Real Property.

(e) There are no (a) leases, subleases, licenses, concessions or other agreements, written or oral, granting to any other Person the right to acquire, use or occupy any portion of, the Real Property, (b) outstanding options or rights of first refusal to purchase all or any portion of Real Property or interest therein, or (c) Persons (other than the Seller) in possession of the Real Property.

2.1.4 Personal Property. SCHEDULE 2.1.4 sets forth all machinery, equipment, furniture, and other material items of tangible personal property with an initial book value in excess of \$1,000 located at the Edgefield Facility (other than any Excluded Assets). Except as set forth on SCHEDULE 2.1.4, Seller has good title to, and owns free and clear of any Liens (other than Permitted Liens), all of the Assets, including, without limitation, all personal property reflected

on SCHEDULE 2.1.4. The Assets comprise all assets required for the continued conduct of the Business as presently conducted by Seller.

2.1.5 Litigation. Except as set forth on SCHEDULE 2.1.5, there is no action, suit, proceeding, or arbitration pending or, to the knowledge of Seller, threatened against or affecting the Business or the Assets or which would prevent, hinder, or delay the consummation of the transactions contemplated hereby. To the knowledge of Seller, there is no investigation pending or threatened by any Governmental Authority with respect to the Business.

2.1.6 No Judgments or Orders. With respect to the Business, Seller is not a party to (or to the knowledge of Seller, subject to) any judgment, order, or decree entered in any action or proceeding brought by any Governmental Authority or any other party either enjoining Seller in respect of any business practice or the conduct of business in any area or the acquisition of any property or which otherwise has or reasonably could be expected to have a Material Adverse Effect.

2.1.7 Compliance with Laws, Permits.

(a) Compliance with Laws. Seller is not in violation, nor has Seller received any written notice to the effect that Seller is not in compliance with, any Applicable Law with respect to the Business, the violation of which could reasonably be expected to have a Material Adverse Effect.

(b) Permits. All material permits, governmental licenses, orders, registrations, and other approvals of all federal, state, local, and foreign governmental and regulatory bodies with respect to the conduct of the Business have been obtained by Seller, are set forth on SCHEDULE 2.1.7(b), and are in full force and effect, and Seller has not received written notice of any threatened violation, suspension or cancellation of same.

2.1.8 Tax Matters. With respect to the Business, Seller has correctly prepared and timely filed all federal, foreign, state, and local tax returns and other tax reports required to be filed by Seller and has timely paid, or, with respect to current taxes not yet due and payable, set up an adequate reserve on the books of Seller for the payment of, all federal, foreign, state, and local income taxes and all other taxes (including, without limitation, all franchise, gross receipts, license, property, sales, use, excise, intangible, severance, stamp, occupation, environmental, social security, withholding, employment, unemployment and payroll taxes, and interest or penalties thereon, and all such other taxes along with all federal, foreign, state, and local income taxes being defined collectively as "Taxes") that have become due and payable by it, whether or not such Taxes are shown on any tax return, and has set up an adequate reserve on the books of Seller for the payment of all Taxes payable by Seller in respect of the period subsequent to the last of such periods. All such returns are true, complete and correct in all material respects. Seller is not delinquent in the payment of any Taxes with respect to the Business or the Assets, has not waived any statute of limitations with respect to any such Taxes, and has not, since June 30, 2000, requested or agreed to any extension of time within which to file any tax return or report or with respect to a tax assessment or deficiency relating to the Business. No deficiencies for Taxes with respect to the Business have been assessed or asserted against Seller since June 30, 2000, and, except as set forth on SCHEDULE 2.1.8, Seller knows of no unresolved questions or

claims concerning the tax liability of Seller with respect to the Business. Except as set forth on SCHEDULE 2.1.8, there is no pending or, to the knowledge of Seller, threatened examination or audit by the Internal Revenue Service or any state taxing authorities of any tax returns relating to the Business. Seller has withheld and paid all Taxes with respect to the Business required to have been withheld and paid in connection with amounts paid or owing to any Seller Personnel, creditor, or other third party. Except as set forth on SCHEDULE 2.1.8, since June 30, 2000, (i) the Business has not been audited by any taxing authority, (ii) Seller is not and has not previously been a party to a tax allocation or sharing agreement and has not otherwise assumed any liability for Taxes of any third party, including as a transferee or successor, and (iii) Seller has not ever been (nor does it have any liability for unpaid taxes, whether under Section 1.1502-6 of the Treasury regulations or otherwise, because it was) a member of an affiliated group within the meaning of Section 1504(a) of the Code or any unitary, affiliated, or similar group for state, local, or foreign tax purposes. No Liens exist, or will exist immediately following Closing, on the Assets that relate to or are attributable to any Taxes.

2.1.9 Labor Matters. Seller is not a party to any collective bargaining agreement with any labor union or similar organization relating to the Business, nor is Seller aware of any such organization that represents or claims to represent any employees of the Business or is currently seeking to represent or organize the employees of the Business. There has not occurred any material strike, slowdown, picketing, work stoppage, concerted refusal to work overtime, or other material labor difficulty relating to the Business. There are no labor disputes currently subject to any pending grievance procedure, arbitration, or litigation and there is no representation petition pending or, to the knowledge of Seller, threatened with respect to any employee of the Business. Seller has complied with all Applicable Law pertaining to the employment of employees of the Business, including, without limitation, all such laws relating to labor relations, equal employment, fair employment practices, entitlements, prohibited discrimination, and other similar employment practices and acts, except for any failure to comply that, individually or together with all such other failures, has not had or resulted in and could not reasonably be expected to have or result in a Material Adverse Effect.

2.1.10 Environmental.

(a) Seller is in compliance in all material respects, and Seller at all times has complied in all material respects, with all Environmental, Health, or Safety Requirements of Law applicable to the Business and the Real Property, including, without limitation, the use, maintenance, and operation of the Real Property and all activities and conduct of business related thereto and the treatment, remediation, removal, transport, storage, and disposal of any Contaminant.

(b) Seller has obtained, to the extent required by Environmental, Health, or Safety Requirements of Law, all environmental, health, and safety permits, consents, licenses, and other authorizations (collectively, "EHS

Permits") necessary for the operation of the Business and the ownership of the Real Property, all such EHS Permits are in good standing, and Seller is currently in compliance with all terms and conditions of such EHS Permits. There are no proceedings pending, or to the Seller's knowledge, threatened, to cancel, revoke or modify the validity of any such EHS Permit.

(c) Seller is not a party to any judicial or administrative proceeding, notice, order, judgment, decree, settlement, or, to Seller's knowledge, any investigation, alleging in connection with the Business or the Real Property: (i) any violation of any Environmental, Health, or Safety Requirements of Law, (ii) any Remedial Action, or (iii) any claims, liabilities, or costs arising from the Release or threatened Release of any Contaminant.

(d) No Environmental Lien is attached to the Real Property.

(e) Seller has not received any written notice, claim, or other written communication concerning (i) any alleged violation of any Environmental, Health, or Safety Requirements of Law at the Real Property, whether or not corrected to the satisfaction of the appropriate authority, (ii) alleged liability of Seller for Environmental Damages arising out of or related to the Business or the Real Property, or (iii) any alleged liability of Seller arising out of or related to the Business or the Real Property for the Release or threatened Release of a Contaminant at any location. There does not exist any writ, injunction, decree, order, penalty, or judgment outstanding or any lawsuit, enforcement action, proceeding, citation, directive, or summons relating to the condition, use, maintenance, or operation of the Real Property or the actual or suspected presence of any Contaminant(s) on the Real Property or the Release of any Contaminant(s) from the Real Property.

(f) There has been no Release of any Contaminants and, to the knowledge of Seller, there is no threatened Release of any Contaminants at, to, on, or from the Real Property which was or is not in compliance with all Environmental, Health, and Safety Requirements of Law.

(g) The Real Property is not listed or proposed for listing on the National Priorities List ("NPL") pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, as amended ("CERCLA") or listed on the Comprehensive Environmental Response Compensation and Liability Information System List ("CERCLIS") or any similar state list of sites and to Seller's knowledge, there is no condition at the Real Property that, if known to a Governmental Authority, would qualify the Real Property for inclusion on any such list.

(h) Seller has not "disposed" (as such term is defined in the Federal Resource Conservation and Recovery Act ("RCRA")) of any "hazardous waste" (as such term is defined in RCRA) at the Real Property in a manner which is not in compliance with the applicable Environmental, Health, and Safety Requirements of Law.

(i) Seller has not transported or arranged for the transport of any Contaminant to any site in connection with the Business which is not in compliance with the applicable Environmental, Health, and Safety Requirements of Law.

(j) Seller has complied with Environmental Health and Safety Requirements of Law in transporting or arranging for the transport of any Contaminant in connection with the Business to any facility or site for the purpose of treatment or disposal.

(k) There is not constructed, placed, deposited, stored, disposed, or located on the Real Property any asbestos in any form except in compliance with applicable Environmental, Health, or Safety Requirements of Law.

(l) Except for a water sprinkler system located at the Real Property, no underground improvements, including, but not limited to, treatment or storage tanks, sumps, water, gas, separators, or oil wells, or associated piping, but excluding utility-owned underground improvements, are or have ever been located on the Real Property.

(m) There is not constructed, placed, deposited, released, stored, disposed, leaching, or located on the Real Property any polychlorinated biphenyls ("PCBs") or transformers, capacitors, ballasts, or other equipment that contain dielectric fluid containing PCBs.

(n) Seller has not received any written notice, claim, or other communication alleging liability on the part of Seller for the violation of any Environmental, Health, or Safety Requirements of Law, for Environmental Damages, or for the Release or threatened Release of any Contaminant in connection with the Business.

2.1.11 Brokers, Finders. Seller has not retained any broker or finder in connection with the transactions contemplated hereby so as to give rise to any valid claim against Purchaser for any brokerage or finder's commission, fee, or similar compensation.

