



102653804

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)

Tab settings ⇌ ⇌ ⇌ ▼ ▼ ▼ ▼ ▼ ▼ ▼

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):
VISION LEGWEAR, LLC

1.22.04

- Individual(s)
- General Partnership
- Corporation-State
- Other Limited Liability Company
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other Asset Purchase Agreement
- Merger
- Change of Name

Execution Date: 12-05-2000

2. Name and address of receiving party(ies)

Name: ACME-McCRARY CORPORATION

Internal Address: _____
Address: _____

Street Address: 159 North Street

City: Asheboro State: NC Zip: 27203

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State North Carolina
- Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s) 75/803,664

B. Trademark Registration No.(s) _____

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Jesse B. Ashe, III

Internal Address: Summa & Allan, P. A.

Street Address: 11610 North Community House Rd

Suite 200

City: Charlotte State: NC Zip: 28277

6. Total number of applications and registrations involved: _____

1

7. Total fee (37 CFR 3.41).....\$ 40.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: _____

OPR/FINANCE
JAN 22 AM 8:52

DO NOT USE THIS SPACE

9. Signature.

Jesse B. Ashe, III
Name of Person Signing

Signature

January 19, 2004
Date

Total number of pages including cover sheet, attachments, and document:

83

01/23/2004 JJALLAH2 00000006 75803664

01 FC:8521

40.00 DP

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

ASSET PURCHASE AGREEMENT

by and between

ACME-McCRARY CORPORATION

and

VISION LEGWEAR, LLC,

dated as of

December 5, 2000

Table of Contents

	Page
ARTICLE I DEFINITIONS	1
1.1 Settlement Assets Value	1
1.2 Agreed Inventory Value.....	1
1.3 Assignment and Assumption Agreement.....	1
1.4 Assumed Agreements	1
1.5 Audited Assets Value.....	2
1.6 Balance Sheet Date	2
1.7 Bill of Sale	2
1.8 Business	2
1.9 Business Records	2
1.10 Closing	2
1.11 Computer System.....	2
1.12 Consumable Assets	2
1.13 Display Racks	2
1.14 Effective Date	2
1.15 Employee Obligations.....	2
1.16 Equipment.....	3
1.17 Escrow Agent.....	3
1.18 Escrow Agreement.....	3
1.19 Escrow Amount	3
1.20 Excluded Assets	3
1.21 Financial Statements	3
1.22 GAAP.....	3
1.23 Good Faith Deposit.....	3
1.24 Hampshire.....	3
1.25 Intangible Assets.....	3
1.26 Inventory	3
1.27 Inventory Value	3
1.28 Leased Assets.....	3
1.29 Lien	4
1.30 Office Equipment.....	4
1.31 Other Documents	4
1.32 Packaging.....	4
1.33 Packaging Value	4
1.34 Payoff Amounts.....	4
1.35 Person.....	4
1.36 Purchased Assets.....	4
1.37 Purchase Price.....	4
1.38 Real Property	4
1.39 Related Agreements	4
1.40 Supplies.....	4

1.41	Supplies Value	4
ARTICLE II PURCHASE AND SALE OF ASSETS		5
2.1	Purchased Assets.....	5
2.2	No Liabilities Assumed.....	5
ARTICLE III PURCHASE PRICE AND CLOSING		6
3.1	Closing and Effective Date.....	6
3.2	Purchase Price and Payment Thereof.....	6
3.3	Actions at Closing.....	7
3.4	Taxes and Utilities.....	8
3.5	Tax Reporting.....	9
3.6	Inventory Audit; Audited Assets Value.....	9
ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER.....		10
4.1	Due Organization and Authority.....	11
4.2	Due Authorization; Binding Obligation.....	11
4.3	No Conflict or Violation; Consents.....	11
4.4	Financial Statements.....	11
4.5	No Adverse Changes.....	12
4.6	Title.....	12
4.7	Inventory.....	13
4.8	Equipment.....	13
4.9	Intellectual Property.....	13
4.10	Assumed Agreements.....	13
4.11	Customers and Suppliers.....	14
4.12	Compliance; Permits.....	14
4.13	Governmental Approvals and Filings.....	14
4.14	Litigation.....	15
4.15	Absence of Undisclosed Liabilities.....	15
4.16	Books and Records.....	15
4.17	Employees; Compensation.....	15
4.18	Employment; Related Payments.....	15
4.19	Employment; Labor Matters.....	15
4.20	Employee Benefit Plans.....	15
4.21	Taxes.....	16
4.22	Utilities.....	16
4.23	Real Property Lease.....	16
4.24	Environmental Matters.....	17
4.25	Solvency; Bankruptcy Filings.....	18
4.26	No Brokerage.....	18
4.27	No Misstatements or Omissions.....	18
ARTICLE V REPRESENTATIONS AND WARRANTIES OF BUYER.....		18
5.1	Due Organization and Authority.....	18
5.2	Due Authorization; Binding Obligation.....	18
5.3	No Conflict or Violation; Consents.....	19
5.4	Banking Relationship.....	19
5.5	No Brokerage.....	19

5.6	No Misstatements or Omissions.....	19
ARTICLE VI COVENANTS OF SELLER.....		19
6.1	Conduct of Business.....	19
6.2	Negative Covenants.....	20
6.3	Cessation of Operations.....	20
6.4	Access to Facilities, Records, Employees Etc.....	21
6.5	Seller's Real Property Lease.....	21
ARTICLE VII CONDITIONS TO THE OBLIGATIONS OF SELLER.....		21
7.1	Representations and Warranties.....	21
7.2	Covenants and Conditions.....	21
7.3	No Litigation or Governmental Proceedings.....	21
7.4	Execution and Delivery Requirements.....	22
7.5	Opinion of Counsel to Buyer.....	22
7.6	Employment Agreement.....	22
7.7	Buyer's Real Property Lease.....	22
7.8	Purchase of Leased Assets.....	22
ARTICLE VIII CONDITIONS TO THE OBLIGATIONS OF BUYER.....		22
8.1	Representations and Warranties.....	22
8.2	Covenants and Conditions.....	22
8.3	No Litigation or Governmental Proceedings.....	22
8.4	Consents and Approvals.....	23
8.5	No Adverse Change.....	23
8.6	Licenses and Permits.....	23
8.7	Termination of Liens.....	23
8.8	Employment Related Payments.....	23
8.9	Execution and Delivery Requirements.....	23
8.10	Opinion of Counsel to Seller.....	23
8.11	Employment Agreement.....	24
8.12	Buyer's Real Property Lease.....	24
8.13	Purchase of Leased Assets.....	24
8.14	Waiver by Hampshire.....	24
ARTICLE IX INDEMNIFICATION.....		24
9.1	Indemnification of Buyer.....	24
9.2	Indemnification of Seller.....	25
9.3	Losses.....	25
9.4	Notice of Claims.....	25
9.5	Defense of Third-Party Claims.....	27
9.6	Deductible.....	27
9.7	Survival of Representations, Warranties, Covenants and Agreements.....	28
ARTICLE X ADDITIONAL COVENANTS AND AGREEMENTS.....		28
10.1	Purchased Assets.....	28
10.2	Bulk Sales Compliance.....	28
10.3	Warranties.....	28
10.4	Further Assurances.....	28
10.5	Access; Mail.....	28

10.6	Employees.....	28
10.7	Employee Benefit Plans.....	29
10.8	Name.....	29
10.9	Accounts Receivable/Chargebacks.....	29
10.10	Returned Goods.....	29
10.11	Good Faith Deposit.....	30
10.12	Office Equipment.....	30
ARTICLE XI MISCELLANEOUS.....		30
11.1	Expenses.....	30
11.2	Successor and Assigns.....	30
11.3	Notices.....	30
11.4	Captions.....	31
11.5	Law Governing.....	31
11.6	Amendments, Waivers, Etc.....	31
11.7	Entire Agreement.....	32
11.8	Buyer's Inspection; Adequacy of Disclosure.....	32
11.9	Meaning of Knowledge.....	32
11.10	Counterparts.....	32

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (including its schedules, this "Agreement") dated as of December 5, 2000 by and between ACME-McCRARY CORPORATION, a North Carolina corporation ("Buyer"), and VISION LEGWEAR, LLC, a North Carolina limited liability company ("Seller");

WITNESSETH:

WHEREAS, Seller desires to sell, transfer and assign to Buyer, and Buyer desires to purchase and acquire from Seller certain of the assets of Seller used in Seller's hosiery manufacturing business for the purchase price and upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, agreements, representations and warranties hereinafter set forth, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

In addition to the other terms defined in this Agreement, the following terms will have the definitions indicated:

1.1 Settlement Assets Value shall mean the sum of Three Hundred Sixty Thousand Dollars (\$360,000) for the Consumable Assets plus the Agreed Inventory Value.

