IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: SALT LIFE BEVERAGE, LLC, *et al.*,[1] Debtors.	Chapter 11 Case No. 24-11468 (LSS) (Joint Administration Pending)

DECLARATION OF J. TIM PRUBAN, CHIEF RESTRUCTURING OFFICER OF DELTA APPAREL, INC. AND SUBSIDIARIES IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS

Pursuant to 28 U.S.C. § 1764, J. Tim Pruban declares as follows under the penalty of perjury:

1. I am the president of Focus Management Group ("**Focus**") and serve as the Chief Restructuring Officer of ("**CRO**") of Delta Apparel, Inc. ("**Delta**") along with certain of its wholly-owned direct and indirect subsidiaries (collectively, the "**Debtors**" or the "**Company**"), as debtors and debtors in possession in the above-captioned chapter 11 cases (the "**Chapter 11 Cases**"). I am authorized to submit this declaration (the "**First Day Declaration**") on behalf of the Debtors.

2. On May 6, 2024, Delta and Focus entered into that certain Agreement for Consulting Services Work Authorization #3 (the "**Engagement Agreement**"). The Engagement Agreement modified a then-existing consulting services agreement between Focus and Delta dated July 14, 2023. Pursuant to the Engagement Agreement, Delta appointed me as CRO.

3. As CRO, in consultation with the Board of Directors (the "**Board**") and senior

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are Salt Life Beverage, LLC, a Delaware limited liability company (8436), Delta Apparel, Inc., a Georgia corporation (8794), Salt Life, LLC, a Georgia limited liability company (6136), M. J. Soffe, LLC, a North Carolina limited liability company (2056), Culver City Clothing Company, a Georgia corporation (4619), DTG2Go, LLC, a Georgia limited liability company (6498), and Salt Life Beverage Management, LLC, a Delaware limited liability company (7886). The location of the Debtors' headquarters and mailing address is 2750 Premiere Parkway, Suite 100, Duluth, Georgia 30097.

management of Delta, I, along with Focus, have assisted with certain financial activities and cash management of the Debtors, including but not limited to, reviewing cash flow forecasts and weekly variance analyses, identifying liquidity needs and implementing a cash management program, approving and monitoring cash disbursements, preparing a liquidation analysis, reviewing overall cost structure and recommending cost-cutting measures for Board approval and implementing the same, and monitoring performance against budget and communicating variations to the lender regarding the same.

4. Based on my analysis of public and non-public documents, and my discussions with, and information provided by, other members of the Debtors' management team, employees, agents, investment bankers and advisors, and certain members of my engagement team, I am generally familiar with the Debtors' business, financial condition, policies and procedures, day-to-day operations, and books and records. Michael Grau, a Senior Managing Director at Focus, has been the day-to-day lead at the Company and has been instrumental in providing me with information related to daily operations. Except as otherwise noted, I have personal knowledge of the matters set forth herein or have gained knowledge of such matters from other members of my engagement team or from the Debtors' employees, agents, attorneys, investment bankers and advisors, the accuracy and completeness of which information I relied upon to provide this Declaration.

5. References to the Bankruptcy Code (as hereafter defined), the chapter 11 process, and related legal matters are based on my understanding of such matters in reliance on the explanation provided by, and the advice of, counsel. If called upon to testify, I would testify competently to the facts set forth in this First Day Declaration.

6. On the date hereof (the "**Petition Date**"), each of the Debtors filed a voluntary

petition in the United States Bankruptcy Court for the District of Delaware (the "**Court**") commencing a case for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). The Debtors will continue to operate their business and manage their properties as debtors in possession.

7. I submit this First Day Declaration on behalf of the Debtors in support of the Debtors' (a) voluntary petitions for relief that were filed under chapter 11 of the Bankruptcy Code and (b) "first-day" pleadings, which are being filed concurrently herewith (collectively, the "**First Day Pleadings**").[2] The Debtors seek the relief set forth in the First Day Pleadings to minimize the adverse effects of the commencement of the Chapter 11 Cases on business operations and to maximize the value of their assets. I have reviewed the Debtors' petitions and the First Day Pleadings, or have otherwise had their contents explained to me, and it is my belief the relief sought therein is essential to uninterrupted operation of the Debtors' business and to successfully maximize the value of the Debtors' estates.

8. To familiarize the Court with the Debtors and the relief the Debtors seek early in these Chapter 11 Cases, this Declaration is organized into four sections. Section I provides an introduction to the Debtors and detailed information on the Debtors' corporate history and business operations. Section II provides an overview of the Debtors' prepetition corporate and capital structure. Section III describes the circumstances leading to the commencement of the Chapter 11 Cases and the objectives of the Chapter 11 Cases. Section IV sets forth the relevant facts in support of each of the First Day Pleadings filed in connection with the Chapter 11 Cases, which the Debtors believe are critical to administering the Chapter 11 Cases and preserving and maximizing the value of the Debtors' estates. With respect to Section IV of this Declaration, capitalized terms not

[2] Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the applicable First Day Pleadings.

otherwise defined therein shall have the same meanings as defined in the relevant First Day Pleading being discussed.