2.1.12 No Other Representations. Except for the express representations and warranties of Seller contained in this SECTION 2.1, Purchaser acknowledges that Seller has not made, and Purchaser has not relied upon, any other representation or warranty, express or implied, with respect to the Business, the Assets or the transactions contemplated herein. SELLER HEREBY EXPRESSLY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE OR WARRANTIES ARISING FROM CUSTOM AND PRACTICE. EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 2.1, SELLER SELLS, AND PURCHASER ACCEPTS, THE ASSETS ON AN "AS IS, WHERE IS" BASIS.

2.2 Representations and Warranties of Purchaser. Purchaser represents and warrants to Seller as of the date hereof as follows:

2.2.1 Corporate Status. Purchaser is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of North Carolina and has all requisite limited liability company power and authority to own, lease, and operate its properties and to carry on its business as presently conducted and as will be conducted following the consummation of the transactions contemplated by this Agreement. On the Closing Date, Seller will be duly qualified and in good standing as a limited liability company authorized to do business in South Carolina.

2.2.2 Authorization. Purchaser has full corporate power and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby, and to perform its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid, and binding obligation of Purchaser enforceable against it in accordance with its terms. The other agreements and instruments to be executed by Purchaser in

connection with this Agreement, when executed and delivered by Purchaser, will constitute the legal, valid, and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms.

2.2.3 Conflicts, Consents.

(a) Conflicts. Except as set forth on SCHEDULE 2.2.3, the execution and delivery of this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated hereby in the manner contemplated hereby do not and will not conflict with or result in any violation of, or default under (or any event that, with notice or lapse of time or both, would constitute a default under), require any consent, notice, or other action under, or result in the acceleration or required prepayment of any indebtedness pursuant to the terms of, any provision of (i) the Articles of Incorporation or Bylaws of Purchaser, (ii) any mortgage, indenture, loan agreement, note, bond, deed of trust, or other agreement, commitment, or obligation for the borrowing of money or the obtaining of credit, material lease, or other material agreement, contract, license, franchise, permit, or instrument to which Purchaser is a party or by which it may be bound, or (iii) any material judgment, order, decree, law, statute, rule, or regulation applicable to Purchaser.

(b) Consents. Except as set forth on SCHEDULE 2.2.3 and except as could not reasonably be expected to have a Material Adverse Effect, no consent, approval, authorization, permit, order, filing, registration, or qualification of or with any court, Governmental Authority, or third Person is required to be obtained by Purchaser in connection with the execution and delivery by Purchaser of this Agreement or the consummation by Purchaser of the transactions contemplated hereby in the manner contemplated hereby.

2.2.4 Litigation. There is no action, suit, proceeding, claim,

arbitration, grievance, or investigation pending or, to the knowledge of Purchaser, threatened against Purchaser which would prevent or hinder or delay the consummation of the transactions contemplated hereby, nor is Purchaser aware of any basis for any such action, suit, proceeding, claim, arbitration, grievance, or investigation which would prevent or hinder or delay the consummation of the transactions contemplated hereby.

2.2.5 Brokers, Finders. Purchaser has not retained any broker or finder in connection with the transactions contemplated hereby so as to give rise to any valid claim against Seller for any brokerage or finder's commission, fee, or similar compensation.

ARTICLE 3. - CERTAIN COVENANTS

3.1 Access and Information. Prior to the Closing, the Seller will (a) give the Purchaser and its representatives full and free access to the properties, books, records, contracts and commitments of the Business upon reasonable notice during normal business hours, (b) furnish all such information and documents relating to the Assets and the Business as the Purchaser may reasonably request, and (c) allow the Purchaser to discuss matters relating to the Business with the outside auditors, attorneys and such other representatives for the Seller as are reasonably requested by the Purchaser.

3.2 Conduct of Business of the Seller. From the date hereof to the Closing, the Seller will with respect to the Business (a) conduct its business only in the ordinary course in substantially the same manner as heretofore conducted, (b) maintain and keep the Assets in such repair, working order and condition as is sufficient for the operation of its business in the ordinary course, (c) keep in full force and effect insurance comparable in amount and scope of coverage to that now maintained by it (to the extent available on commercially reasonable terms in the case of any renewal or replacement policies), (d) use its commercially reasonable efforts to maintain and preserve its business organization intact, and maintain satisfactory relationships with officers, employees, suppliers, distributors and customers so that they will be preserved after the Closing, (e) maintain its books of account and records in the usual and regular manner, (f) comply in all material respects with all Applicable Laws, (g) not make any material commitments or expenditures, and not enter into any transaction with any affiliates of the Seller, not consistent with past practice, (h) promptly advise the Purchaser in writing of any emergency or other change in the normal course of business or in the operations of its properties and of any governmental or any other third party complaints, investigations or hearings (or communications indicating that the same may be contemplated), (j) promptly advise the Purchaser of any Material Adverse Change, (k) collect its accounts receivable in the ordinary course of business consistent with past practice, (l) pay its accounts payable in the ordinary course of business consistent with past practice, and (m) use its commercially reasonable efforts to insure that the representations and warranties contained herein shall be true and correct as of the Closing Date.

3.3 Efforts to Consummate Transaction. Subject to the terms and conditions herein provided, each of the parties agrees to use commercially reasonable efforts (without obligation to make any payment to any third party except as expressly provided herein) to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper, or advisable under Applicable Law to consummate and make effective the transactions contemplated hereby in accordance with the terms of this Agreement.

3.4 Consents and Approvals; Releases. Seller shall use commercially reasonable efforts (without obligation to make any payment to any third party) promptly to obtain all consents and amendments required for the due and punctual consummation of the transactions contemplated by this Agreement.

3.5 Exclusive Dealing. From the date hereof through the Closing Date, Seller shall not, directly or indirectly, and will not permit any employee, representative, financial or legal advisor or agent of the Seller to, make, solicit, assist or encourage the initiation of any inquiries or proposals or participate in any negotiations with any Person or furnish any confidential information to any Person (other than the Purchaser and its employees, representatives, advisors and agents), concerning the acquisition of the Business or all or any material portion of the Assets, other than dispositions of inventories and other assets in the ordinary course of business consistent with past practice and in accordance with SECTION 3.2.

3.6 Employee Matters.

(a) Purchaser shall make offers of employment to no less than the Required Number of active, full-time employees of Seller in the Business and shall hire all employees who accept such offers of employment as of the Closing. Subject to Applicable Law, Seller will provide

Purchaser with access, upon reasonable prior notice during normal business hours, to the Edgefield Facility and the personnel records of employees of the Business for the purpose of preparing for and conducting employment interviews with active and full-time employees of the Business. At least five (5) business days prior to the Closing, Purchaser will provide Seller with a list of all employees of the Business to whom Purchaser has made offers of employment that have been accepted effective as of the Closing (the "Hired Employees"). Seller will terminate the employment of all Hired Employees, effective immediately prior to the Closing. Purchaser will set its own initial terms and conditions of employment for the Hired Employees and others it may hire, including work rules, benefits, salary, and wage structure, all as permitted by Applicable Law, except that Purchaser agrees to recognize, with respect to each Hired Employee, such Hired Employee's years of service with the Seller for purposes of determining such Hired Employee's seniority under Purchaser's work rules, benefits, salary, and wage structure. The parties agree that, except as otherwise provided in SECTION 3.6(h), any employment offered by Purchaser to employees of the Business (i) shall not constitute a commitment, contract, or understanding (express or implied) of any obligation by Purchaser to a post-Closing employment relationship of any fixed term or duration or upon any terms or conditions other than those that Purchaser may establish pursuant to individual offers of employment, and (ii) is "at will" and, subject to Applicable Law, may be terminated by Purchaser or by any Hired Employee at any time for any reason. Except as provided in SECTION 3.6(h), nothing in this Agreement shall be deemed to prevent or restrict in any way the right of Purchaser to terminate, reassign, promote, or demote any of the Hired Employees after Closing or to change adversely or favorably the title, powers, duties, responsibilities, functions, locations, salaries, other compensation, or other terms or conditions of employment of such Hired Employees.

(b) Seller shall be responsible for the payment of all wages and other remuneration due to Hired Employees with respect to their services as employees of Seller through the close of business on the Closing Date, including pro rata bonus payments and all vacation and sick pay earned on or prior to the Closing Date.

(c) Effective as of the Closing Date, all Hired Employees shall cease to be active participants in the Plans in accordance with the terms of the Plans and Applicable Law, including ERISA and the Code. Seller shall retain liability for all claims incurred by employees of Seller in the Business (and their enrolled dependents) under the Plans on or prior to the Closing Date. Purchaser shall be liable for all claims incurred by Hired Employees (and their enrolled dependents) under the employee welfare benefit plans of Purchaser or its affiliates after the Closing Date. For purposes of this SECTION 3.6(c), a claim shall be deemed to have been incurred on the date on which each medical or other treatment or service was rendered and not the date of the inception of the related illness or injury or the date of submission of a claim related thereto. The inception date of workers compensation claims shall be determined by applicable state laws.

(d) Seller shall be responsible for complying with the continuation health care coverage requirements of section 4980B of the Code ("COBRA") with respect to any employee of the Business (or enrolled dependent) who became a "qualified beneficiary" on or prior to the Closing Date. Seller will offer employees of the Business who are not Hired Employees or who are not otherwise insured under any medical plan maintained by Purchaser the opportunity to elect continued health coverage under COBRA, to the extent required by Applicable Law. Purchaser shall be responsible for complying with all requirements of COBRA with respect to

any Hired Employee (or enrolled dependent) who becomes a "qualified beneficiary" after the Closing Date. Purchaser will use its reasonable best efforts to cause its medical plan to waive any pre-existing condition exclusions with respect to any Hired Employees.