1.2 Agreed Inventory Value shall mean an amount equal to ninety percent (90%) of the aggregate book value of the Inventory as of December 2, 2000, as determined in accordance with Section 3.6(b)(i).

1.3 Assignment and Assumption Agreement shall mean the assignment and assumption agreement between Buyer and Seller in the form of Exhibit 1 hereto.

1.4 Assumed Agreements shall mean the following:

(a) the customer contracts, agreements and commitments (whether written or oral) listed on Schedule 4.10(a) hereto for the sale of Seller's products and services;

(b) the contracts and purchase orders (whether written or oral) listed on Schedule 4.10(b) hereto for Seller's purchase of goods, materials, supplies or services; and

(c) the licenses, contracts, operating leases (other than leases for the Leased Assets) and other agreements (whether written or oral) listed on Schedule 4.10(c) hereto used in the Business.

1.5 Audited Assets Value shall mean an amount equal to the sum of the Inventory Value, Packaging Value, and Supplies Value as such values are determined in accordance with Section 3.6 hereof.

1.6 Balance Sheet Date shall mean September 30, 2000.

1.7 Bill of Sale shall mean the bill of sale and assignment evidencing the transfer from Seller to Buyer of the Purchased Assets in the form of Exhibit 2 hereto.

1.8 Business shall mean the hosiery manufacturing business of Seller.

1.9 Business Records shall mean originals or copies of all accounting and operating ledgers, asset ledgers, inventory records, budgets, customer lists, customer credit information, customer service records, supplier lists and records, employee lists and personnel records, correspondence, computer printouts, books, notes, files, and other accounting and operating records related to the Business and the Purchased Assets as such records exist in physical, electronic, or other media.

1.10 Closing shall mean the physical execution and exchange of the documents, currency, and items necessary to effect the transactions contemplated by this Agreement.

1.11 Computer System shall mean Seller's capital leases on the computer equipment listed on Schedule 1.11 hereto and related packaged software.

1.12 Consumable Assets shall mean the Packaging and Supplies.

1.13 Display Racks shall mean all customer display racks and fixtures, wherever located, owned by Seller and used in the display and marketing of the finished goods of the Business, which are listed on Schedule 1.13.

1.14 Effective Date shall mean December 31, 2000 or such other date as may be mutually agreed upon by the parties hereto.

1.15 Employee Obligations shall mean any obligation or liability arising in connection with the current or former employment of any person by Seller, and any other liability or obligation to or in connection with any current, retired, deceased, disabled or former employees of Seller or their survivors or beneficiaries. Such Employee Obligations include, but are not limited to, payroll or other compensation and taxes related thereto; accrued vacation and bonuses; severance, settlement and noncompetition payments; sick leave payments; insurance, continued insurance or COBRA benefits; bonus plans; and any other employee benefit plans, programs, policies, liabilities or obligations to current, retired, deceased, disabled or former employees of Seller or their survivors, and all taxes related thereto.

1.16 Equipment shall mean all machinery, tools and dies, vehicles, equipment, improvements and fixtures of Seller listed on Schedule 4.8 hereto.

1.17 Escrow Agent shall mean Mary Catherine Holcomb, or any successor agent appointed pursuant to the terms of the Escrow Agreement.

1.18 Escrow Agreement shall mean the escrow agreement among Buyer, Seller and the Escrow Agent of even date herewith and in the form of Exhibit 3 hereto.

1.19 Escrow Amount shall mean Three Hundred Thousand Dollars (\$300,000) deposited with the Escrow Agent pursuant to the terms of the Escrow Agreement.

1.20 Excluded Assets shall mean those assets of the Business that are not Purchased Assets including (a) any cash equivalents, (b) accounts receivable, (c) the Office Equipment, (d) tax records and returns of Seller, and (e) all other assets not specifically purchased by Buyer.

1.21 Financial Statements shall mean the balance sheets of Seller and related statements of income, retained earnings and cash flows at and for the period from Seller's inception on May 6, 1999 through September 30, 2000, which were previously delivered to Buyer and are in the form previously agreed to by the parties hereto and initialed by the parties hereto to indicate such agreement.

1.22 GAAP shall mean generally accepted accounting principles set forth in the Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board Opinions and AICPA Accounting Research bulletins, as in effect on the Effective Date.

1.23 Good Faith Deposit shall have the meaning ascribed to that term in Section 10.10 hereof.

1.24 Hampshire shall mean Hampshire Group, Ltd., a minority member of Seller and the owner of the Real Property and the Leased Assets.

1.25 Intangible Assets shall mean any and all intangible assets owned or used by Seller in the Business including, without limitation, the name "Vision Legwear" and all derivatives thereof, patents, copyrights, trade names, service marks, trademarks, trade secrets, goodwill associated with the Business and the right to carry on the Business as a going concern, and Business Records.

1.26 Inventory shall mean all of the inventories of raw materials, work in process and finished goods of Seller.

1.27 Inventory Value shall mean the value of the Inventory as determined in accordance with Section 3.6 hereof.

1.28 Leased Assets shall mean the assets described in Schedule 1.28 leased by Seller from Hampshire and used in the Business.

1.29 Lien shall mean any mortgage, deed of trust, pledge, security interest, title retention agreement, tax lien, charge, option, adverse claim, title defect, escrow, right of first refusal, indenture, easement, license, contract or encumbrance of any kind.

1.30 Office Equipment shall mean the Computer System and the telephone system, copiers and fax machines described in Schedule 1.30 and used in the Business.

1.31 Other Documents shall mean any and all agreements, statements, certificates, schedules, opinions, instruments and other documents required or contemplated hereunder or under any of the Related Agreements.

1.32 Packaging shall mean all packages, packaging, wrappings, labels and other items used in the packaging for sale and shipment of finished goods of the Business subject to the limitations of Section 3.6(b)(ii).

1.33 Packaging Value shall mean the value of the Packaging as determined in accordance with Section 3.6 hereof.

1.34 Payoff Amounts shall have the meaning ascribed to that term in Section 8.7 hereof.

1.35 Person shall mean any natural person, firm, partnership, association, corporation, company, trust, public body or government.

1.36 Purchased Assets shall mean the Display Racks, the Equipment, the Supplies, the Inventory, the Packaging, the Intangible Assets, the rights and benefits under the Assumed Agreements and, to the extent their transfer is permitted by the terms thereof and applicable law, permits, franchises, approvals and authorizations by governmental authorities or third parties required in connection with the ownership or possession of the Purchased Assets or the operation of the Business; provided, however, that Purchased Assets shall not include any Excluded Assets.

1.37 Purchase Price shall mean the sum of the amounts and obligations described in Section 3.2.

1.38 Real Property shall mean the land and facilities described in Schedule 1.38, which is used by Seller in the Business.

1.39 Related Agreements shall mean the Escrow Agreement, the Assignment and Assumption Agreement and the Bill of Sale.

1.40 Supplies shall mean all spare parts, knitting needles, manufacturing supplies and other items used in the operation or maintenance of the Equipment and the Business.