I. OVERVIEW OF THE DEBTORS' BUSINESS

9. Delta is a vertically integrated, international apparel company that designs, manufactures, sources, and markets a diverse portfolio of core activewear and lifestyle apparel products under the primary brands of Salt Life®, Soffe®, and Delta. Delta's operations are managed and reported in two segments: Delta Group and Salt Life.

10. Delta Group is primarily focused on the activewear styles DTG2Go and Delta Activewear. DTG2Go was shut down and the Company ceased all production operations related to DTG2Go as of June 13, 2024, resulting in a reduction of the Company's workforce by approximately 115 employees.[3] Delta Activewear supplies activewear apparel to direct-to-retail and wholesale markets through two primary channels: Delta Direct and Retail Direct. Delta Direct services the screen print, promotional, and eRetailer markets as well as retail licensing customers that sell through to many mid-tier and mass market retailers. Delta Direct products include a broad portfolio of apparel and accessories under the Delta, Delta Platinum, and Soffe brands. The Retail Direct channel serves brick and mortar and online retailers by providing Delta's portfolio of Delta, Delta Platinum, and Soffe products directly to the retail locations and ecommerce fulfillment centers including sporting goods and outdoor retailers, specialty and resort shops, farm and fleet stores, department stores, and mid-tier retailers.

11. Salt Life is a lifestyle brand that provides cotton graphic tees and logo decals that originally drove awareness for the brand and has also expanded into performance apparel,

[3] Additional information regarding the shutdown of DTG2Go can is contained in Delta's June 18, 2024 8-K filing, on file with the U.S. Securities and Exchange Commission, which is publicly available at https://content.equisolve.net/sec/0001437749-24-020642/dla20240618_8k.htm.

swimwear, board shorts, sunglasses, bags, and accessories. Salt Life is organized around wholesale, ecommerce, and branded retail store markets. The wholesale channel includes retail partners such as surf shops, specialty stores, department stores, and outdoor merchants; the ecommerce channel allows customers to purchase Salt Life merchandise directly online; and the branded retail store channel allows customers to purchase merchandise at retail stores owned and operated by Salt Life.[4]

12. Previously, the Debtors employed approximately 710 employees, and Delta's Non-Debtor Subsidiaries (as defined below) employed approximately 6,000 employees. Over the past two years, Delta has experienced a series of financial difficulties discussed more fully below necessitating a reduction in operations. As a result, and as more fully discussed below, Delta made the strategic decision to de-emphasize its global brands channel, resulting in a significant overall reduction in employees and specifically, the Debtors' workforce has shrunk to approximately 586 employees.

II. PREPETITION CORPORATE AND CAPITAL STRUCTURE

A. Corporate Structure

13. As set forth in the organizational chart attached hereto as Exhibit A, Delta owns, directly or indirectly, the other six (6) Debtors:

- MJ Soffe, LLC ("**Soffe**"), a North Carolina limited liability company;
- Salt Life, LLC ("**Salt Life**"), a Georgia limited liability company;
- DTG2Go, LLC ("**DTG2Go**"), a Georgia limited liability company;
- Culver City Clothing Company ("**Culver**"), a Georgia corporation;
- Salt Life Beverage Mgmt, LLC ("**SLBM**"), a Delaware limited liability company; and

[4] Salt Life's branded retail store footprint now includes 28 locations spanning across the U.S. coastline from Southern California to Key West and up the eastern seaboard to New York.

- Salt Life Beverage, LLC ("**SLB**"),[5] a Delaware limited liability company.

14. Delta also owns, directly or indirectly, seven (7) non-debtor subsidiaries (collectively, the "**Non-Debtor Subsidiaries**"):

- Campeche Sportswear S. de C.V, a foreign entity located in Mexico;
- Delta Campeche S. de C.V.; a foreign entity located in Mexico;
- Atled Holding Company Honduras, S. de R.L., a foreign entity located in Honduras;
- Ceiba Textiles, S. de R..L., a foreign entity located in Honduras;
- Delta Apparel Honduras, S.A., a foreign entity located in Honduras;
- La Paz Honduras, S. de R.L., a foreign entity located in Honduras; and
- Delta Cortes, S.A., a foreign entity located in Honduras.

See Exhibit A hereto.

15. Following the wind-down of its operations in Mexico earlier this year, on June 6, 2024, Delta approved a plan to suspend its manufacturing operations in Honduras, which impacted approximately 2,413 non-Debtor employees who have been furloughed. In addition, on or about June 21, 2024, Delta (through La Paz Honduras, S. de R.L., a foreign entity located in Honduras) sold its interest in and to Textiles La Paz L.L.C., a North Carolina limited liability company, to Charis Investments, Inc.; the manufacturing operation owned by Textile La Paz L.L.C. was not operating prior to the sale.