(e) Seller shall be responsible for payment of all short- and long-term disability claims arising on or prior to the Closing Date from disabilities of employees of the Business to the extent required by Seller's Plans. Purchaser

shall be responsible for payment of all short- and long-term disability claims arising after the Closing Date from disabilities incurred by Hired Employees to the extent required by Purchaser's benefits plans. For purposes of this SECTION 3.6(e), a disability claim shall be deemed to have arisen on the date of inception of the illness or injury relating to the disability and not the date on which each medical or other treatment or service was rendered.

(f) Seller shall pay any severance costs payable pursuant to any severance policies or plans, if applicable, that are incurred with respect to Seller's termination of employment of any former employees of Seller. Purchaser shall pay any severance costs payable with respect to the termination of employment by Purchaser of any Hired Employee.

(g) As to any Hired Employee, Seller agrees to cause the release of such Hired Employee from any contractual provision with Seller to the extent that such provision would impair the utility of such Hired Employee's services to Purchaser in conducting the Business following the Closing in substantially the same manner it is conducted by Seller immediately prior to the Closing Date, or to the extent that such provision would impose upon such Hired Employee any monetary or other obligation to Seller that otherwise would be occasioned by the transfer of such Hired Employee's employment to Purchaser, including, without limitation, any agreements of noncompetition or confidentiality owed to Seller.

(h) Seller shall be liable and responsible (except, with respect to liabilities and responsibilities arising under the WARN Act with respect to Purchaser's violation of any of its obligations pursuant to SECTION 3.6(a) or SECTION 3.6(h)), for any and all obligations and liabilities arising from the employment relationship between Seller and its employees in the Business, including but not limited to, any obligations under the Worker Adjustment and Retraining Notification Act, as amended (the "WARN Act") with respect to employees of Seller in the Business, whether arising prior to or after the Closing Date. Purchaser agrees to employ, for a period of at least ninety (90) days following the Closing Date, no less than the Required Number of active, full-time employees of Seller in the Business as of the Closing Date; provided, however, that the Required Number shall be reduced by the number of active, full-time employees of Seller in the Business whose employment with Purchaser is terminated due to voluntary departure, retirement, or for cause.

3.7 Tax Matters.

(a) Seller and Purchaser shall (i) each provide the other with such assistance as may be reasonably requested by either of them in connection with the preparation of any tax return, audit, or other examination by any taxing authority or judicial or administrative proceedings relating to liability for Taxes, (ii) each retain and provide the other upon reasonable request with any records or other information that may be relevant to such tax return, audit, examination,

proceeding, or determination, and (iii) each provide the other upon reasonable request with any final determination of any such audit, examination, proceeding, or determination that affects any amount required to be shown on any tax return of the other for any period. Without limiting the generality of the foregoing, both Purchaser and Seller shall retain, until the applicable statutes of limitations (including any extensions) have expired, copies of all tax returns, supporting work schedules, and other records and information that is relevant to such returns for all tax periods or portions thereof ending on or before the Closing Date.

(b) Notwithstanding any provision of state or local law or this Agreement to the contrary, Seller will pay any sales, use, transfer, stamp, documentary, and similar Taxes (and file any tax returns relating to such Taxes) payable in respect of the sale of the Assets contemplated by this Agreement, it being agreed that none of such payments shall be borne directly or indirectly by Purchaser.

3.8 Prorations.

(a) The expenses and obligations set forth below shall be prorated as of 11:59 p.m. on the Closing Date (the "Cutoff"), with Seller being responsible for that portion arising before the Cutoff and Purchaser being responsible for that portion arising after the Cutoff:

(i) all personal property Taxes, ad valorem obligations, and similar Taxes imposed on a periodic basis, in each case levied with respect to the

Assets, shall be prorated on the basis of the number of days of the relevant tax year or period which have elapsed through the Closing Date; and

(ii) all charges for utilities (including without limitation, electricity fuel, water, sanitation, and garbage disposal) and other services and goods furnished to, or in connection with, the operation of the Business shall be prorated on the basis of the number of days of the relevant time period which have elapsed through the Closing Date.

(b) Seller shall use its reasonable best efforts to cause all utility billings of the Business to be closed and billed by the respective utility companies as of the Closing Date in order that utility charges may be separately billed for the period prior to the Closing Date and the period after the Closing Date. In the event that any such utility charges are not separately billed, they shall be prorated, presuming that such charges were uniformly incurred during the billing period in question. Purchaser shall have sole responsibility for establishing Purchaser's own accounts with such utilities and causing such utility services to continue beyond the Closing Date.

(c) If any item described in this SECTION 3.8 cannot be prorated, adjusted, or determined as of the Closing Date, then it shall be separately prorated, adjusted, and determined as soon as possible thereafter and any payment due shall be paid by check within five (5) days after determination of the charge.

3.9 Non-Solicitation. Prior to the Closing and, if the Closing does not occur, during the period beginning on the date hereof and ending one year from the date hereof, Purchaser will not solicit, hire, or attempt to hire any Seller Personnel without the prior written consent of the Seller, except as expressly contemplated by SECTION 3.6.

ARTICLE 4. - CONDITIONS PRECEDENT

4.1 Conditions to Obligations of Purchaser. The obligations of Purchaser to purchase the Assets and take the other actions required to be taken by Purchaser at Closing under this Agreement are subject to the fulfillment, at or prior to Closing, of the following conditions, any one or more of which may be waived by Purchaser in its sole discretion:

4.1.1 Representations, Performance, etc. The representations and warranties of the Seller contained in this Agreement or in any certificate or document delivered in connection herewith that are not conditioned as to materiality shall be true and correct when made and true and correct in all material respects at and as of the Closing Date with the same effect as though made at and as of the Closing Date, except as modified by transactions permitted by this Agreement, and all representations and warranties of the Seller that are so qualified as to materiality shall be true and correct when made and at and as of the Closing Date with the same effect as though made at and as of the Closing Date. The Seller shall have duly performed and complied with all agreements and covenants required by this Agreement or in any other agreement, instrument or document contemplated hereby to be performed or complied with by the Seller prior to or at the Closing Date. The Seller shall have delivered to the Purchaser a certificate signed by an executive officer of the Seller familiar with the transactions contemplated by this Agreement, dated the Closing Date, to the effect set forth above in this SECTION 4.1.1.

4.1.2 Certain Approvals. All consents and approvals from Governmental Authorities and third parties required to be obtained by the Seller to consummate the transactions contemplated hereby, including all such consents set forth on SCHEDULE 2.1.2, shall have been obtained, other any consents and approvals of third parties with respect to any contract or agreement of the Seller (not involving the borrowing of money) with respect to which the failure to obtain such consent or approval, either in any case or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

4.1.3 No Litigation or Injunction. There shall not be in effect any judgment, order, injunction, or decree of any court of competent jurisdiction, the effect of which is to prohibit or restrain the consummation of the transactions contemplated by this Agreement, and no claim, action, suit, investigation, or other proceeding shall be threatened or pending before any court or administrative agency or by any Governmental Authority or other Person challenging or otherwise relating to the transactions provided for herein or that could reasonably be expected to have a Material Adverse Effect.

4.1.4 No Material Adverse Change. There shall not have been any Material Adverse Change since October 24, 2004.

4.1.5 Transfer Documents. Seller shall have executed and delivered to Purchaser such documents as Purchaser may reasonably request for the purpose of (i) evidencing the accuracy of any of the representations and warranties of Seller, (ii) evidencing the performance by Seller of, or the compliance by Seller with, any covenant or obligation required to be performed or complied with by Seller, (iii) evidencing the satisfaction of any condition referred to in this

SECTION 4.1, or (iv) otherwise facilitating the consummation or performance of any of the transactions contemplated by this Agreement.

4.1.6 Opinion of Counsel. Purchaser shall have received a favorable opinion, addressed to Purchaser and dated the Closing Date, of Wyche Burgess Freeman & Parham, P.A., counsel to Seller, in substance and form reasonably acceptable to Purchaser.

4.1.7 Supply Agreement. Seller shall have entered into a Supply Agreement with Purchaser providing for the purchase by Seller from Purchaser, and sale by Purchaser to Seller, of Seller's and M.J. Soffe Co.'s yarn requirements in the United States and Central America for a period of five years upon terms and conditions satisfactory to Purchaser.

4.1.8 Title Insurance. Purchaser shall have received, at Purchaser's sole cost and expense, (a) unconditional and binding commitments to issue policies of title insurance, subject only to Permitted Liens, in an aggregate amount equal to the Purchase Price allocated to the Real Property and otherwise upon terms reasonably satisfactory to Purchaser and (b) a survey of the Real Property, dated within thirty days of the Closing Date, prepared by a certified or registered surveyor reasonably acceptable to Purchaser and the issuer of the foregoing title policy, in form and substance reasonably satisfactory to Purchaser.

4.1.9 Environmental Assessment. Purchaser shall have received, at Purchaser's sole cost and expense, an environmental site assessment report with respect to the Edgefield Facility, which report shall be satisfactory to Purchaser in its sole discretion.

4.2 Conditions to Obligations of Seller. The obligations of Seller to sell the Assets and take the other actions required to be taken by Seller at Closing under this Agreement are subject to the fulfillment, at Closing, of the following conditions, any one or more of which may be waived by Seller in its sole discretion:

4.2.1 Representations, Performance, etc. The representations and warranties of the Purchaser contained in this Agreement or in any certificate or document delivered in connection herewith that are not conditioned as to materiality shall be true and correct when made and true and correct in all material respects at and as of the Closing Date with the same effect as though made at and as of the Closing Date, except as modified by transactions permitted by this Agreement, and all representations and warranties of the Purchaser that are so qualified as to materiality shall be true and correct when made and at and as of the Closing Date with the same effect as though made at and as of the Closing Date. The Purchaser shall have duly performed and complied with all agreements and covenants required by this Agreement or in any other agreement, instrument or document contemplated hereby to be performed or complied with by Purchaser prior to or at the Closing Date. The Purchaser shall have delivered to the Seller a certificate signed by an executive officer of the Purchaser familiar with the transactions contemplated by this Agreement, dated the Closing Date, to the effect set forth above in this SECTION 4.2.1.