1.41 Supplies Value shall mean the value of the Supplies as determined in accordance with Section 3.6 hereof.

ARTICLE II

PURCHASE AND SALE OF ASSETS

2.1 Purchased Assets. Subject to the terms and conditions of this Agreement, at the Closing and effective as of the Effective Date, Seller shall sell, convey, transfer and assign the Purchased Assets to Buyer, and Buyer shall purchase the Purchased Assets from Seller, for the Purchase Price.

2.2 No Liabilities Assumed. Except for the liabilities and obligations of Seller under the Assumed Agreements, Buyer shall assume no liabilities or obligations of Seller, whether absolute, contingent, known or unknown, determinable or not determinable or otherwise, or whether relating to the Purchased Assets or the Business including, without limitation, the following:

- (a) any obligations of Seller under any trade account or note payable;
- (b) any obligations of Seller under this Agreement or any liability of Seller arising from any breach of obligations hereunder or of any representation or warranty hereunder;
- (c) any liabilities or obligations, including contingent or undisclosed liabilities, of Seller arising by reason of any violation of federal, state or local law or any rule, regulation or other requirement of any governmental authority occurring or existing prior to the Effective Date, including, without limitation, any environmental, health, safety or employment laws or regulations;
- (d) any liability of Seller in respect of any amount of federal, state, local or foreign taxes (including, without limitation, ad valorem, franchise, payroll or sales and use taxes and any interest, penalties and additions to such taxes imposed by virtue of the operations of their businesses prior to the Effective Date), whether arising before, at or after the Effective Date; or
- (e) any liability or obligation of Seller for breach of contract, breach of warranty, or similar claim arising from products or services sold by Seller prior to the Effective Date and any other claims by customers and vendors arising from circumstances existing on or prior to the Effective Date or any liability or obligation of Seller for products liability claims arising from products or services sold by Seller prior to the Effective Date;
- (f) any Employee Obligations arising before or as of the Effective Date;
- (g) any liability of Seller in respect of injury to or death of any person or damage to or destruction of property occurring on or prior to the Effective Date;

- (h) any liability or obligation of Seller to The CIT Group/Commercial Services, Inc. or any Person affiliated with The CIT Group/Commercial Services, Inc.
- (i) any liability arising or accruing under any contract or agreement not included in the Assumed Agreements; and
- (j) any liability of Seller arising after the Effective Date.

ARTICLE III

PURCHASE PRICE AND CLOSING

3.1 Closing and Effective Date. The Closing shall take place at the offices of Schell Bray Aycock Abel & Livingston P.L.L.C. in Greensboro, North Carolina on Friday, December 29, 2000. All proceedings to be taken and all documents to be executed and delivered by the parties at the Closing shall be deemed to have been taken and executed simultaneously, and no proceeding shall be deemed taken nor any document executed and delivered until all have been taken, executed and delivered. Documents to be delivered at the Closing shall be dated as of the Effective Date. Seller shall bear any risk of loss and shall maintain insurance against such loss with respect to the Purchased Assets for the time between the Closing and noon on the Effective Date. For all purposes other than risk of loss, the transactions contemplated by this Agreement shall be effective as of 12:00 midnight on the Effective Date.

3.2 Purchase Price and Payment Thereof. The Purchase Price for the Purchased Assets shall be the sum of, and shall be payable pursuant to, the following:

(a) At the Closing:

(i) Buyer shall pay to Seller in immediately available funds the sum of (A) Ninety-Four Thousand Dollars (\$94,000) for the Display Racks, (B) Five Hundred Five Thousand Dollars (\$505,000) for the Equipment, (C) Three Hundred Sixty Thousand Dollars (\$360,000) for the Consumable Assets, and (D) the Agreed Inventory Value, less (x) the Payoff Amounts, (y) ad valorem and other taxes and utilities payable by Seller as determined in accordance with Section 3.4 hereof and (z) the Escrow Amount;

(ii) the Good Faith Deposit shall become part of the Purchase Price and shall continue to be held by the Escrow Agent in accordance with the terms of the Escrow Agreement;

(iii) Buyer shall deliver the additional sum of One Hundred Fifty Thousand Dollars (\$150,000) in immediately available funds to the Escrow Agent which, together with the Good Faith Deposit, shall constitute the Escrow Amount and be held in accordance with the terms of the Escrow Agreement

(iv) Buyer shall pay to Lenders the Payoff Amounts in cash in immediately available U.S. funds by wire transfer in accordance with Section 8.7 hereof; and

(v) Buyer shall assume Seller's liabilities and obligations under the Assumed Agreements.

(b) After the Closing:

(i) if the Audited Assets Value is greater than the Settlement Assets Value, Buyer shall pay to Seller in immediately available funds the amount by which the Audited Assets Value exceeds the Settlement Assets Value within two business days after the Audited Assets Value has been finally determined in accordance with Section 3.6 hereof.

(ii) if the Audited Assets Value is less than the Settlement Assets Value, Seller shall pay to Buyer in immediately available funds the amount by which the Settlement Assets Value exceeds the Audited Assets Value within two business days after the Audited Assets Value has been finally determined in accordance with Section 3.6 hereof.

3.3 Actions at Closing. At the Closing, subject to all of the terms and conditions of this Agreement:

(a) Seller shall convey all of the Purchased Assets to the Buyer and will deliver to the Buyer the Bill of Sale and all other titles and instruments of conveyance which are required or which Buyer reasonably requests to effect the sale and transfer to the Buyer of the Purchased Assets.

(b) Seller shall deliver to Buyer, in form and substance satisfactory to Buyer, such consents from third parties as Buyer may deem necessary or advisable with respect to the Assumed Agreements, or otherwise to effect any assignment or transfer of the Purchased Assets.

(c) Seller shall deliver to Buyer copies of (i) its Articles of Organization certified by the North Carolina Secretary of State as of a recent date, (ii) its Operating Agreement, (iii) resolutions of its Managers and Members authorizing the execution, delivery and performance of this Agreement and the Related Agreements to which it is party and consummation of the transactions contemplated hereby and thereby, (iv) an incumbency certificate with respect to the office and authority of the officer(s) of Seller executing this Agreement and the other documents delivered at the Closing, and (v) the Business Records, in each case certified by its Secretary or Assistant Secretary.

(d) Seller shall deliver to Buyer, in a form satisfactory to Buyer, releases of any Liens on the Purchased Assets.

(e) Seller shall deliver to Buyer a certificate signed by its Chief Executive Officer and its Chief Financial Officer to the effect that the representations and warranties of Seller in this Agreement are true and correct both on the date of this Agreement and as of the Effective Date as if made thereon and that Seller has performed or complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by Seller prior to or on the Effective Date.

(f) Seller shall deliver to Buyer the opinion of counsel to Seller described in Section 8.10 hereof.

(g) Seller shall deliver to Buyer such other documents, certificates and instruments as are reasonably requested by Buyer to effect the transactions contemplated herein, including, without limitation, a certificate of existence of Seller issued on a recent date by the North Carolina Secretary of State.

(h) Buyer shall make the payments described in Section 3.2(a) hereof.

(i) Buyer shall deliver to Seller a copy of (i) its Articles of Incorporation, (ii) its bylaws, (iii) resolutions of its Board of Directors authorizing the execution, delivery and performance of this Agreement and the Related Agreements to which it is party and consummation of the transactions contemplated hereby and thereby, and (iv) an incumbency certificate with respect to the office and authority of the officer(s) of Buyer executing this Agreement and the other documents delivered at the Closing, certified by its Secretary or Assistant Secretary.

(j) Buyer shall deliver to Seller a certificate signed by its Chief Executive Officer and its Chief Financial Officer to the effect that the representations and warranties of Buyer under this Agreement are true and correct both on the date of this Agreement and as of the Effective Date as if made thereon and that Buyer has performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by Buyer prior to or on the Effective Date.