16. Additionally, Delta (through its subsidiary Delta Apparel Honduras, S.A.) owned 31% of the interests in Green Valley Industrial Park, S.A. de C.V., a foreign joint venture entity located in Honduras, with 17% pledged to secure outstanding debt owed by Delta Apparel Honduras to Banco Ficohsa. On or about June 28, 2024, Delta sold the unpledged 14% interest in

[5] As noted in Exhibit A, Delta owns a 60% interest in SLB. Skull & Barrel, LLC ("**S&B**") owns the remaining 40% interest. Both Delta and S&B authorized the filing of SLB's petition as evidence by the *Joint Action by Unanimous Written Consent of the Boards of Directors of Delta Apparel, Inc. and Skull and Barrel, LLC* attached thereto.

Green Valley Industrial Park to other members of the joint venture. Delta retains the pledged 17% interest, but I understand that Banco Ficohsa may foreclose on and sell such interest in the near future.

17. The culmination of these events is the wind down of Delta's operations in Central America, leaving only its domestic operations.[6]

18. Suspension of the Non-Debtor Subsidiaries' operations resulted in significant severance obligations to former employees, estimated to be approximately $15 million. Upon liquidation of the assets of the Non-Debtor Subsidiaries, there will not be sufficient proceeds to pay these obligations. As a result, I do not anticipate Delta will receive any equity distributions from the Non-Debtor Subsidiaries.

19. As CRO, I have operational control over the Company. Additionally, Delta is governed by a board of directors (the "**Board**") consisting of two (2) directors. Robert W. Humphreys previously served as Chairman of the Board and Chief Executive Officer, but he resigned effective June 29, 2024.

20. Additionally, the following individuals serve as officers of Delta: Nancy P. Bubanich serves as Chief Accounting Officer, Shirley Cook serves as Chief Human Resources Officer, Lauren S. Chang serves as Deputy Corporate Counsel and Corporate Secretary, and Jeff Stillwell serves as President of the Salt Life Group.

B. Equity Ownership

21. Delta is publicly traded on the NYSE American stock exchange under the symbol "DLA." A link to Delta's website where more information about the Delta may be located is

[6] Additional information regarding the wind down of Delta's Central American operations is contained in Delta's June 17, 2024 8-K filing, on file with the U.S. Securities and Exchange Commission, which is publicly available at https://ir.deltaapparelinc.com/all-sec-filings/content/0001437749-24-020480/dla20240612_8k.htm?TB_iframe=true&height=auto&width=auto&preload=false.

https://www.deltaapparelinc.com/. As of the Petition Date, there were 7,051,000 shares of common stock outstanding in Delta.

22. As of the Petition Date, the Debtors had approximately $950,000.00 of cash and cash equivalents on hand[7] and their assets consisted of approximately $350 million on an aggregate basis. The Debtors' aggregate liabilities as of the Petition Date are approximately $250 million.

C. The Pre-petition Credit Agreement

23. On May 10, 2016, the Company obtained a revolving senior credit facility (the "**Senior Credit Facility**") pursuant to a certain Fifth Amended and Restated Credit Agreement (as further amended, the "**Pre-Petition Credit Agreement**") between Wells Fargo Bank, National Association ("**Wells Fargo**"), as Administrative Agent (the "**Senior Credit Facility Agent**"), the Sole Lead Arranger and the Sole Book Runner, and the financial institutions named therein as Lenders, which are Wells Fargo, PNC Bank, and Regions Bank (collectively, the "**Senior Credit Facility Lenders**"). Debtors Soffe, Culver, Salt Life, and DTG2Go (collectively, the "**Borrowers**") are co-borrowers under the Pre-Petition Agreement. SLB and SLBM are not Borrowers under the Pre-Petition Credit Agreement.

24. Between November 27, 2017 and December 27, 2023, the Borrowers and Lenders entered into thirteen separate additional amendments to the Pre-Petition Credit Agreement.[8] Certain of the amendments were necessitated by the Borrowers' lack of compliance with financial covenants due to faltering financial performance.

25. The Senior Credit Facility is used for the Company's general corporate purposes

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[7] Of that amount, only approximately $125,000.00 is not subject to Wells Fargo's security interest under the Pre-petition Credit Agreement. That amount is held by SLB, which is not a Borrower thereunder.

[8] Links to the Pre-Petition Credit Agreement and the various amendments thereto may be found in Delta's Form 10-K for the fiscal year ended September 30, 2023 on file with the U.S. Securities and Exchange Commission, which is publicly available at https://ir.deltaapparelinc.com/all-sec-filings/content/0001437749-23-035505/0001437749-23-035505.pdf.

and those of its subsidiaries, including working capital and capital expenditures. The maximum borrowing amount under the Senior Credit Facility is the lesser of $150 million and a borrowing base calculated with reference to certain percentages of Eligible Accounts, Eligible Inventory, Eligible Equipment, and Eligible Real Property (as such terms are defined therein)—subject to certain reserves—including a maximum of $25 million in letters of credit. The Senior Credit Facility also includes an Availability Block (as defined therein) of $10 million, which reduces the availability thereunder by such amount and contains a "springing" lockbox arrangement whereby remittances from customers are forwarded to Delta's general bank account and do not reduce the outstanding debt until and unless a specified event or an event of default occurs. As of June 28, 2024, the Company had approximately $80,383,098.79 outstanding under the Senior Credit Facility, consisting of Revolving Loans in the principal amount of $79,958,098.79 and Letters of Credit in the undrawn face amount of $425,000.