4.2.2 Certain Approvals. All consents and approvals from Governmental Authorities and third parties required to be obtained by the Purchaser to consummate the transactions contemplated hereby shall have been obtained, other any consents and approvals of third parties

with respect to any contract or agreement of the Purchaser (not involving the borrowing of money) with respect to which the failure to obtain such consent or approval, either in any case or in the aggregate, could not reasonably be

expected to have a material adverse effect on the consummation of the transactions contemplated hereby.

4.2.3 No Litigation or Injunction. There shall not be in effect any judgment, order, injunction, or decree of any court of competent jurisdiction, the effect of which is to prohibit or restrain the consummation of the transactions contemplated by this Agreement, and no claim, action, suit, investigation, or other proceeding shall be threatened or pending before any court or administrative agency or by any Governmental Authority or other Person challenging or otherwise relating to the transactions provided for herein or that could reasonably be expected to have a Material Adverse Effect.

4.2.4 Transfer Documents. Purchaser shall have executed and delivered to Seller such other documents as Seller may reasonably request for the purpose of (i) evidencing the accuracy of any of the representations and warranties of Purchaser, (ii) evidencing the performance by Purchaser of, or the compliance by Purchaser with, any covenant or obligation required to be performed or complied with by Purchaser, (iii) evidencing the satisfaction of any condition referred to in this SECTION 4.2, or (iv) otherwise facilitating the consummation or performance of any of the transactions contemplated by this Agreement.

4.2.5 Opinion of Counsel. Seller shall have received a favorable opinion, addressed to Seller and dated the Closing Date, of Kilpatrick Stockton LLP, counsel to Purchaser, in substance and form reasonably acceptable to Seller.

4.2.6 Supply Agreement. Purchaser shall have entered into a Supply Agreement with Seller providing for the purchase by Seller from Purchaser, and sale by Purchaser to Seller, of Seller's and M.J. Soffe Co.'s yarn requirements in the United States and Central America for a period of five years upon terms and conditions satisfactory to Seller.

ARTICLE 5. - TERMINATION

5.1 Grounds for Termination. This Agreement may be terminated at any time prior to the Closing Date upon the circumstances set forth in this SECTION 5.1, by delivery of written notice of such termination by the terminating party to the other party hereto.

5.1.1 Termination by Seller. This Agreement may be terminated by the Seller upon the happening of an occurrence or circumstance which will result in a failure to satisfy any of the conditions set forth in SECTION 4.2 and the Purchaser shall have failed to satisfy such condition within twenty (20) days after prompt written notice by the Seller.

5.1.2 Termination by Purchaser. This Agreement may be terminated by the Purchaser upon the happening of an occurrence or circumstance which will result in the failure to satisfy any of the conditions set forth in SECTION 4.1 and the Seller shall have failed to satisfy such condition within twenty (20) days after prompt written notice by the Purchaser.

5.1.3 Termination by Either Party. This Agreement may be terminated by either Purchaser or the Seller if (i) the representations and warranties of the other party shall prove not

to have been true in all material respects as of the date when made, (ii) events shall have occurred subsequent to the date hereof as a result of which the representations and warranties of the other party could not be true in all material respects as of the Closing Date, unless the occurrence of such events shall be due to the failure of the party seeking to terminate this Agreement to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by such party prior to the Closing, or (iii) the Closing shall not have occurred prior to 5:00 p.m., Charlotte, North Carolina, local time, December 31, 2004 (or such other date as may be mutually agreed to by the parties) through no fault of the terminating party.

5.2 Effect of Termination. If this Agreement is terminated as permitted under SECTION 5.1, such termination shall be without liability of or to any party to this Agreement or any shareholder, partner, member, manager, director, officer, employee or agent of such party, except (i) that the provisions of SECTIONS 3.9, 5.2, 7.2 and 7.12 shall survive any such termination, and (ii) for any liability of any party who has caused such termination by breaching this Agreement.

ARTICLE 6. - INDEMNIFICATION

6.1 Indemnification by Seller.

(a) Seller hereby agrees to indemnify and hold harmless Purchaser and its affiliates and their respective officers, directors, shareholders, members, managers, agents, employees, successors, and assigns ("Purchaser Indemnified Parties") from and against any and all liabilities, losses, claims, costs, and damages ("Loss") and reasonable attorneys' and accountants' fees and expenses, court costs, and all other reasonable out-of-pocket expenses, including reasonable expenses of investigation, but excluding loss of profits, other consequential damages, and punitive damages (except to the extent the same are included in a third party judgment against the indemnified party or a final action, order, decree, or judgment of a Governmental Authority) ("Expense") suffered or incurred by it and arising from:

- (i) any breach by Seller of any warranty or the inaccuracy of any representation of Seller contained in this Agreement (including any Schedule or Exhibit hereto) or in any agreement or instrument executed and delivered by Seller at Closing pursuant to the terms of this Agreement;
- (ii) any breach by Seller of any of its obligations or covenants contained in this agreement or in any agreement or instrument executed and delivered by Seller at Closing pursuant to the terms of this Agreement (including any Schedule or Exhibit hereto);
- (iii) the Excluded Liabilities; and
- (iv) any non-compliance by Seller with respect to any applicable bulk sales laws.

(b) Seller shall be required to indemnify and hold the Purchaser Indemnified Parties harmless under SECTION 6.1(a)(i) with respect to Loss and Expense only to the extent that the aggregate amount of such Loss and Expense exceeds \$250,000 (the "Threshold Limitation"), in

which event such indemnification shall be effective only for Loss and Expense in excess of such initial \$250,000; and (y) the aggregate liability of Seller for Loss and Expense with respect to the indemnification described in SECTION 6.1(a)(i) shall not exceed, on an aggregate basis, the Purchase Price (the "Amount Limitation"); provided, however, that:

- (i) The Threshold Limitation shall not apply to the indemnification described in SECTION 6.1(a)(i) with respect to the representations and warranties of Seller under SECTIONS 2.1.1 (Corporate Status), 2.1.8 (Tax Matters), 2.1.10 (Environmental), 2.1.11 (Brokers, Finders) or to those representations and warranties of Seller in ARTICLE 2 regarding title to and any Liens against the Assets; and
- (ii) The Amount Limitation shall not apply to the indemnification described in SECTION 6.1(a)(i) with respect to the representations and warranties of Seller under SECTIONS 2.1.1 (Corporate Status), 2.1.8 (Tax Matters), 2.1.10 (Environmental), 2.1.11 (Brokers, Finders) or to those representations and warranties of Seller in ARTICLE 2 regarding title to and any Liens against the Assets.

6.2 Survival Period of Seller's Indemnification Obligations. The indemnification provided for in SECTION 6.1 shall terminate twelve months after the Closing Date (and no claims shall be made by any Purchaser Indemnified Party thereafter), provided that:

- (i) the indemnification contained in SECTIONS 6.1(a)(iii) and 6.1(a)(iv) shall survive indefinitely;
- (ii) the representations and warranties of Seller under SECTIONS 2.1.1 (Corporate Status), 2.1.8 (Tax Matters), 2.1.11 (Brokers, Finders), those representations and warranties of Seller in ARTICLE 2 regarding title to and any encumbrances against the Assets, and the indemnification contained in SECTION 6.1(a)(i) with respect thereto shall survive until thirty (30) days after the applicable statute of limitations (or any extension thereof) has expired;
- (iii) the representations and warranties of Seller under SECTION 2.1.10 (Environmental) and the indemnification contained in SECTION

6.1(a)(i) with respect thereto shall survive until three years following the Closing Date; and

- (iv) the indemnification contained in SECTION 6.1(a)(ii) with respect to any obligations or covenants to be performed after the Closing Date shall survive until eighteen (18) months following the date on which such obligation or covenant was last required to be performed

(as the case may be, the "Seller Survival Period"). Such indemnification obligation shall continue after the Closing Date without regard to any investigation made at any time by the Purchaser Indemnified Party as to any Loss or Expense of which the Purchaser Indemnified Party has notified Seller in accordance with the requirements of SECTION 6.5 on or prior to the expiration of the applicable Seller Survival Period, as to which the obligation of Seller shall continue until the liability of Seller shall have been determined pursuant to this ARTICLE 6, and

Seller shall have reimbursed the Purchaser Indemnified Party for the full amount of such Loss and Expense for which Seller is determined to be liable in accordance with this ARTICLE 6.

6.3 Indemnification By Purchaser.

(a) Purchaser hereby agrees to indemnify and hold harmless Seller and its affiliates and their respective officers, directors, partners, shareholders, members, managers, agents, employees, successors and assigns ("Seller Indemnified Parties") from and against any and all Loss and Expense suffered or incurred by it and arising from:

- (i) any breach by Purchaser of any warranty or inaccuracy of any representation contained in this Agreement (including any Schedule or Exhibit hereto) or in any agreement or instrument executed and delivered by Purchaser at Closing pursuant to the terms of this Agreement; and
- (ii) any breach by Purchaser of any of its obligations or covenants contained in this Agreement or in any agreement or instrument executed and delivered by Seller at Closing pursuant to the terms of this Agreement.

(b) Purchaser shall be required to indemnify and hold the Seller Indemnified Parties harmless under SECTION 6.3(a)(i) with respect to Loss and Expense only to the extent that the aggregate amount of such Loss and Expense exceeds the Threshold Limitation, in which event such indemnification shall be effective only for Loss and Expense in excess of the Threshold Limitation; and (y) the aggregate liability of Purchaser for Loss and Expense with respect to the indemnification described in SECTION 6.3(a)(i) shall not exceed, on an aggregate basis, the Amount Limitation; provided, however, that neither the Threshold Limitation nor the Amount Limitation shall apply to the indemnification described in SECTION 6.3(a)(i) with respect to the representations and warranties of Purchaser under SECTIONS 2.2.1 (Corporate Status) or 2.2.5 (Brokers, Finders).