(k) Buyer shall deliver to Seller the opinion of counsel to Buyer described in Section 7.5 hereof.

(l) Buyer and Seller shall execute and deliver to each other the Assignment and Assumption Agreement in the form of Exhibit 1.

(m) Buyer, Seller and the Escrow Agent shall execute and deliver the Escrow Agreement in the form of Exhibit 3.

3.4 Taxes and Utilities. Seller shall be responsible for the payment of all ad valorem and other taxes with respect to the Purchased Assets and Leased Assets for the year 2000 and all utilities or assessments payable with respect to the Real Property through the Effective Date. Notwithstanding the foregoing, Buyer shall be responsible for any sales tax with respect to the transactions contemplated by this Agreement. If after the Effective Date there is an adjustment

or reassessment by any governmental authority with respect to, or affecting, any taxes for any Purchased Assets or Leased Assets for the year of the Effective Date or any prior year, any additional tax payment for any Purchased Assets or Leased Assets required to be paid shall be paid by Seller, and Seller shall pay such additional tax payment to Buyer within 10 days after receipt of written notice from Buyer to reimburse Buyer in the event Buyer elects to pay such tax directly to the taxing authority on behalf of Seller. Buyer shall be responsible for the payment of all ad valorem and other taxes with respect to the Purchased Assets for all periods after the Effective Date.

3.5 Tax Reporting. The parties hereto shall report the federal, state and local income and other tax consequences of the purchase and sale contemplated hereby in a manner consistent with the allocation of the Purchase Price set forth in Section 3.2 hereof and will file IRS Form 8594 on a basis consistent with such allocation, and no party or any of its affiliates will file a tax return or take any position inconsistent therewith upon examination of any tax return, in any refund claim, in any litigation, or otherwise.

3.6 Inventory Audit; Audited Assets Value.

(a) McGladrey & Pullen, LLP, independent certified public accountants ("McGladrey"), will commence on December 26, 2000 (the "Audit Date") a physical inventory and audit (the "Inventory Audit") of the Inventory, Consumable Assets and all Business Records of Seller or Buyer related thereto. Such Inventory Audit shall be performed with the observation and participation of Seller and Seller's accountants or agents ("Seller's Agent"). The fees and expenses of McGladrey related to such audit shall be borne by Buyer. The fees and expenses of Seller's Agent related to such audit shall be borne by Seller. During the preparation of the audited statement (the "Inventory Statement") of the Inventory Audit (and any period of disagreement within the meaning of Section 3.6(c) hereof), each of Buyer (following the Effective Date) and Seller (prior to the Effective Date) shall provide the other party, McGladrey and Seller's Agent (or the Independent Accountant, as defined in Section 3.6(c) hereof) full access to the Purchased Assets, the facilities and employees of the Business at all reasonable times and shall cooperate reasonably in the preparation of the Inventory Statement.

(b) Buyer and McGladrey shall prepare and deliver to Seller the Inventory Statement by January 31, 2001. The Inventory Statement shall include McGladrey's determination of the quantities of each of the assets inventoried as of the Effective Date and the Inventory Value, Packaging Value and Supplies Value (collectively the "Values") in accordance herewith and shall be accompanied by McGladrey's report certifying the accuracy and completeness thereof. Each Value shall constitute the respective Inventory Value, Packaging Value or Supplies Value except to the extent that either party disagrees in accordance with Section 3.6(c) hereof, in which case each Revised Value shall constitute the respective Inventory Value, Packaging Value or Supplies Value. The Values shall be determined as follows:

(i) the Inventory Value shall be the aggregate book value of the Inventory as of the Effective Date based on original cost to Seller per the

Inventory Audit less a Four Hundred Thousand Dollar (\$400,000) reserve for obsolescence (which reserve is an agreed amount that is not subject to audit);

(ii) the Packaging Value shall be the aggregate value of the Packaging as of December 26, 2000 based on original cost to Seller per the Inventory Audit, not to exceed six-months supply based on prior usage; provided, however, that the value based on cost of all Packaging for styles that have been introduced within the six months prior to the Effective Date shall be included in the Packaging Value; and

(iii) the Supplies Value shall mean the lower of Seller's cost or fair market value of the Supplies as of the Effective Date as determined by physical count and the Inventory Audit, but such supplies shall be limited to those items used in Buyer's ongoing business.

(c) In the event that either party disagrees in good faith (the "Objecting Party") with any Value contained in the Inventory Statement, the Objecting Party shall notify the other Party in writing within seven days of the receipt thereof, at which time Buyer and Seller shall make a good faith effort to resolve such disagreement. If Buyer and Seller are unable to solve such disagreement within 10 days after the Objecting Party gives such written notice, Buyer and Seller shall jointly select an independent certified public accountant (the "Independent Accountant") to resolve the disagreement. Each of Buyer and Seller shall provide the Independent Accountant with such information as the Independent Accountant deems necessary or appropriate to resolve the disagreement. The Independent Accountant will be directed to complete its determination as to the disagreement as soon as reasonably practicable. The Independent Accountant will make determinations only as to those Values actually disputed. If more than one Value is disputed, the Independent Accountant will make separate determinations as to the Revised Inventory Value, Revised Packaging Value or Revised Supplies Value (the "Revised Values"). The determination of the Independent Accountant as to the Revised Values shall be conclusive and binding on the parties hereto. The Revised Values shall be determined in the same manner as the Values, as set forth in Section 3.6(b)(i)-(iii).

(d) The payment of the fees and expenses of the Independent Accountant shall be borne one-half by Buyer and one-half by Seller unless the Independent Accountant finds one party's position to be so unfounded as to justify a different allocation of the fees and disbursements of the Independent Accountant among the parties. Any such determination of the Independent Accountant shall be conclusive and binding upon the parties hereto.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

As an inducement to Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, Seller hereby unconditionally represents and warrants to

Buyer as follows:

4.1 Due Organization and Authority. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of North Carolina. Seller has all requisite limited liability company power and authority to own, operate, lease and use its properties and assets and to carry on its business as it now being conducted. Seller is duly qualified to do business in, and is in good standing and has all required and appropriate licenses under the laws of the states or jurisdictions of all of the states or jurisdictions in which the nature of the property or assets owned by it or the nature of the operations or business conducted by it requires such qualification or licenses in order to avert a material adverse effect on Seller or the Business.

4.2 Due Authorization; Binding Obligation. Seller has all necessary limited liability company power and authority to execute, deliver and perform this Agreement and the Related Agreements and Other Documents to which it is a party and to consummate the transactions contemplated hereunder or thereunder. Such execution, delivery and performance has been duly authorized by all necessary action on the part of Seller and no other proceedings on the part of Seller are necessary to authorize this Agreement and the Related Agreements and Other Documents to which it is a party and the transactions contemplated hereunder or thereunder. This Agreement and each of the Related Agreements and Other Documents to which Seller is a party has been or will be duly executed and delivered and constitutes or will constitute the valid and binding obligation of Seller enforceable against Seller in accordance with their respective terms.

4.3 No Conflict or Violation; Consents. Neither the execution, delivery or performance by Seller of this Agreement, the Related Agreements or the Other Documents to which Seller is a party nor the consummation of the transactions contemplated hereby or thereby will (a) contravene or violate Seller's Articles of Organization or Operating Agreement, (b) violate, conflict with, result in a breach of, or entitle any party to terminate, or declare a default with respect to, any contract, lease, interest, judgment, order, decree, law, rule or regulation applicable to Seller or its business or to any of its shareholders or to the Purchased Assets (with or without the giving of notice or the passage of time or both) or (c) require the consent, approval or authorization of any Person, except for agreements with lenders who will be paid in full on or before the Closing. Seller is not a party or subject to or bound by any agreement, instrument, judgment, injunction or decree of any court or governmental authority that may restrict or interfere with its performance of this Agreement or any of the Related Agreements or Other Documents to which it is a party.