26. Interest under the Senior Credit Facility is calculated at variable rates plus specified margins based upon the Borrower's excess availability. Borrowers are also required to pay monthly commitment fees based on the unused portion of the borrowing amount and a monthly fee with respect to outstanding letters of credit.

27. The Pre-Petition Credit Agreement is secured by first priority perfected security interests (the "**Pre-Petition Liens**") in all or substantially all personal and real property owned by the Borrowers (the "**Pre-Petition Collateral**").

III. EVENTS LEADING TO THE CHAPTER 11 FILINGS

28. There are several reasons for the filing of these Chapter 11 Cases.

A. Declining Liquidity and Demand

29. A combination of reduced demand and difficulties obtaining raw materials have resulted in declining liquidity that Delta's Board has been unable to counteract, despite their best

efforts. During 2022, cotton prices surged, resulting in increased costs to Delta and declining liquidity. To counteract the increased costs, the Board made the decision during the last part of 2022 to reduce production and obtain lower cost cotton. That decision resulted in reduced costs but also necessitated a one-time occurrence of certain fixed costs, temporary unemployment benefit payments, and other expenses (the "**Production Curtailment Costs**"),[9] which Delta hoped to absorb in 2023. Unfortunately, Delta was not able to offset those costs during 2023 due to diminished demand. Specifically, Delta experienced significant reductions in demand during fiscal year 2023 and the first six months of 2024, with net sales of $78.9 million in the second quarter of fiscal year 2024 compared to $110.3 million in 2023. Additionally, Delta's gross profit margins for the second quarter of fiscal year 2024 were only 4.3% compared to 14.7% in 2023. A significant portion of that reduction was caused by unabsorbed Production Curtailment Costs.

30. In addition to reduced demand, Debtor DTG2Go lost its largest customer in May 2023 and is no longer operating. In conjunction with the shutdown of DTG2Go, its employees were also terminated. Certain of Delta's suppliers also informed it in January of 2024 that they would no longer allow extended credit in the amounts or terms previously allowed. These events, combined with a decrease in Delta's ability to obtain raw materials from other suppliers, resulted in a diminishing liquidity position. As a result, Borrowers became non-compliant with the Pre-Petition Credit Agreement during the second quarter of 2024 and remain non-compliant with one or more of the financial covenants in its U.S. revolving credit facility, resulting in a breach of the Pre-Petition Credit Agreement and an event of default.

31. Since that time, Delta has continued to experience a deteriorating liquidity position and has been unable to raise additional capital to fund operations. After ongoing delays and

[9] Delta's gross margin for the second quarter of fiscal year 2024 adjusted for the Production Curtailment is 14.4%.

continued defaults, the Lenders ultimately decreased the funding available to Borrowers under the Pre-Petition Credit Agreement, resulting in further deterioration of Delta's liquidity position. As of the Petition Date, Borrowers had $80,383,098.79 outstanding under the Pre-Petition Credit Agreement at an average interest rate of 9.1%. Cash on hand totaled approximately $2,034,326 million.

B. Debtors' Restructuring Efforts

32. In an effort to get back in compliance with the Pre-Petition Credit Agreement, Delta has sought to reduce costs and sell assets through the completion of sale-leaseback agreements, consolidation and reduction of its foreign operations, and the marketing and sale of assets.

i. The Sale-Leaseback Transactions

33. In December of 2023, Delta completed a sale-leaseback agreement under which it sold and is now leasing back its Knoxville, Tennessee property under a long-term lease agreement. Delta realized approximately $5.4 million from that agreement, which was used to repay outstanding borrowings under the Pre-Petition Credit Agreement's revolving credit facility.