6.4 Survival Period of Purchaser's Indemnification Obligations. The indemnification provided for in SECTION 6.3 shall terminate twelve months after the Closing Date (and no claims shall be made by any Seller Indemnified Party thereafter), provided that:

- (i) the representations and warranties of Purchaser under SECTIONS 2.2.1 (Corporate Status) and 2.2.5 (Brokers, Finders) and the indemnification contained in SECTION 6.3(a)(i) with respect thereto shall survive until thirty (30) days after the applicable statute of limitations (or any extension thereof) has expired; and
- (ii) the indemnification contained in SECTION 6.3(a)(ii) with respect to any obligations or covenants to be performed after the Closing Date shall survive until eighteen (18) months following the date on which such obligation or covenant was last required to be performed

(as the case may be, the "Purchaser Survival Period"). Such indemnification obligation shall continue after the Closing Date without regard to any investigation made at any time by the

Seller Indemnified Party as to any Loss or Expense of which the Seller Indemnified Party has notified Purchaser in accordance with the requirements of SECTION 6.5 on or prior to the expiration of the applicable Purchaser Survival Period, as to which the obligation of Purchaser shall continue until the liability of Purchaser shall have been determined pursuant to this ARTICLE 6, and Purchaser shall have reimbursed the Seller Indemnified Party for the full amount of such Loss and Expense for which Purchaser is determined to be liable in accordance with this ARTICLE 6.

6.5 Notice of Claims. If Purchaser or Seller believes that any Purchaser Indemnified Party or Seller Indemnified Party, as the case may be, has suffered or incurred any Loss or Expense, Purchaser or Seller, as the case may be (the "Indemnitee") shall so notify the other party (the "Indemnitor") promptly in writing describing such Loss or Expense, the amount thereof, if known, and the method of computation of such Loss or Expense, all with reasonable particularity and containing a reference to the provisions of this Agreement or other agreement, instrument, or certificate delivered pursuant hereto in respect of which such Loss or Expense shall have occurred, except that the failure to so notify shall not relieve the Indemnitor of its obligations to indemnify except to the extent its rights hereunder are prejudiced.

6.6 Third Party Claims.

(a) In the event a third party claim giving rise to indemnification hereunder is made or threatened, the Indemnitee shall promptly notify the Indemnitor in writing.

(b) The Indemnitor shall have thirty (30) days after receipt of the notice referred to in SECTION 6.6(a) to notify the Indemnitee that it elects to conduct and control the defense of such claim. If the Indemnitor does not give the foregoing notice, the Indemnitee shall have the right to defend and contest such claim in any manner the Indemnitee reasonably deems appropriate; provided, however, that (i) the Indemnitee shall not consent to the entry of any judgment or to any settlement of such claim without the prior written consent of the Indemnitor, not to be unreasonably withheld or delayed, (ii) the Indemnitor shall have the right at any point to participate in the Indemnitee's defense, to attend meetings and conferences and to review such information and documents in Indemnitee's possession as it may reasonably request concerning such action or suit and (iii) the Indemnitor may, at any time during the conduct of such proceedings, by written notice to the Indemnitee, assume the conduct and control of defense of such claim. If the Indemnitor gives notice of its election to conduct and control the defense of such claim, the Indemnitor shall have the right to undertake, conduct, and control, through counsel of its own choosing and at the sole expense of the Indemnitor, the conduct and settlement of such claim and any proceedings arising from such claim, and the Indemnitee shall cooperate with the Indemnitor in connection therewith; provided that (w) the Indemnitor shall not settle or compromise any such claim or any proceedings arising from such claim without the Indemnitee's prior written consent (not to be unreasonably withheld or delayed), unless the terms of such settlement or compromise release the Indemnitee from any and all liability with respect to such action or suit, (x) the Indemnitor shall not thereby permit to exist any lien, encumbrance, or other adverse charge upon any asset of any indemnified person or permit the issuance of an injunction or other equitable relief against the Indemnitee, (y) the Indemnitor shall permit the Indemnitee to participate in such conduct or settlement through one counsel chosen by the Indemnitee, and the fees and expenses of such counsel shall be borne by the Indemnitee except

as provided in clause (z) below, and (z) the Indemnitor shall agree promptly to reimburse to the extent required under this ARTICLE 6 the Indemnitee for the full amount of any Loss resulting from such action or suit and all related Expense incurred by the Indemnitee, except fees and expenses of counsel for the Indemnitee incurred after the assumption of the conduct and control of such action or suit by the Indemnitor. So long as the Indemnitor is contesting any such action or suit in good faith, the Indemnitee shall not pay or settle any such action or suit. Notwithstanding the foregoing, the Indemnitee shall have the right to pay or settle any such action or suit, provided that in such event the Indemnitee shall waive the right to indemnity therefor by the Indemnitor, and no amount in respect thereof shall be claimed as Loss or Expense under this ARTICLE 6 unless otherwise agreed by the parties.

6.7 Exclusivity. Following the Closing, in the absence of actual fraud on the part of an Indemnitor (in which case the Indemnitee may avail itself of all statutory and common law remedies for such fraud) the right to receive indemnification pursuant to this ARTICLE 6 shall be the sole and exclusive

remedy of the Indemnatee for monetary damages of any kind with respect to any breach of this Agreement or conduct otherwise relating to the negotiation and completion of the transactions contemplated herein.

ARTICLE 7. - MISCELLANEOUS

7.1 Survival. Notwithstanding any otherwise applicable statute of limitations, all agreements, covenants, representations, and warranties of Purchaser and Seller in this Agreement and in any other agreement, instrument, or document delivered in connection herewith shall survive Closing in accordance with their terms.

7.2 Expenses. Except as otherwise provided herein, Purchaser and Seller shall assume and bear their own expenses, costs, and fees incurred in the preparation and execution of this Agreement and compliance herewith, including investment bankers', attorneys', and accountants' fees, whether or not the purchase and sale provided for herein shall be consummated.

7.3 Assignment; Successors; Parties in Interest. This Agreement shall not be assignable by either party without the prior written consent of the other party; provided, however, that (i) Purchaser may assign this Agreement to any lender of Purchaser; (ii) Seller may assign this Agreement to any lender of Seller; (iii) Purchaser may assign this Agreement in connection with the sale of all or substantially all of the Assets; and (iv) Seller may assign this Agreement in connection with the sale of all or substantially all of its assets. This Agreement shall inure to the benefit of, and be binding on and enforceable against, each party hereto and such permitted successors and assigns of the respective parties hereto, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under this Agreement, except such limited rights as are conferred upon Seller Indemnified Parties and Purchaser Indemnified Parties pursuant to ARTICLE 6.

7.4 Amendment and Modification. Neither this Agreement nor any term hereof may be changed, waived, discharged, or terminated orally, but only with the written consent signed by the party against which such change, waiver, discharge, or termination is sought to be enforced;

provided, however, that if one party gives written notice to the other party prior to the Closing that any of the conditions precedent to the other party's obligation to consummate the transactions contemplated hereby has not been fulfilled and the other party proceeds to consummate the transactions contemplated hereby, such other party shall be deemed to have waived such condition (and any related breach of representation, warranty, or covenant), and neither party shall have any liability under this Agreement with respect to such waived condition (or any related breach of representation, warranty, or covenant). The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent or other breach, whether similar or not.

7.5 Bulk Sales Law. Purchaser hereby waives compliance by Seller with any applicable bulk sales law, subject to Seller's obligations under SECTION 6.1(a)(iv), provided, however, that this indemnity shall not affect the obligation of Purchaser to pay and discharge the Assumed Liabilities.

7.6 Notices. All notices, consents, requests, instructions, approvals, and other communications provided for herein and all legal processes in regard hereto shall be validly given, made, or served, if in writing and delivered personally or sent by registered or certified mail, postage prepaid, or by commercial courier or by telecopy (promptly confirmed in writing) to the following addresses (or at such other addresses for such party as shall be specified by like notice):

To Seller:

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

With a copy to:
(which copy shall not constitute notice)

Wyche, Burgess, Freeman & Parham, P.A.
44 East Camperdown Way
Greenville, SC 29601
Post Office Box 728
Greenville, SC 29602-0728
Attention: Eric B. Amstutz, Esq.
Telecopy: 864-235-8900
Telephone: 864-242-8200

To Purchaser:

Parkdale Mills, Inc.
531 Cotton Blossom Circle
Gastonia, NC 28054

Attention:
Telecopy:
Telephone:

With a copy to:
(which copy shall not constitute notice)

Kilpatrick Stockton LLP
214 N. Tryon St., Suite 2500
Charlotte, North Carolina 28202
Attention:
Telecopy: 704-338-5125
Telephone: 704-338-5000

7.7 Captions. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

7.8 Entire Agreement. This Agreement (including the Schedules and Exhibits) and the agreements to be executed and delivered at Closing pursuant to ARTICLE 4 constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, including, without limitation, the letter of intent between the parties dated October 28, 2004.

7.9 Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute one and the same instrument.

7.10 Severability. If any term or provision of this Agreement is held by a court or other authority of competent jurisdiction to be invalid, void, or unenforceable, the remaining terms and provisions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

7.11 Arbitration. Except for (i) matters relating to specific performance, injunctive relief, or other equitable remedies, or (ii) indemnifiable third party claims pursuant to ARTICLE 6, the parties hereto agree to submit to arbitration any and all matters in dispute or in controversy among them concerning the terms and provisions of this Agreement. All such disputes and controversies 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.