4.4 Financial Statements. The Financial Statements were prepared in accordance with GAAP consistently applied throughout the periods indicated, are in accordance with the books and records of Seller and present fairly, as of their respective dates or the periods covered thereby, the financial position and results of operations of Seller, except as set forth on Schedule 4.4 with respect to the treatment of supplies and packaging.

4.5 No Adverse Changes. Since the Balance Sheet Date, Seller has conducted the Business only in the ordinary course of business in accordance with Seller's past practices (without extraordinary or unusual transactions) and Seller has not:

- (a) suffered any damage, destruction or loss (whether or not covered by insurance) to any of its assets;
- (b) entered into any agreement relating to the Purchased Assets, other than agreements for the purchase or sale of Inventory, Packaging, or Supplies in the ordinary course of business;
- (c) created, assumed or permitted to exist any Lien on any of its properties or assets;
- (d) failed to perform in any material respect any obligations under any Assumed Agreement;
- (e) sold, transferred, leased or otherwise disposed of any of its properties or assets, except for sales of Inventory in the ordinary course of business and except for sales of other nonmaterial assets in the ordinary course of business, or canceled, compromised, waived or released any right or claim of substantial value;
- (f) instituted or changed any bonus, profit sharing, pension, retirement or other similar arrangement or plan or made any increase in the compensation or benefits payable to any employee or instituted or changed any bonus, percentage of compensation or other like benefit to or for the credit of any employee;
- (g) suffered any change, event or condition (including, without limitation, the loss of any customer or supplier) which has had or is likely to have a material adverse effect on the condition (financial or otherwise) of its properties, assets, liabilities, business or prospects;
- (h) incurred any obligation or liability, absolute, contingent or otherwise, whether due or to become due, other than in the ordinary course of business consistent with Seller's past practices;
- (i) made any writedown of the value of any of the Purchased Assets;
- (j) taken any action that would interfere with or prevent performance of this Agreement; or
- (k) agreed to do any of the foregoing.

4.6 Title. Except as disclosed in Schedule 4.6, Seller has good and marketable title to all of the Purchased Assets, free and clear from all Liens.

4.7 Inventory. The Inventory (i) consists exclusively of products of a quality and quantity usable or saleable in the ordinary course of business of Seller; (ii) is reasonable in amount for the ordinary course of business of Seller; and (iii) has been recorded in the Financial Statements in accordance with GAAP with an agreed Four Hundred Thousand Dollar (\$400,000) reserve for obsolescence.

4.8 Equipment. Schedule 4.8 is a true and complete listing of the Machinery and Equipment by major items (or categories of items, where appropriate), together with a description of each item and a statement of the date of acquisition of each item (to the extent practicable). All items of Machinery and Equipment are in a state of good repair and in good working order, are sufficient for the operation of the Business and are in conformity in all material respects with all applicable laws, ordinances, orders, regulations and other requirements (including applicable zoning, environmental, motor vehicle safety or standards, occupational safe and health laws and regulations) relating thereto currently in effect.

4.9 Intellectual Property. Schedule 4.9 sets forth all patents, trademarks, copyrights, service marks and trade names, all applications for any of the foregoing, and all permits, grants, franchises and licenses or other rights running to or from Seller relating to any of the foregoing (the "Intellectual Property"), all of which are included as part of the Intangible Assets. No other patents, trademarks, copyrights, service marks or trade names are material to the Business as presently conducted or as being developed, except for the name "Flashlegs", which is not part of the Purchased Assets. The rights of Seller in and to the Intellectual Property are valid and enforceable and useable by Seller free and clear of any claims or rights of others. All trade secrets, know-how, processes, technology, computer software, blueprints and designs used by Seller in or incident to its business as presently conducted or as being developed do not infringe on or otherwise violate any patent, trademark, service mark, trade name or other intellectual property right of any third party and Seller has not received any notice of any adversely held patent, invention, trademark, copyright, service mark, trade name or other intellectual property right of any third party. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not result in the loss or impairment of any of the Intellectual Property or Seller's rights thereto.

4.10 Assumed Agreements. With respect to the Assumed Agreements:

(a) Schedule 4.10(a). The contracts, agreements and commitments for production and sale of goods and services to customers of Seller were entered into or made by Seller in the ordinary course of Seller's business consistent with Seller's past practices and are valid and in full force and effect.

(b) Schedule 4.10(b) is a true and accurate listing and description of all contracts and purchase orders existing as of the date hereof for goods and services necessary in the ordinary course of Seller's business. Such contracts and purchase orders were entered into or made in the ordinary course of Seller's business consistent with Seller's past practices, are at prices and on terms no less favorable to Seller than those generally prevailing and are valid and in full force and effect.

(c) Schedule 4.10(c) is a true and accurate listing and description of all licenses, contracts, operating leases and other agreements that relate to the Purchased Assets or the Business and are used in the Business of Seller other than those related to the Excluded Assets. Such licenses, contracts, operating leases and other agreements were entered into in the ordinary course of Seller's business consistent with Seller's past practices and are in full force and effect.

(d) Seller has paid all amounts due and payable under the Assumed Agreements as of the Effective Date. Buyer assumes no liability for any amounts owed relating the Assumed Agreements attributable to periods ending on or prior to the Effective Date.

(e) Seller has not collected any amounts under the Assumed Agreements for products or services to be delivered or performed after the Effective Date. Buyer assumes no obligation to deliver or perform any products or services for which Seller collected any amount prior to or on the Effective Date.

4.11 Customers and Suppliers. Schedule 4.11 is a true and complete list of Seller's ten largest customers and ten largest suppliers for the 10 months ended October 28, 2000, measured by dollar volume in each case. Except as disclosed on Schedule 4.11, Seller has neither received notice or indication that any customer or supplier of Seller will terminate or substantially reduce its business with Seller, whether as a result of the transactions contemplated by this Agreement or otherwise, nor, to the knowledge of Seller, is there a customer or supplier of Seller that intends to so terminate or substantially reduce its business with Seller.

4.12 Compliance; Permits. Seller and the Business are in compliance in all material respects with all applicable statutes, ordinances, rules, regulations, requirements and orders of governments and governmental bodies (including but not limited to, all applicable zoning, building, and other ordinances, regulations and codes), and Seller has not received any notice asserting any noncompliance therewith. Seller has all licenses, permits, authorizations and approvals necessary to carry on the Business as it is currently being conducted, or obtained by Seller for the conduct of the Business and the ownership and operation of its Purchased Assets (the "Business Licenses"). Seller has delivered to Buyer complete and accurate copies of all such Business Licenses, each of which is currently valid and in full force and effect and is hereby fully assigned to Buyer. To the knowledge of Seller, Seller is not in default (or with the giving of notice or lapse of time or both, would be in default) under any Business License in any material respect. Seller has executed and filed any and all assignments, permit transfer applications and notices to governmental agencies, necessary to transfer such Business Licenses to Buyer to the extent transferable by law and keep such Business Licenses in full force and effect through the Effective Date.

4.13 Governmental Approvals and Filings. Except as set forth on Schedule 4.13, no consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority on the part of Seller is required in connection with the execution, delivery and performance of this Agreement or any of the Related Agreements to which it is a party or the consummation of the transactions contemplated hereby or thereby.

4.14 Litigation. There are no actions, suits or proceedings, legal (governmental or otherwise) pending or, to the knowledge of Seller, threatened against or relating to Seller, the Business or the Purchased Assets and Seller knows of no basis therefor.

4.15 Absence of Undisclosed Liabilities. There does not exist any liability or obligation of any nature or in any amount (whether known or unknown, absolute, accrued, contingent or otherwise) against Seller or any of its assets or properties not fully reflected on or reserved against on the latest balance sheet included in the Financial Statements, except for trade payables and accrued expenses incurred after the Balance Sheet Date in the ordinary course of business consistent with Seller's past practices.