34. In February of 2024, Delta entered into a similar agreement for its Fayetteville, North Carolina location but that transaction was ultimately terminated by the buyer on June 6, 2024.[10]

ii. Reduction of Foreign Operations

35. In the second quarter of 2024, Delta moved its Mexico operations to Central America due to cost considerations. Due to significant reductions in demand during fiscal year 2023 and the first part of 2024 and the continued deterioration of its liquidity position, Delta

[10] Additional information regarding the termination of the leaseback agreement is contained in Delta's June 11, 2024 8-K filing, on file with the U.S. Securities and Exchange Commission, which is publicly available at https://ir.deltaapparelinc.com/all-sec-filings/content/0001437749-24-019943/dla20240608_8k.htm?TB_iframe=true&height=auto&width=auto&preload=false.

committed to a plan to wind down its remaining Central American manufacturing and production operations in June of 2024. Specifically, Delta has committed to a plan to suspend its manufacturing and production operations in Honduras. As part of that plan, Delta has sold its ownership interest (through its subsidiary La Paz Honduras, S. de R.L.) in its subsidiary Textile La Paz L.L.C. Delta has also elected to de-emphasize its global brands channel and is seeking to sell its manufacturing operations in Honduras, which services that channel.[11] As a result, insolvency proceedings for the Non-Debtor Subsidiaries may be necessary.

iii. The Prepetition Marketing and Sale Process

36. Delta also engaged in a prepetition marketing process seeking capital partners or buyers for all or part of its assets.

37. In 2023, Delta engaged investment banker Robert W. Baird & Co. Incorporated (“**Baird**”). The Debtors engaged in an extensive prepetition marketing process during 2023 and early 2024 for the potential sale of various assets and business operations of the Debtors, and in particular, the assets of the Debtors associated with the operation of the Salt Life® business (the “**Salt Life Assets**”).

38. In October 2023, Baird contacted approximately 181 potential purchasers (155 financial sponsors and 26 strategic parties) of the Salt Life Assets and in November 2023, Baird provided 58 of those parties (46 financial sponsors and 12 strategic parties) with marketing materials. In December 2023 and January 2024, seven (7) potential purchasers submitted indications of interest (“**IOIs**”) to the Debtors who held management meetings with four (4) potential purchasers. In February 2024, two (2) interested purchasers submitted updated bids to

[11] The suspension of the Company’s manufacturing operations in Honduras is expected to impact approximately 2,413 employees, who have all been furloughed. The final costs and cash expenditures relating to such plan will not be known until all related activities have been completed, including the potential sale of its El Salvador manufacturing operations.

the Debtors, including an investment fund affiliated with FCM Saltwater Holdings, Inc (“**FCM**”). The Debtors ultimately selected FCM as the exclusive bidder to negotiate the terms of the potential sale of the Salt Life Assets, and thereafter engaged in extensive negotiations with the FCM regarding that sale. Due to the Debtors’ increasing financial distress and the resulting negative impact on the *Salt Life*® business; however, FCM sought to renegotiate the price and other terms of the sale, which caused the negotiations to stall.

39. Approximately six weeks before the Petition Date, the Debtors retained MMG Advisors to revisit the marketing process for all of the Debtors’ assets, including, without limitation, the Salt Life Assets. The Debtors also seek to retain MMG as their investment bankers in these Chapter 11 Cases, subject to Court approval. Upon retention, MMG Advisors immediately commenced active efforts to market the Debtors’ assets for sale, with an initial focus on the Salt Life Assets. Among other things, MMG Advisors contacted 32 potential purchasers, including financial sponsors and strategic parties, regarding a sale of the Salt Life Assets. Upon finalizing acceptable nondisclosure agreements with 19 parties, they were granted access to the Debtors’ virtual data room (one of whom passed on the opportunity). The Debtors held management meetings with three (3) potential purchasers. During the course of these marketing efforts, the Debtors, through MMG Advisors, continued to negotiate the terms of the sale agreement with FCM, which represented the highest and best offer for the Salt Life Assets.

40. The Debtors, in consultation with MMG Advisors, finalized and signed an asset purchase agreement with FCM (the “**FCM APA**”), which will serve as the floor for future bidding on the Salt Life Assets. Accordingly, Debtors are seeking approval of bid procedures in connection with the sale of the Salt Life Assets, approving the designation of FCM as the stalking horse bidder, and scheduling an auction and sale hearing.

41. As part of the proposed postpetition sale process, the Debtors, through MMG Advisors and their other professionals, will continue to engage in robust marketing efforts for the Debtors' assets, including, without limitation, the Salt Life Assets, continuing to contact both financial and strategic investors regarding a potential sale, including all parties contacted prior to the commencement of the Chapter 11 Cases.

III. FIRST DAY PLEADINGS

42. Contemporaneously with the filing of their chapter 11 petitions, or as soon as practicable thereafter, the Debtors have filed or will file the following First Day Pleadings:

a. Motion of Debtors for Entry of an Order Directing Joint Administration of Related Chapter 11 Cases;

b. Debtors' Motion for Entry of an Order (A) Authorizing the Debtors to (I) File a Consolidated List of Creditors in Lieu of Submitting a Separate Mailing Matrix for Each Debtor, (II) File a Consolidated List of the Debtors' 30 Largest Unsecured Creditors; (III) Authorizing Redaction of Certain Personally Identifiable Information, and (B) Granting Related Relief

c. Application of the Debtors for Entry of an Order Appointing Epiq Corporate Restructuring, LLC as Claims and Noticing Agent Effective as of the Petition Date;