7.12 Confidential Nature of Information. Each party agrees that it will treat in confidence all documents, materials, and other information which it shall have obtained from the other party regarding the other party during the course of the negotiations leading to the consummation of the transactions contemplated hereby (whether obtained before or after the date of this Agreement), the investigation provided for herein, and the preparation of this Agreement and other related documents and, in the event that the transactions contemplated hereby shall not be consummated, each party will return to the other party all copies of nonpublic documents and materials that have been furnished in connection therewith or that reflect nonpublic information provided by the other party. The obligation of each party to treat such documents, materials, and other information in confidence 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 and, following Closing, Purchaser shall have no obligation to treat in confidence documents, materials, and other information included among the Assets.

7.13 Public Announcement. The Purchaser and the Seller, acting reasonably and promptly, will consult and agree with each other as to the nature, timing, and content of any press release, public statement, or public announcement relating to the transactions contemplated by this Agreement; provided, however, that either party may make a press release, public statement, or public announcement relating to the transactions contemplated by this Agreement to the extent required by Applicable Law.

7.14 Schedules and Exhibits. The Schedules and Exhibits are a part of this Agreement as if fully set forth herein. All references to Sections, subsections, Schedules and Exhibits shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

7.15 Definitions. Used in this Agreement, the following terms have the meanings specified or referred to in this SECTION 7.15:

(a) "Agreement" shall have the meaning set forth on Page 1 of this Agreement.

(b) "Amount Limitation" shall have the meaning set forth in SECTION 6.1(b).

(c) "Applicable Law" means all applicable provisions of (i) constitutions, treaties, statutes, laws (including common law), rules, regulations, ordinances, codes, and orders of any Governmental Authority, (ii) consents of, with, or to any Governmental Authority, and (iii) orders, decisions, injunctions, writs, judgments, awards, decrees of, and agreements with any

Governmental Authority, in each case as in effect on the Closing Date or at such prior date as is relevant in the context.

(d) "Assets" shall have the meaning set forth in SECTION 1.1.

(e) "Business" shall have the meaning set forth in the recitals to this Agreement.

(f) "CERCLA" shall have the meaning set forth in SECTION 2.1.10(g).

(g) "CERCLIS" shall have the meaning set forth in SECTION 2.1.10(g).

(h) "Closing" shall have the meaning set forth in SECTION 1.3.

(i) "Closing Date" shall have the meaning set forth in SECTION 1.3.

(j) "COBRA" shall have the meaning set forth in SECTION 3.6(d).

(k) "Code" means the Internal Revenue Code of 1986, as amended.

(l) "Contaminant" means any pollutant, hazardous substance, radioactive substance, toxic substance, hazardous waste, medical waste, radioactive waste, special waste, petroleum or petroleum-derived substance or waste, asbestos, PCBs, or any hazardous or toxic constituent thereof, including, but not limited to, any substance defined in or regulated under any Environmental, Health, or Safety Requirements of Law.

(m) "Cutoff" shall have the meaning set forth in SECTION 3.8(a).

(n) "Edgefield Facility" shall have the meaning set forth in the recitals to this Agreement.

(o) "EHS Permits" shall have the meaning set forth in SECTION 2.1.10(b).

(p) "Environmental Damages" means all claims, judgments, damages, losses, penalties, fines, interest, fees, liabilities (including strict liability), encumbrances, liens, costs, reasonable expenses of investigation and defense of any claim, and all good faith settlements or judgments of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including, without limitation, reasonable attorneys' fees, disbursements, and consultants' fees, any of which are incurred as a result of the existence of any Contaminant(s) in violation of any Environmental, Health, or Safety Requirements of Law or noncompliance with any Environmental, Health, or Safety Requirements of Law, including without limitation:

(i) Damages related to exposure to any Contaminant(s) on the Real Property for personal injury or threatened injury (including sickness, disease, or death), or injury or threatened injury to property or natural resources, foreseeable or unforeseeable;

(ii) Reasonable fees incurred for the services of attorneys, consultants, contractors, doctors, experts, laboratories, and all other reasonable costs incurred in relation to the

Real Property in connection with any damages as described in subparagraph (i) of this definition, and the investigation or remediation of any Contaminant(s) (to the extent required by Environmental, Health, or Safety Requirements of Law) or the violation of by Seller of any Environmental, Health, or Safety Requirements of Law related to the Real Property, including, but not limited to, the preparation of any feasibility studies or reports or the performance of any investigations, cleanup, treatment, remediation, removal, response, abatement, containment, closure, storage, disposal, transport, restoration, or monitoring work required by any Governmental Authority or otherwise expended in connection with such work; and

(iii) Liability related to the Real Property to any third Person or Governmental Authority to indemnify such Person or Governmental Authority for costs expended in connection with the items referenced in subparagraphs (i) and (ii) of this definition.

(q) "Environmental, Health, or Safety Requirements of Law" means all federal, state and local laws, statutes, codes, ordinances, rules, regulations, EHS Permits, and orders relating to or addressing the environment, health, or safety as in effect and as adopted as of the Closing Date, including, but not limited to, any law, statute, code, ordinance, rule, regulation, EHS Permit, or order relating to (i) the use, handling, or disposal of any Contaminant, or (ii) workplace or worker safety and health, as such requirements were promulgated by the specifically authorized Governmental Authority responsible for administering such requirements.

(r) "Environmental Lien" means a lien in favor of any Governmental Authority for any (a) liability under any Environmental, Health, or Safety Requirement of Law, or (b) damages arising from, or costs incurred by, such Governmental Authority in response to a Release or threatened Release of a Contaminant into the environment.

(s) "Excluded Assets" shall have the meaning set forth in SECTION 1.2.

(t) "Excluded Liabilities" shall have the meaning set forth in SECTION 1.5.

(u) "Expense" shall have the meaning set forth in SECTION 6.1(a).

(v) "Governmental Authority" means any agency, department, court, or other administrative, legislative or regulatory authority of any federal, state, or local governmental body.

(w) "Hired Employees" shall have the meaning set forth in SECTION 3.6(a).

(x) "Indemnitee" shall have the meaning set forth in SECTION 6.5.

(y) "Indemnitor" shall have the meaning set forth in SECTION 6.5.

(z) "Inventory" shall have the meaning set forth in SECTION 1.1(c).

(aa) "Liens" means, with respect to any assets or properties (whether real, personal or mixed, or tangible or intangible), any mortgage, pledge, option, escrow, hypothecation, lien, pledge, security interest, financing statement, lease, charge, preemptive subscription,

encumbrance, easement, option, conditional sale, or other title retention or security agreement or any other similar restriction, claim, or right of others, on, in, or with respect to such assets or properties, whether arising by contract, operation of law, or otherwise.

(bb) "Loss" shall have the meaning set forth in SECTION 6.1(a).

(cc) "Material Adverse Effect" or "Material Adverse Change" means a material adverse effect or change, respectively, on the properties, assets (tangible and intangible), liabilities, financial condition, or results of operations of the Business.

(dd) "NPL" shall have the meaning set forth in SECTION 2.1.10(g).

(ee) "PCBs" shall have the meaning set forth in SECTION 2.1.10(m).

(ff) "Permitted Liens" means (i) Liens for Taxes not yet due or which are being contested in good faith and by appropriate proceedings; (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than thirty (30) days or which are being contested in good faith and by appropriate proceedings, and (iii) with respect to the Real Property, all easements, servitudes, rights of way, licenses and similar encumbrances on title that do not render title to such real property unmarketable and do not materially impair the use or value of such property for its intended purposes in the Business as presently conducted.

(gg) "Person" means any individual, partnership, limited liability company, corporation, trust, unincorporated organization, or any other form of legal entity.

(hh) "Plans" means each "employee benefit plan," as that term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such plan is subject thereto, and each bonus, deferred, or incentive compensation, stock purchase, stock option, severance, and termination pay plan or program that is maintained or contributed to by Seller for the benefit of Seller Personnel.

(ii) "Purchase Price" shall have the meaning set forth in SECTION 1.4.

(jj) "Purchaser" shall have the meaning set forth on Page 1 of this Agreement.

(kk) "Purchaser Indemnified Parties" shall have the meaning set forth in SECTION 6.1(a).

(ll) "Purchaser Survival Period" shall have the meaning set forth in SECTION 6.4.

(mm) "RCRA" shall have the meaning set forth in SECTION 2.1.10(h).

(nn) "Real Property" shall have the meaning set forth in SECTION 1.1(a).

(oo) "Release" means the release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, or migrating into the indoor or outdoor environment of any Contaminant through or in the air, soil, surface water, or groundwater.

(pp) "Remedial Action" means actions to the extent required by any Environmental, Health or Safety Requirements of Law to (i) investigate, clean up, remove, treat, monitor, or in any other way address any Contaminant(s) in the indoor or outdoor environment; (ii) prevent the Release or threat of Release

or minimize the further Release of any Contaminant(s); or (iii) investigate and determine if a remedial response is needed (provided that such investigation shall not be deemed a Remedial Action unless such investigation concludes that a remedial response is in fact needed or unless such investigation is required under any Environmental, Health, or Safety Requirements of Law or is ordered by any Governmental Authority) and to design such a response and post-remedial investigation, monitoring, reporting, operation, maintenance, and care.

(qq) "Required Number" shall mean a number equal to the number of active, full-time employees of Seller in the Business as of the Closing Date, minus forty-nine (49).

(rr) "Seller" shall have the meaning set forth on page 1 of this Agreement.

(ss) "Seller Indemnified Parties" shall have the meaning set forth in SECTION 6.3(a).

(tt) "Seller Personnel" means current and former officers, partners, employees, consultants, and agents of the Business.

(uu) "Seller Survival Period" shall have the meaning set forth in SECTION 6.2.

(vv) "Stated Value" shall mean the cost of Inventory on the books and records of Seller as of the Closing Date computed in accordance with generally accepted accounting principles.

(ww) "Taxes" shall have the meaning set forth in SECTION 2.1.8.

(xx) "Threshold Limitation" shall have the meaning set forth in SECTION 6.1(b).

(yy) "WARN Act" shall have the meaning set forth in SECTION 3.6(h).