4.16 Books and Records. The Business Records of Seller relating to the Business and the Purchased Assets are substantially complete and correct in all material respects.

4.17 Employees; Compensation. Schedule 4.17 is a true and complete list of Seller's employees, together with their titles or job descriptions, lengths of service, rates of compensation (regardless of form) and information as to any bonus or incentive pay, deferred or other compensation to which they are entitled or for which they are eligible and any special arrangements, oral or written, with respect to their employment. Except as described in Schedule 4.17, Seller is not a party to any employment contract, consulting contract or similar arrangement with any employee or person.

4.18 Employment; Related Payments. Seller has paid or accrued all wages, commissions, salaries, holiday and vacation pay, bonuses and past service claims of the employees of Seller due and payable and has made (or will be holding in trust for the beneficiaries thereof and will thereafter pay on or before the due date for payment) all proper deductions, remittances and contributions for employees' wages, commissions and salaries required under all contracts and statutes (including without limitations, health, hospital and medical insurance, group life insurance, workers' compensation, unemployment insurance, income tax, FICA taxes and the like) and wherever required by such contracts and/or statutes, all proper deductions and contributions from its own funds for such purposes.

4.19 Employment; Labor Matters. Seller is not a party to any collective bargaining agreement with any labor union or any local or subdivision thereof; there is no current or, to the knowledge of Seller, threatened union organizing activity among the employees of Seller; and there have been no unfair labor practice complaints or actions filed or threatened against Seller. No union representation questions relating to Seller are pending before the National Labor Relations Board or before any similar agency in any state. Seller is not and, during the three-year period prior to the date hereof Seller has not been, in violation in any material respects of any federal, state or foreign laws respecting employment, employment practices, terms and conditions of employment, wages and hours, collective bargaining, worker safety, employee insurance, unfair labor practices or the withholding and payment of FICA, Medicare and related taxes.

4.20 Employee Benefit Plans. Except as listed and described on Schedule 4.20, Seller has no pension, profit sharing, retirement, deferred compensation or bonus plans, or any

executive compensation plan, incentive compensation plan, severance pay plan, group life, disability, medical or hospitalization insurance, or other plans and arrangements providing for employee benefits (collectively, "Employee Benefit Plans").

4.21 Taxes. Seller has filed all federal, state and local tax and other returns and reports relating to the Business or the Purchased Assets required to be filed on or before the Effective Date; all information reported on such returns is true, accurate and complete; and Seller has paid or accrued (i) any and all taxes shown to be due on such returns and reports, including, without limitation, those due in respect of properties, income, franchises, licenses, sales and payrolls, (ii) all deficiencies and assessments of taxes of which notice has been received by Seller that are or may become payable by Buyer as a Lien upon the Purchased Assets and (iii) all other taxes due and payable on or before the Effective Date for which neither filing of tax returns or reports nor notice of deficiency or assessment is required, of which Seller is or should be aware that are or may become a Lien upon the Purchased Assets.

4.22 Utilities. Seller has had sufficient power, wood chips, natural gas and water supplies and adequate sewage, waste disposal and air omission systems for the operation of the Business and all such supplies and systems have been and are in full compliance with all federal, state and local environmental and other regulatory laws and regulations. To the knowledge of Seller, the supplies and systems referred to in this Section 4.22 will be available to Buyer subsequent to the Effective Date.

4.23 Real Property Lease.

(a) Seller currently leases the Real Property described in Schedule 1.38. The lease between the Seller and Hampshire with respect to the Real Property will be terminated as of the Effective Date without any further liability by Seller thereunder;

(b) the Real Property is not subject to any covenant or restriction preventing or limiting in any respect the consummation of the transactions contemplated hereby;

(c) the building, structures and other improvements located on the Real Property (the "Facilities") and the mechanical systems situated therein, including without limitation the heating, electrical, air conditioning and plumbing systems, are in good operating condition and repair, ordinary wear and tear excepted, and are adequate and suitable for the purposes for which they are presently being used, and the roof is in satisfactory condition and is not in need of current repair;

(d) the use for which the Real Property is zoned permits the use thereof for the Business consistent with past practices, the use and occupancy of the Real Property by Seller is in compliance in all material respects with all regulations, codes, ordinances and statutes applicable to Seller and the Business, and Seller has not received any notice asserting any material violation of sanitation laws and regulations, occupational safety and health regulations, or electrical codes;

(e) there are no facts relating to Seller, and to the knowledge of Seller, no facts relating to any other party, that would prevent the Real Property from being occupied and used by Buyer or any assignee of Buyer after the Effective Date in the same manner as immediately prior to the Effective Date; and

(f) the Real Property constitutes all of the real property used by Seller used in the operation of the Business.

4.24 Environmental Matters. With respect to environmental matters:

(a) the use, maintenance and operation of the Real Property and the conduct of the Business by Seller is in compliance in all material respects with all applicable federal, state, county or local statutes, laws, regulations, rules, ordinances, codes, licenses and permits of any governmental authorities relating to environmental matters, including by way of illustration and not by way of limitation (i) the Clean Air Act, the Clean Water Act, the Federal Water Pollution Control Act of 1972, the Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Toxic Substances Control Act (and any amendments or extensions of any of them), and (ii) all other applicable environmental requirements;

(b) without limiting the generality of Section 4.24(a), Seller (i) has operated the Real Property, and has at all times received, handled, used, stored, treated, shipped and disposed of all hazardous substances, petroleum products and wastes, in compliance with all applicable environmental, health or safety statutes, ordinances, orders, rules, regulations, permits and requirements, and (ii) has removed from the Real Property, including the subsurface, all hazardous substances, petroleum products and wastes and any contamination of the Real Property resulting therefrom;

(c) there are no statutes, orders, rules, regulations or permits relating to environmental matters requiring any work, repairs, construction or capital expenditures with respect to the Real Property;

(d) Seller has neither been informed that any hazardous or toxic materials, substances, pollutants, contaminants or wastes managed by Seller have been released, nor has Seller released any of same, into the environment, or deposited, discharged, placed, recycled or disposed of at or on the Real Property or any other property (or that any condition constituting a threatened release exists), nor has Seller at any time used the Real Property as a landfill or waste disposal site;

(e) no notice of any violation of any matter which would cause any of the representations and warranties contained in Sections 4.24(a) through 4.24(d) relating to the Real Property or its use to be false or materially misleading has been received by Seller, and there are no writs, injunctions, decrees, orders or judgments outstanding, and no lawsuits, claims, proceedings or investigations pending or threatened, relating to the ownership, use, maintenance or operation of the Real Property, nor, to the knowledge of

Seller, is there any basis for such lawsuits, claims, proceedings or investigations being instituted or filed; and

(f) there are no underground storage tanks located on the Real Property.

4.25 Solvency; Bankruptcy Filings. Seller is solvent and has not incurred nor does it intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be received by it and of amounts to be payable on or in respect of debts of it) (excluding all debt owed by Seller to Hampshire). Seller's cash flow, after taking into account all anticipated uses of its cash, will at all times be sufficient to pay all amounts on or in respect of its debts when such amounts are required to be paid (excluding debt owed by Seller to Hampshire). Seller is neither contemplating any voluntary bankruptcy filing under federal or state bankruptcy or insolvency laws nor has Seller received any information to indicate that an involuntary bankruptcy filing may be commenced against it.

4.26 No Brokerage. Seller has not incurred any obligation or liability, contingent or otherwise, for brokerage or finder's fees or agent's commissions or like payments in connection with this Agreement or the transactions contemplated hereby.

4.27 No Misstatements or Omissions. No representation or warranty contained in this Agreement (including its schedules) or in any Related Agreement or Other Document to which Seller is a party contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements or facts contained therein or herein not misleading.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

To induce Seller to enter into this Agreement and to consummate the transactions contemplated herein, Buyer hereby unconditionally represents and warrants to Seller as follows:

5.1 Due Organization and Authority. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina and has all requisite corporate power and authority to own, operate, lease and use its properties and assets and to carry on its business as it is now being conducted.