d. Motion of Debtors for Interim and Final Orders Authorizing (I) Continued Use of Existing Cash Management System, Including Maintenance of Existing Bank Accounts, Checks, and Business Forms, and (II) Continuation of Existing Deposit Practices;

e. Motion of Debtors for Entry of Interim and Final Orders Authorizing Payment of (I) Certain Prepetition Workforce Claims, Including Wages, Salaries, and Other Compensation, (II) Certain Employee Benefits and Confirming Right to Continue Employee Benefits on Postpetition Basis, (III) Reimbursement to Employees for Prepetition Expenses, (IV) Withholding and Payroll-Related Taxes, (V) Workers' Compensation Obligations, and (VI) Prepetition Claims Owing to Administrators and Third-Party Providers;

f. Motion of Debtors for Entry of Interim and Final Orders (I) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Service, (II) Approving the Debtors' Proposed Adequate Assurance of Payment for Postpetition Services, and (II) Establishing Procedures for Resolving Requests for Additional Adequate Assurance of Payment;

g. Motion of Debtors for Entry of Interim and Final Orders: (I) Authorizing, But Not Directing, the Payment Certain Taxes and Fees; and (II) Granting Related Relief;

h. Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Continuation of, and Payment of Prepetition Obligations Incurred in the Ordinary Course of Business in Connection with, Various Insurance Policies, (II) Authorizing Banks to Honor and Process Checks and Electronic Transfer Requests Related Thereto, (III) Preventing Insurance Companies From Giving Any Notice of Termination or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From the Automatic Stay, and (IV) Authorizing the Debtors to Continue to Honor Premium Financing Obligations;

i. Motion of Debtors for Entry of an Order Authorizing the Debtors' to (i) Honor Prepetition Obligations Pursuant to Their Customer Programs; and (ii) Continue the Same in the Ordinary Course of Business;

j. Motion of Debtors for Entry of Interim and Final Orders Authorizing Payment of Prepetition Obligations Owed to Critical Vendors (the "**Critical Vendor Motion**");

k. Debtors' Motion for Interim and Final Orders Under Bankruptcy Code Sections 105, 361, 362, 363, and 364, Bankruptcy Rules 2002 and 4001, and Local Bankruptcy Rule 4001-2, (I) Authorizing the Debtors to (A) Obtain Postpetition Financing on a Secured, Superpriority Basis and (B) Use Cash Collateral, (II) Granting Adequate Protection, (III) Scheduling a Final Hearing, and (IV) Granting Related Relief; and

l. Motion of Debtors for Entry of (I) an Order (A) Approving Bid Procedures in Connection With the Potential Sale of The Debtors' Salt Life Assets, (B) Scheduling an Auction and a Sale Hearing, (C) Approving the Form and Manner of Notice Thereof, (D) Authorizing the Debtors to Enter Into the Stalking Horse Agreement, (E) Approving Bid Protections, (F) Approving Procedures for the Assumption and Assignment of Contracts and Leases, and (G) Granting Related Relief; and (II) An Order (A) Approving the Sale of the Debtors' Salt Life Assets Free and Clear of All Liens, Claims, Encumbrances, and Interests, (B) Authorizing the Assumption and Assignment of Contracts and Leases, and (C) Granting Related Relief (the "**Bid Procedures Motion**").[12]

43. The Debtors seek the relief set forth in the First Day Pleadings to minimize the disruption to and adverse effects of the commencement of the Chapter 11 Cases on business operations and to maximize the value of their assets. I have reviewed the Debtors' petitions and

[12] The Debtors are not seeking relief with respect to the Bid Procedures Motion at the hearing on the First Day Pleadings. Instead, the Debtors intend to seek such relief upon regular notice at the second day hearing.

the First Day Pleadings or have otherwise had their contents explained to me by the Debtors' advisors, and it is my belief that the relief sought therein is essential to ensure the uninterrupted operation of the Debtors' business and to successfully maximize the value of the Debtors' estates.

44. Importantly, I understand that considering the size of these Chapter 11 Cases and the number of interested parties involved, the Debtors must engage a claims and noticing agent to assist with some of the noticing requirements of being a debtor in possession. Upon the guidance of the Debtors' advisors, I have obtained and reviewed engagement proposals from three Court-approved claims and noticing agents to ensure selection through a competitive process.

45. With respect to the Critical Vendor Motion, the Debtors—in conjunction with Focus—carefully reviewed over 950 vendors to determine: (i) which suppliers were sole source or limited source suppliers, without whom the Debtors could not continue to operate without disruption, (ii) the Debtors' ability to find alternative sources of supply and the potential disruption or lost revenues while a new supplier was resourced, (iii) which suppliers would be prohibitively expensive to replace, and (iv) which suppliers would present an unacceptable risk to the Debtors' operations given the volume of essential services or products that such suppliers provide. The selected vendors who met this rigorous criterion (the "Critical Vendors") comprise only approximately 10 percent of the cumulative accounts payable balance as of the Petition Date and generally fall within three categories: (i) manufacturers of finished goods inventory (the "**Finished Goods Vendors**"); (ii) shipping and freight carriers (the "**Shippers**"), and (iii) information technology (IT) providers ("**IT Providers**"). The Debtors estimate that they need to pay approximately $4,220,422 of the Critical Vendor claims on an immediate interim basis.