7.16 Governing Law. This Agreement shall be governed in all respects, including validity, interpretation, and effect, by the laws of the State of North Carolina, without giving effect to the conflict of laws rules thereof. Subject to the provisions of SECTION 7.11, Seller and Purchaser hereby consent to the jurisdiction of any State or Federal court located within the State of North Carolina and each irrevocably agrees that all actions or proceedings relating to this Agreement may be litigated in such courts and hereby waives any objection which each may have based on improper venue or forum non conveniens to the conduct of any proceeding in any such court.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

DELTA APPAREL, INC.

By: _____
Name:
Title:

PARKDALE AMERICA, LLC

By: _____
Name:
Title:

SIGNATURE PAGE TO THE ASSET PURCHASE AGREEMENT

EXHIBIT 2.3.1

FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT

THIS FIRST AMENDMENT, dated as of December 31, 2004 (this "Amendment"), to that certain Asset Purchase Agreement, dated as of November 18, 2004 (the "Agreement"), by and between Delta Apparel, Inc., a Georgia corporation ("Seller"), and Parkdale America, LLC, a North Carolina limited liability company ("Purchaser"), recites and provides as follows:

WHEREAS, Purchaser and Seller desire to amend the Agreement, as set forth below, and desire that, except as provided under this Amendment, the Agreement shall remain in full force and effect:

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows (capitalized terms used but not otherwise defined herein have the respective meanings attributed thereto in the Agreement):

1. Subject to the satisfaction or waiver of all respective conditions to each party's obligations to close, the Closing shall be consummated at the offices of Kilpatrick Stockton LLP in Charlotte, North Carolina on January 4, 2005, or at such other place, time, or date as the parties hereto may agree in writing (the "Closing Date"), effective as of 11:59 p.m. on the Closing Date.

2. The Stated Value of the raw materials that constitute Inventory is an amount equal to \$986,662. The Stated Value of the work-in-process that constitutes Inventory is an amount equal to \$301,321. The Purchase Price payable in accordance with Section 1.4(a) of the Agreement is an amount equal to \$11,287,983 (\$10,000,000 plus the Stated Value of the Inventory) and shall be payable by Purchaser to Seller on the Closing Date by wire transfer of immediately available funds to the account designated on EXHIBIT A attached hereto.

3. Section 5.1.3 of the Agreement is hereby amended and restated in its entirety as follows:

"5.1.3 Termination by Either Party. This Agreement may be terminated by either Purchaser or the Seller if (i) the representations and warranties of the other party shall prove not to have been true in all material respects as of the date when made, (ii) events shall have occurred subsequent to the date hereof as a result of which the representations and warranties of the other party could not be true in all material respects as of the Closing Date, unless the occurrence of such events shall be due to the failure of the party seeking to terminate this Agreement to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by such party prior to the Closing, or (iii) the Closing shall not have occurred prior to 5:00 p.m., Charlotte,

North Carolina, local time, January 7, 2005 (or such other date as may be mutually agreed to by the parties) through no fault of the terminating party."

4. This Amendment shall be governed in all respects, including validity, interpretation, and effect, by the laws of the State of North Carolina, without giving effect to the conflict of laws rules thereof.

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of the date first above written.

DELTA APPAREL, INC.

By: _____
Name:
Title:

PARKDALE AMERICA, LLC

By: _____
Name:
Title:

EXHIBIT 10.2.2

THIRD AMENDMENT TO AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

This THIRD AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Amendment") is entered into as of January 6, 2005, among DELTA APPAREL, INC., a Georgia corporation ("Borrower"), Lenders signatory hereto, and WACHOVIA BANK, NATIONAL ASSOCIATION (successor by merger to Congress Financial Corporation (Southern)), as Agent ("Agent").

W I T N E S S E T H:

WHEREAS, Borrower, Agent, Guarantors and the Lenders are parties to that certain Amended and Restated Loan and Security Agreement dated as of October 3, 2003, as amended by that certain First Amendment to Amended and Restated Loan and Security Agreement ("First Amendment") dated August 30, 2004, and as further amended by that certain Second Amendment to Amended and Restated Loan and Security Agreement ("Second Amendment") dated November 8, 2004 (as so amended, the "Loan Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Loan Agreement), pursuant to which Agent and Lenders have agreed to make Advances, issue or arrange for the issuance of Letters of Credit and make other extensions of credit to Borrower from time to time pursuant to the terms and conditions thereof and the other Financing Agreements;

WHEREAS, Congress Financial Corporation (Southern) merged with and into Wachovia Bank, National Association, as of December 31, 2004;

WHEREAS, Borrower has sold to Parkdale America, LLC ("Parkdale") certain assets associated with its yarn-spinning facility in Edgefield, South Carolina, pursuant to that certain Asset Purchase Agreement between Borrower and Parkdale dated as of November 18, 2004, as amended by that First Amendment to Asset Purchase Agreement between Borrower and Parkdale dated as of December 31, 2004;

WHEREAS, Borrower has requested that certain terms and conditions of the Loan Agreement be amended; and

WHEREAS, Agent, Lenders and, by their respective acknowledgments hereof, Guarantors have agreed to the requested amendments on the terms and conditions provided herein;

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. AMENDMENTS TO THE LOAN AGREEMENT.

(a) Section 1 of the Loan Agreement, Definitions, is hereby amended by amending and restating the definitions of "Agent" and "Fixed Asset Loan Limit" in their entirety to read as follows:

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

"Fixed Asset Loan Limit" shall mean \$5,000,000.

(b) Section 1 of the Loan Agreement, Definitions, is further amended by deleting the definition of "Congress" and by adding in lieu thereof the following new definition:

"Wachovia" shall mean Wachovia Bank, National Association (successor by merger to Congress Financial Corporation (Southern)).

(c) The Loan Agreement is further amended by deleting all references to "Congress" and by inserting "Wachovia" in lieu thereof.

2. ACKNOWLEDGMENTS OF WACHOVIA AS SUCCESSOR TO CONGRESS. Each of the undersigned hereby acknowledges and agrees as follows: (a) all references in the Loan Agreement and each of the other Financing Agreements to Congress Financial Corporation (Southern), as Agent, shall be deemed to be references to Wachovia

Bank, National Association, as Agent, (b) all references in the Loan Agreement and each of the other Financing Agreements to Congress Financial Corporation (Southern), individually as a Lender, shall be deemed to be references to Wachovia Bank, National Association, individually as a Lender, and (c) Wachovia as successor to Congress Financial Corporation (Southern) shall be the successor Agent under the Financing Agreements and shall be endowed with all of the rights, powers and duties of Agent under the Financing Agreements.

3. NO OTHER AMENDMENTS OR WAIVERS. Except for the amendments set forth above, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver or amendment of any right, power or remedy of Agent or Lenders under the Loan Agreement or any of the other Financing Agreements, nor constitute a waiver or amendment of any provision of the Loan Agreement or any of the other Financing Agreements. Except for the amendments set forth above, the text of the Loan Agreement and all other Financing Agreements shall remain unchanged and in full force and effect and Borrower hereby ratifies and confirms its obligations thereunder. Borrower acknowledges and expressly agrees that Agent and Lenders reserve the

right to, and do in fact, require strict compliance with all terms and provisions of the Loan Agreement and the other Financing Agreements, as amended herein. Borrower has no knowledge of any challenge to Agent's or any Lender's claims arising under the Financing Agreements or to the effectiveness of the Financing Agreements.

4. CONDITIONS PRECEDENT TO EFFECTIVENESS. This Amendment shall become effective when, and only when, Agent shall have received:

(a) counterparts of this Amendment duly executed and delivered by Borrower, Agent and the Lenders; and

(b) such other information, documents, instructions or approvals as Agent or Agent's counsel may reasonably require.

5. REPRESENTATIONS AND WARRANTIES OF BORROWER. In consideration of the execution and delivery of this Amendment by Agent and Lenders, Borrower hereby represents and warrants in favor of Agent and Lenders as follows:

(a) the execution, delivery and performance of this Amendment and the transactions contemplated hereunder are (i) all within Borrower's corporate powers, (ii) have been duly authorized, (iii) are not in contravention of law or the terms of Borrower's certificate of incorporation, by-laws, or other organizational documentation, or any indenture, agreement or undertaking to which Borrower is a party or by which Borrower or its property are bound and (iv) do not result in or require the creation or imposition of any Lien upon or with respect to any of the properties of Borrower or any of its Subsidiaries (other than Liens in favor of Agent);

(b) this Amendment has been duly authorized, validly executed and delivered by one or more authorized signatories of Borrower and constitutes the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms;

(c) the execution, delivery and performance of this Amendment does not and will not require the consent or approval of any regulatory authority or governmental authority or agency having jurisdiction over Borrower that has not already been obtained;

(d) no Default or Event of Default exists under the Loan Agreement or the other Financing Agreements;

(e) as of the date hereof and after giving effect to this Amendment, all representations and warranties of Borrower and Guarantors set forth in the Loan Agreement and the other Financing Agreements are true, correct and complete in all material respects; and

(f) all Financing Agreements to which Borrower is a party, including, without limitation, the Loan Agreement, constitute valid and legally binding obligations of Borrower and

are enforceable against Borrower in accordance with the terms thereof.

6. REAFFIRMATION OF FINANCING AGREEMENTS AND PRIOR AMENDMENTS. Borrower

hereby ratifies and reaffirms the Obligations, the Liens granted in favor of Agent, for the benefit of Lenders, in all of the Collateral, the First Amendment, the Second Amendment, each of the Financing Agreements and all of Borrower's covenants, duties, indebtedness and liabilities under the Financing Agreements.

7. COUNTERPARTS. This Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same agreement. In proving this Amendment in any judicial proceedings, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom such enforcement is sought. Any signatures delivered by a party by facsimile transmission or by e-mail transmission of an adobe file format document (also known as a PDF file) shall be deemed an original signature hereto.