5.2 Due Authorization; Binding Obligation. Buyer has all necessary corporate power and authority to make, execute, deliver and perform this Agreement and the Related Agreements and Other Documents to which it is a party and to consummate the transactions contemplated hereunder or thereunder. Such execution, delivery and performance has been duly authorized by all necessary action on the part of Buyer and no other proceedings on the part of Buyer are necessary to authorize this Agreement and the Related Agreements and Other Documents to which it is a party and the transactions contemplated hereunder or thereunder. This Agreement and each of the Related Agreements and Other Documents to which it is a party has been or will

be duly executed and delivered and constitutes or will constitute the valid and binding obligation of Buyer enforceable against it in accordance with their respective terms.

5.3 No Conflict or Violation; Consents. Neither the execution, delivery or performance of this Agreement or the Related Agreements or Other Documents to which Buyer is a party nor the consummation of the transactions contemplated hereby or thereby will (a) contravene or violate Buyer's Articles of Incorporation or bylaws, (b) violate, conflict with, result in a breach of, or entitle any party to terminate, or declare a default with respect to, any contract, lease, interest, judgment, order, decree, law, rule or regulation applicable to Buyer or its business (with or without the giving of notice or the passage of time or both), or (c) require the consent, approval or authorization of any person, firm, corporation or government entity, which consent or approval has not been obtained. Buyer is neither a party to subject to nor bound by any agreement, instrument, judgment, injunction or decree of any court or governmental authority that may restrict or interfere with its performance of this Agreement.

5.4 Banking Relationship. Buyer's principal credit facility is with The CIT Group/Commercial Services, Inc. Buyer intends to continue that relationship following the Effective Date. Buyer, however, neither intends to nor does assume any liabilities or obligations of Seller to The CIT Group/Commercial Services, Inc. or any of its affiliates.

5.5 No Brokerage. Buyer has not incurred any obligation or liability, contingent or otherwise, for brokerage or finder's fees or agent's commissions or like payments in connection with this Agreement or the transactions contemplated hereby.

5.6 No Misstatements or Omissions. No representation or warranty contained in this Agreement (including its schedules) or in any Related Agreement or Other Document to which Buyer is a party contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements or facts contained therein or herein not misleading.

ARTICLE VI

COVENANTS OF SELLER

6.1 Conduct of Business. Seller covenants and agrees with Buyer that, from the date hereof to the Effective Date, Seller will:

- (a) conduct and operate the Business only in the ordinary course and in a manner consistent with prior and current business practices and operations;
- (b) use its best efforts to preserve intact its present business organization, keep available the service of its present officers and employees, and preserve its relationships with its customers and suppliers;

(c) maintain all of its property in a state of good repair and in good working order, and continue to carry and keep in effect its existing insurance policies or substitute policies providing substantially equivalent coverage;

(d) maintain its books, accounts and records in a manner consistent with Seller's past practices; and

(e) duly comply in all material respects with all laws applicable to it and to the conduct of the Business.

6.2 Negative Covenants. Seller covenants and agrees that Seller will not, except with the prior written consent of Buyer, from the date hereof to the Effective Date:

(a) take any action or omit to take any action that would result in a breach of any of the representations and warranties set forth in Article IV hereof as if they had been made as of the Effective Date;

(b) increase in any manner the compensation of any of its employees or agents, pay any bonuses not required by an existing program, pay or agree to pay to any of its officers or employees any pension or retirement allowance not required by any existing plan, or enter into, extend or modify, or undertake any commitment to enter into, extend or modify any employment agreement with or for the benefit of any Person;

(c) enter into any agreement relating to the Purchased Assets, services to be performed or goods to be produced, other than agreements for the purchase or sale of Inventory in the ordinary course of business;

(d) fail to perform in any material respect any obligations under any Assumed Agreement;

(e) take any action that would interfere with or prevent performance of this Agreement; or

(f) allow to exist any liability or obligation of any nature or in any amount (whether known or unknown, absolute, accrued, contingent or otherwise) against Seller or any of its assets or properties not fully reflected on or reserved against on the latest balance sheet included in the Financial Statements, except for trade payables and accrued expenses incurred after the date of this Agreement in the ordinary course of business consistent with Seller's past practices.

6.3 Cessation of Operations. As of the close of business on December 22, 2000, Seller shall cease all manufacturing operations of the Business other than the shipment of finished goods packaged prior to the cessation of operations under this Section and not included in the Inventory Audit under Section 3.6. Following such time, Seller shall not operate the Business or otherwise consume or expend any Purchased Assets except as is necessary for the

preservation and maintenance of the Purchased Assets or except with the prior written consent of Buyer.

6.4 Access to Facilities, Records, Employees Etc. Between the date hereof and the Effective Date, Seller shall give or cause to be given to the authorized representatives of Buyer full access at all reasonable times, for purposes of its due diligence investigations, to all of Seller's facilities and properties and to all of Seller's books, records, documents and files of every character related to the Business and the Purchased Assets and Assumed Agreements; provided, however, that Buyer and its representatives shall use all reasonable efforts to minimize any interference with respect to such investigation on the business operations of Seller. Buyer and its authorized representatives shall be entitled to make copies of such books, records, documents and files or other information requested by Buyer and related to the business operations of Seller. Seller shall cooperate with Buyer in conducting such investigation and promptly upon Buyer's request shall also provide Buyer and its authorized representatives reasonable access to Seller's employees, customers and suppliers during normal business hours to the extent reasonably deemed by Buyer to be necessary in connection with its due diligence investigations. Such employees shall be instructed to and such customers and suppliers shall be requested to cooperate with Buyer and to provide such information as Buyer and its authorized representatives may reasonably request. Buyer will use its best efforts to cause its directors, officers, employees, agents and representatives to keep all information obtained pursuant to such investigations confidential and to return such information promptly in the event the transactions contemplated hereby are not consummated.

6.5 Seller's Real Property Lease. Seller currently leases the Real Property described in Schedule 1.38. Seller shall cause the lease between Seller and Hampshire with respect to the Real Property to be terminated as of the Effective Date.

ARTICLE VII

CONDITIONS TO THE OBLIGATIONS OF SELLER

The obligations of Seller under this Agreement are subject to the fulfillment of the following conditions prior to or on the Effective Date:

7.1 Representations and Warranties. Each of the representations and warranties of Buyer contained in this Agreement and in any Related Agreement or Other Document shall have been true and accurate as of the date when made and shall be deemed to be made again on and shall be true and accurate as of the Effective Date.

7.2 Covenants and Conditions. Buyer shall have duly performed and complied fully with all covenants, agreements and conditions required by this Agreement to be performed or complied with by Buyer prior to or on the Effective Date.

7.3 No Litigation or Governmental Proceedings. No action or proceeding shall have been instituted before any court or governmental body by any third party to restrain or prohibit, or to obtain damages in respect of, the consummation of this Agreement. No party to this

Agreement shall have received written notice from any governmental body of (i) its intention to institute any action or proceeding to restrain or enjoin or nullify this Agreement or the transactions contemplated hereby, or to commence any investigation into the consummation of this Agreement or (ii) the actual commencement of such an investigation. Buyer shall give notice to Seller of any such intent, investigation or inquiry promptly upon receipt of notice of its occurrence.

7.4 Execution and Delivery Requirements. Buyer shall have satisfied its execution and delivery requirements for the Closing as set forth in Section 3.3 hereof.

7.5 Opinion of Counsel to Buyer. Seller shall have received the opinion of Schell Bray Aycock Abel & Livingston P.L.L.C., counsel to Buyer, dated the Closing, addressed to Seller, substantially in the form of Exhibit 5 attached hereto.