46. I believe that the Critical Vendors are so essential to the Debtors' business that the absence of any of their particular goods or services, even for a short duration, could disrupt the

Debtors' operations and cause irreparable harm to the Debtors' business, goodwill, client satisfaction, and 363 sale efforts. Moreover, authorization for prompt payment on a final basis is crucial for three reasons. First, the Finished Goods Vendors are comprised of six (6) foreign vendors located overseas that have already manufactured product and inventory for the Debtors that they are refusing to release until receipt of certain payments from the Debtors. We have negotiated the release of the Salt Life inventory being held to facilitate the sale of the Salt Life Assets in exchange for the requested payment amounts and it is imperative that we pay those negotiated amounts outlined in the Critical Vendor Motion as a condition to the FCM APA. Failure to do so will result in the inability to access large quantities of Salt Life inventory and imperil the sale of the Salt Life Assets.

47. Second, Debtors depend on the uninterrupted flow of raw materials, inventory, and other goods through their supply and distribution network and rely on their Shippers to (i) transport raw materials and other supplies to and between the Debtors' storage and manufacturing facilities and (ii) deliver the Debtors' finished apparel products from their facilities to customers' directly and to retailers' warehouses, storage facilities, or distribution centers. Because the vast majority of the Debtors' shipments are less than a full pallet size, the Debtors must ship parcel and UPS is therefore vital to the Debtors' sales efforts. Because of the volume, the Debtors receive favorable contract pricing from UPS that would not be available from an alternate shipper such as FedEx.

48. Last, the IT Service Providers are comprised of information technology companies that provide crucial support to the Debtor's operating and sale infrastructure in a variety of ways all along the stream of commerce, such as: (i) the websites from which customers place orders with the Debtors online, (ii) the back-office systems by which the Debtors receive and process those orders from customers, (iii) the point of sale (POS) systems at the Debtor's retail stores that

allow them to take customer orders; (iv) the cloud systems the Debtors utilize for financial reporting and processing payroll, (v) the planned manufacturing system the Debtors utilize to manage the logistics of manufacturing that ensures timely availability of resources, efficient processes, and on-time delivery through digital tools, data management, and collaboration, (vi) the enterprise resource planning (ERP) systems the Debtors utilize to automate and manage core business processes for optimal performance and the exchange of data between its business processes that links the Debtors' financials, supply chain, operations, commerce, reporting, manufacturing, and human resources activities on one platform, (vii) the electronic data interchange (EDI) platform that allows the Debtors' computer systems to share information without human intervention and which automates the conversion and exchange of business information between the Debtors' the Debtors' technology systems, and (viii) the systems by which the Debtors' communicate, both with customers, as well as internally.

49. These IT systems and platforms comprise the Debtors' nervous system and any disruption in the services they provide would cripple the Debtors' ability to operate, engage in eCommerce, receive and process orders, manufacture and distribute product, and even communicate.

50. Finally, certain of the First Day Pleadings request authority to pay certain prepetition claims. I understand that Rule 6003 of the Federal Rules of Bankruptcy Procedure provides, in relevant part, that the Court shall not consider motions to pay prepetition claims during the first twenty-one (21) days following the filing of a chapter 11 petition, "[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm." In light of this requirement, the Debtors have narrowly tailored their request for immediate authority to pay certain prepetition claims to those circumstances where the failure to pay such claims would cause immediate and

irreparable harm to the Debtors and their estates. Other relief will be deferred for consideration at a later hearing.

51. In sum, I believe that the relief sought in each First Day Pleading: (a) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption or loss of value; (b) is necessary to avoid immediate and irreparable harm; and (c) best serves the interests of the Debtors' stakeholders.

IV. CONCLUSION

52. The Debtors' goal in these Chapter 11 Cases is the maximization of estate value through a sale of the business as a going concern, preserving value for the Debtors' creditors, employees and other parties-in-interest. In the near term, however, the Debtors' immediate objective is to continue operating their business during the early stages of these Chapter 11 Cases, with as little interruption or disruption to the Debtors' operations as possible. I believe that if the Court grants the relief requested in each of the First Day Pleadings, the prospect for achieving these objectives and a sale of substantially all of the Debtors' assets or sales of divisions of the Debtors' as going concerns will be substantially enhanced.

53. I hereby certify the foregoing statements are true and correct to the best of my knowledge, information and belief, and respectfully request all of the relief requested in the First Day Pleadings be granted, together with such other and further relief as is just.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 30th day of June 2024.