8. REFERENCE TO AND EFFECT ON FINANCING AGREEMENTS. Upon the effectiveness of this Amendment, on and after the date hereof, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Financing Agreements to "the Loan Agreement" "thereunder," "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as amended hereby.

9. AFFIRMATION OF GUARANTY. By executing this Amendment, each Guarantor hereby acknowledges, consents and agrees that all of its obligations and liability under the Loan Agreement remain in full force and effect, and that the execution and delivery of this Amendment and any and all documents executed in connection herewith shall not alter, amend, reduce or modify its obligations and liability under the Loan Agreement or any of the other Financing Agreements to which it is a party.

10. COSTS, EXPENSES AND TAXES. Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including, without limitation, the fees and out-of-pocket expenses of counsel for Agent with respect thereto and with respect to advising Agent as to its rights and responsibilities hereunder and thereunder. In addition, Borrower agrees to pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, and agree to save Agent and Lenders harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes. Borrower hereby acknowledges and agrees that Agent may, without prior notice to Borrower, charge such costs and fees to Borrower's loan account pursuant to the Loan Agreement, which amounts shall constitute Loans under the Loan Agreement.

11. SECTION TITLES. The section titles contained in this Amendment are included for the sake of convenience only, shall be without substantive meaning or content of any kind

whatsoever, and are not a part of the agreement between the parties.

12. ENTIRE AGREEMENT. This Amendment and the other Financing Agreements constitute the entire agreement and understanding between the parties hereto with respect to the transactions contemplated hereby and supersede all prior negotiations, understandings and agreements between such parties with respect to such transactions.

13. GOVERNING LAW. THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AMENDMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF GEORGIA.

14. FINANCING AGREEMENT. This Amendment shall be deemed to be a Financing Agreement for all purposes.

[Remainder of page intentionally left blank; signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the day and year first written above.

BORROWER:

DELTA APPAREL, INC., a Georgia corporation

By: _____
Title: _____

AGENT AND LENDERS:

WACHOVIA BANK, NATIONAL
ASSOCIATION, AS AGENT AND A LENDER

By: _____
Title: _____

ING CAPITAL LLC, AS A LENDER

By: _____
Title: _____

SIEMENS FINANCIAL SERVICES, INC., AS A
LENDER

By: _____
Title: _____

[Signatures continue on following page]

Acknowledged And Agreed:

GUARANTORS:

M.J. SOFFE CO., a North Carolina corporation

By: _____
Title: _____

SAIM, LLC, a North Carolina limited liability
company

By: _____
Title: _____

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 at 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 freights 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 herof, 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:

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 mean * points off
- C = * (representing a waste factor of *) for 100% cotton Yarn and * (representing a waste factor of *) for 50/50 Yarn and Blends
- D = Conversion Price for each of the following respective counts of Yarn (the "Yarn Counts"):

<TABLE>	
<CAPTION>	
Yarn Count:	Conversion Price Per Pound:
- - - - -	- - - - -
<S>	<C>
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	*
</TABLE>	

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.

* 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.

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.

* 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.

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 manufacturers such excess Yarn from cotton purchased by it in the spot market.

SCHEDULE FOR COTTON PRICE FIXATIONS:

<TABLE> <CAPTION> Quarter:	Prices to be fixed prior to:	NY Futures Cover Month:
- - - - -	- - - - -	- - - - -
<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:

<TABLE> <CAPTION> Delta:	Parkdale:
- - - - -	- - - - -
<S>	<C>
Robert W. Humphreys	Duke Kimbrell
Herbert M. Mueller	Andy Warlick
Charles Sutlief	Gene Frye
Deborah H. Merrill	Stuart Frazer

* 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.

EXHIBIT 10.30

DELTA APPAREL, INC.
2004 NON-EMPLOYEE DIRECTOR STOCK PLAN

1. **PURPOSE.** The purpose of the 2004 Non-Employee Director Stock Plan (the "Plan") is to include equity as a component of the compensation of non-employee members of the Board of Directors (the "Board") of Delta Apparel, Inc. (the "Company").
2. **EFFECTIVE DATE AND TERM OF PLAN.** Subject to approval of the shareholders of the Company in accordance with applicable law and securities exchange rules, the Plan shall be effective as of October 1, 2004 and shall remain in effect until the earlier of (a) the date the Plan is terminated by the Board; or (b) October 1, 2009.
3. **ELIGIBILITY.** Any member of the Board who is not an employee of the Company or any of its subsidiaries shall be eligible to receive an award under the Plan.
4. **ADMINISTRATION.** The Compensation Grants Committee of the Board (the "Committee") shall administer the Plan, provided that the Board at any time may elect to exercise the authority of the Committee under the Plan. Each reference herein to the Committee shall be understood to include reference to the Board when it elects to exercise such authority. Subject to the express provisions of this Plan, the Committee shall have the authority to do all things that it may deem necessary or desirable in connection with the administration of the Plan, including without limitation the authority (a) to establish, modify and revoke rules relating to the Plan; (b) to interpret the terms of the Plan, any rules under the Plan and the terms and conditions of any award under the Plan; (c) to approve the form and content of any documentation relating to awards under the Plan or Plan administration; and (d) consistent with the express provisions of the Plan, to approve, establish and amend (subject to the award recipient's consent except with respect to amendments pursuant to Section 8) the terms governing an award under the Plan. All determinations, interpretations and decisions made by the Committee under or with respect to the Plan and awards under the Plan shall be final, conclusive and binding on the Company, each eligible person, each Plan participant and any beneficiary of an award. No member of the Committee or the Board shall be liable for any action taken in good faith with respect to the Plan.
5. **SHARES SUBJECT TO PLAN.** Up to 25,000 shares of the common stock of the Company may be issued pursuant to awards under the Plan. In any [fiscal] year, awards may not be granted with respect to the issue of more than 5000 shares. In the event that any shares subject to an award are forfeited or otherwise fail to be issued prior to the forfeiture, cancellation or expiration of an award, such shares shall again be available for awards under the Plan.
6. **AWARDS.** The Committee shall determine which eligible individuals will receive awards under the Plan, the number of shares granted to each award recipient and the other terms and conditions, if any, of each award. No awards under the Plan shall be effective unless and until the Plan has been approved by the shareholders of the Company in accordance with applicable law and securities exchange rules.
7. **DIVIDENDS; SHAREHOLDER RIGHTS.** An award of shares under the Plan shall not entitle a recipient to receive any dividends or any equivalent amounts prior to the actual issue of shares to the recipient. An award recipient shall not have any rights as a shareholder prior to the actual issue of shares to the recipient.
8. **ADJUSTMENTS.** In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of Company assets to shareholders or any other change affecting the common stock of the Company, the Committee

may make such adjustments to any outstanding awards that the Committee, in its sole discretion, may deem appropriate to reflect such change.
9. **COMPLIANCE WITH APPLICABLE LAWS.** Notwithstanding any other provision in the Plan, the Company shall have no liability to issue any shares under the Plan unless such issuance would comply with all applicable laws, including without limitation the Securities Act of 1933, the Securities Exchange Act of 1934 and any applicable state securities laws, and all applicable requirements of any securities exchange or similar entity.

10. NO FRACTIONAL SHARES. If any award would result in the issue of fractional shares, cash shall be paid in lieu of the issue of such fractional shares.

11. TRANSFERABILITY. Awards under the Plan may not be sold, assigned, pledged, alienated or otherwise transferred or encumbered except by will, the laws of descent and distribution or pursuant to a domestic relations order entered by a court of competent jurisdiction.

12. AMENDMENT; TERMINATION. The Committee may amend or terminate the Plan at any time, provided that (a) no such amendment or termination shall affect the terms of any award previously granted under the Plan without the award recipient's consent and (b) no amendment that increases the total numbers of shares that may be issued under the Plan or under awards granted within the same [fiscal] year shall be effective unless and until duly approved by the shareholders of the Company in accordance with applicable law and securities exchange rules.

13. SUCCESSORS AND ASSIGNS. The Plan shall be binding on all successors and permitted assigns of an award recipient or eligible individual, including without limitation any such person's executor, personal representative, estate, trustee, receiver or trustee in bankruptcy or creditor representative.

14. NO RIGHT TO CONTINUED SERVICE. Neither the Plan nor any award under the Plan shall be construed to grant any individual any right to continued service with the Company in any capacity.

15. GOVERNING LAW. The validity, interpretation and effect of the Plan, any instrument or document created in connection with the Plan and any actions taken with respect or relating to the Plan shall be determined in accordance with the laws of the State of Georgia, without the application of choice of law principles, and applicable U.S. federal law.

Executed on behalf of the Company effective as of October 1, 2004 on this _____ day of _____, 2004.

DELTA APPAREL, INC.

By: _____
Martha M. Watson, Vice President

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 quarterly report on Form 10-Q 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)) 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) 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
 - c) 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 the 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 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: February 7, 2005

/s/ Robert W. Humphreys

President 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, Herbert M. Mueller, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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) 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
 - c) 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 the 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 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: February 7, 2005

/s/ Herbert M. Mueller

Vice President and Chief Financial Officer

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 Quarterly Report on Form 10-Q for the quarterly period ended January 1, 2005 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: February 7, 2005

/s/ Robert W. Humphreys

Robert W. Humphreys
President & Chief Executive Officer

A signed original of this written statement required by section 906 has been provided to Delta Apparel, Inc. and will be retained by Delta Apparel, Inc. 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, Herbert M. Mueller, the Chief Financial Officer of Delta Apparel, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

1. The Quarterly Report on Form 10-Q for the quarterly period ended January 1, 2005 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: February 7, 2005

/s/ Herbert M. Mueller

Herbert M. Mueller
Vice President & Chief Financial Officer

A signed original of this written statement required by section 906 has been provided to Delta Apparel, Inc. and will be retained by Delta Apparel, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.