[*Signature page follows*]

Salt Life Beverage, LLC, *et al.* [13]

Debtors and Debtors in Possession

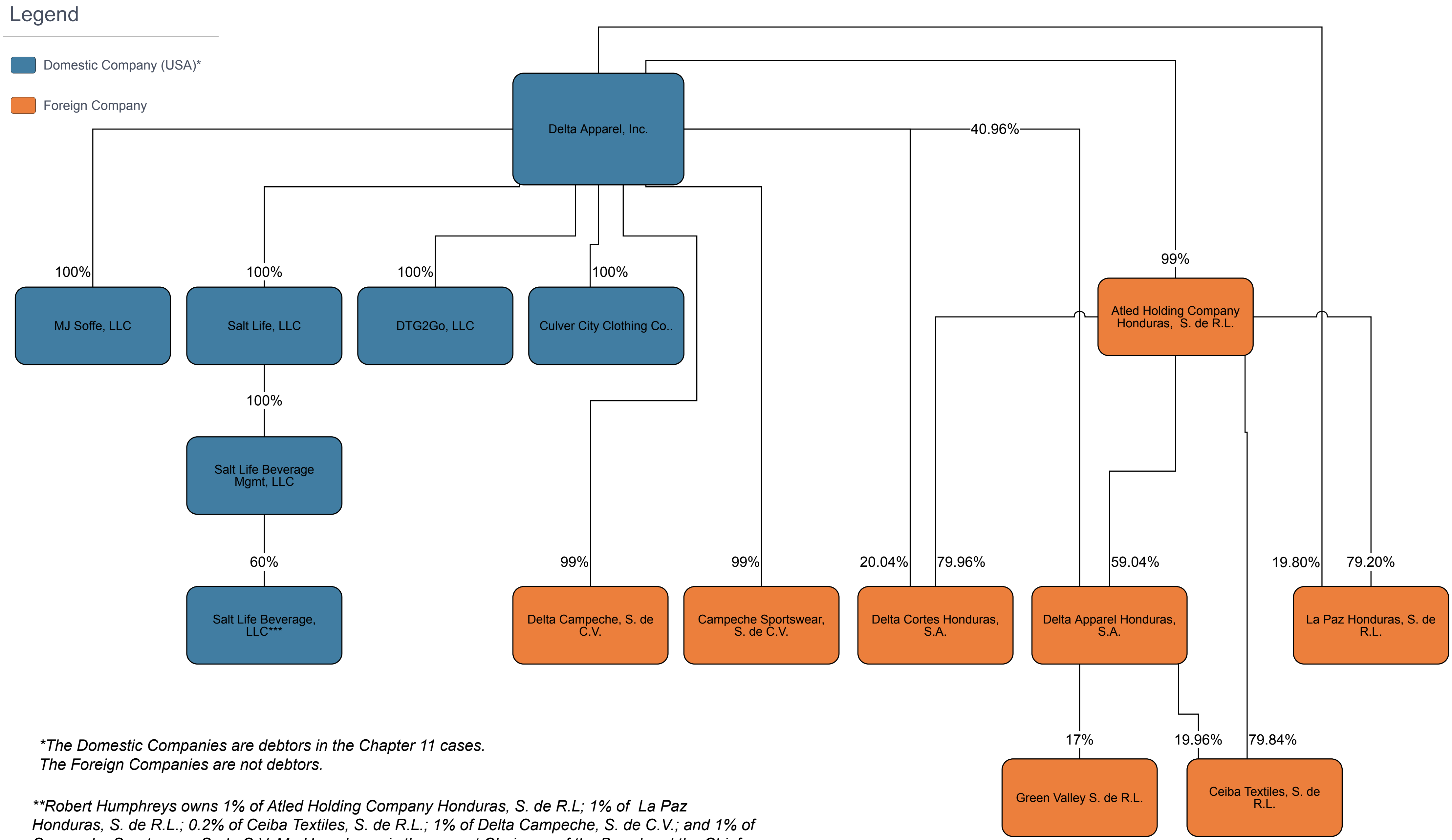
/s/ J. Tim Pruban
J. Tim Pruban
Chief Restructuring Officer

[13] Delta Apparel, Inc.; Salt Life, LLC; M. J. Soffe, LL; Culver City Clothing Company; DTG2Go, LLC; and Salt Life Beverage Management, LLC.

EXHIBIT A

Company's Organizational Structure

Delta Apparel Organizational Chart



**The Domestic Companies are debtors in the Chapter 11 cases.*
The Foreign Companies are not debtors.

***Robert Humphreys owns 1% of Atled Holding Company Honduras, S. de R.L; 1% of La Paz Honduras, S. de R.L.; 0.2% of Ceiba Textiles, S. de R.L.; 1% of Delta Campeche, S. de C.V.; and 1% of Campeche Sportswear, S. de C.V. Mr. Humphreys is the current Chairman of the Board and the Chief Executive Officer of Delta Apparel, Inc. He has resigned from these offices, and all other offices with Delta Apparel's direct and indirect subsidiaries, effective as of June 29, 2024.*

****40% of Salt Life Beverage, LLC is owned by a third party, Skull & Barrel, LLC.*