7.6 Employment Agreement. Fritz Schulte and Buyer shall have entered into the Employment Agreement in the form attached as Exhibit 6.

7.7 Buyer's Real Property Lease. Buyer and Hampshire shall have entered into a real property lease in the form attached as Exhibit 7.

7.8 Purchase of Leased Assets. Simultaneously with the Closing and pursuant to the Bill of Sale of Leased Assets attached hereto as Exhibit 8, Hampshire shall have sold to Buyer the Leased Assets described in Schedule 1.28 for a purchase price of \$750,000, such purchase price to be financed by Hampshire on a three-year note, payable monthly with interest at the prime rate of Bank of America, N.A., adjusted monthly.

ARTICLE VIII

CONDITIONS TO THE OBLIGATIONS OF BUYER

The obligations of Buyer under this Agreement are subject to the fulfillment of the following conditions prior to or on the Effective Date:

8.1 Representations and Warranties. Each of the representations and warranties of Seller contained in this Agreement and in any Related Agreement or Other Document shall have been true and accurate as of the date when made and shall be deemed to be made again on and shall be true and accurate as of the Effective Date.

8.2 Covenants and Conditions. Seller shall have duly performed and complied fully with all covenants, agreements and conditions required by this Agreement to be performed or complied with by Seller prior to or on the Effective Date.

8.3 No Litigation or Governmental Proceedings. No action or proceeding shall have been instituted before any court or governmental body by any third party to restrain or prohibit, or to obtain damages in respect of, the consummation of this Agreement. No party to this Agreement shall have received written notice from any governmental body of (i) its intention to

institute any action or proceeding to restrain or enjoin or nullify this Agreement or the transactions contemplated hereby, or to commence any investigation into the consummation of this Agreement or (ii) the actual commencement of such an investigation. Seller shall give notice to Buyer of any such intent, investigation or inquiry promptly upon receipt of notice of its occurrence.

8.4 Consents and Approvals. All consents, approvals, authorizations and filings required to be obtained or made for the valid and effective transfer to Buyer of the Purchased Assets and the Assumed Agreements and consummation of the transactions contemplated by this Agreement and the Related Agreements shall have been obtained or made.

8.5 No Adverse Change. There shall have been no material adverse change in the Business, Purchased Assets or condition (financial or otherwise) of Seller since the Balance Sheet Date.

8.6 Licenses and Permits. All licenses and permits necessary for the conduct of the Business shall have been assigned to Buyer effective as of the Effective Date, with all necessary consents to permit Buyer to operate the business of Seller under such permits and licenses.

8.7 Termination of Liens. All Liens on the Purchased Assets other than the Liens described in Schedule 4.6 shall have been terminated pursuant to written instruments in form and substance reasonably satisfactory to Buyer. Buyer shall have received a letter from each of the secured parties identified in Schedule 4.6 (each secured party a "Lender") stating the amount necessary to payoff Lender's loan in full as of the Closing (each Lender's amount the "Payoff Amount" and all Lenders' amounts hereunder collectively the "Payoff Amounts") and providing wire transfer instructions for the payment of the Payoff Amount pursuant to Section 3.2(a)(iv). Each such letter shall confirm that, upon payment of the Payoff Amount in accordance with Section 3.2(a)(iv) hereof, (A) Lender's loans to Seller will have been paid in full, (B) Lender will immediately cancel and release all Liens against Seller's assets, and (C) Lender will unconditionally provide Buyer with appropriate UCC termination statements and any other documents necessary for terminating all Liens in and to Seller's assets.

8.8 Employment Related Payments. Seller shall have paid or accrued all Employee Obligations attributable to periods ending on or prior to the Effective Date. Buyer assumes no liability for any such Employee Obligations that have been paid or should have been paid to or for the benefit of, or withheld from, any employee or salesman of Seller for any period prior to the Effective Date.

8.9 Execution and Delivery Requirements. Seller shall have satisfied its execution and delivery requirements for the Closing as set forth in Section 3.3 hereof.

8.10 Opinion of Counsel to Seller. Buyer shall have received the opinion of Johnston, Allison & Hord, P.A., counsel to Seller, dated the Closing, addressed to Buyer, substantially in the form of Exhibit 4 attached hereto.

8.11 Employment Agreement. Fritz Schulte and Buyer shall have entered into the Employment Agreement in the form attached as Exhibit 6.

8.12 Buyer's Real Property Lease. Buyer and Hampshire shall have entered into the real property lease in the form attached as Exhibit 7.

8.13 Purchase of Leased Assets. Simultaneously with the Closing and pursuant to the Bill of Sale of Leased Assets attached hereto as Exhibit 8, Hampshire shall have sold to Buyer the Leased Assets described in Schedule 1.28 for a purchase price of \$750,000, such purchase price to be financed by Hampshire on a three-year note, payable monthly with interest at the prime rate of Bank of America, N.A., adjusted monthly.

8.14 Waiver by Hampshire. Hampshire shall have waived in writing, in form and substance satisfactory to Buyer, all rights and claims it may assert, or which may be asserted on its behalf, against Buyer by reason of indebtedness owed by Seller to Hampshire, including, but not limited to, any rights and claims under the North Carolina Bulk Sales Act (Article 6 of the North Carolina Uniform Commercial Code) and any rights and claims arising under the federal bankruptcy laws and any applicable state laws in the event of the bankruptcy or insolvency of Seller. Hampshire shall also have agreed in writing, in form and substance satisfactory to Buyer, to indemnify Buyer for and against any and all loss, cost, expense or liabilities incurred by Buyer arising from any rights or claims asserted by Hampshire or by any third party in connection with or by reason of any indebtedness owed by Seller to Hampshire.

ARTICLE IX

INDEMNIFICATION

9.1 Indemnification of Buyer. Seller hereby indemnifies, defends and holds Buyer harmless from and against any and all Losses (as defined in Section 9.3) by reason of, or arising out of, any of the following:

- (a) any breach of any representation or warranty made by Seller in this Agreement or in any Related Agreement or Other Document;
- (b) any failure by Seller to perform or fulfill any of its covenants or agreements set forth in this Agreement or in any Related Agreement or Other Document;
- (c) any failure of Seller to pay when due or otherwise to perform any of its liabilities and obligations other than those liabilities and obligations assumed by Buyer under the Assumed Agreements;
- (d) any environmental contamination or pollution (including any release or threatened release of hazardous substances, petroleum products or wastes) on the Real Property, or any improvements thereon, which occurred on or prior to the Effective Date but on or after the date Seller obtained possession, the right to possess or control of the Real Property or any improvements thereon; or any contamination or pollution of any

other property resulting from the operation of the business of Seller on or prior to the Effective Date; or any remediation, containment or cleanup of the Real Property or such other property required by applicable governmental authorities or otherwise necessary to protect Buyer from liability related to such contamination or pollution and caused by any action, direct or indirect, of Seller; or any violations of the Clean Air Act, the Clean Water Act, the Federal Water Pollution Control Act of 1972, the Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Toxic Substances Control Act and any other environmental laws or regulations (i) with respect to the Real Property occurring on or prior to the Effective Date but on or after the date Seller obtained possession, the right to possess or control of the Real Property or any improvements thereon, (ii) committed by Seller or any of its predecessors in interest, or (iii) otherwise arising out of the operation of the business of Seller on or prior to the Effective Date; and

(e) any and all actions, suits, proceedings, investigations, demands, assessments and judgments incident to any of the foregoing.

9.2 Indemnification of Seller. Buyer hereby indemnifies and holds Seller harmless from and against any and all Losses incurred by Seller by reason of, or arising out of, any of the following:

(a) any breach of any representation or warranty made by Buyer pursuant to this Agreement;

(b) any failure of Buyer to perform any of its covenants or agreements set forth in the Agreement or in any Related Agreement or Other Document; or

(c) any litigation, proceeding or claim by any third party, insofar as any of the foregoing arises out of the business conducted by Buyer after the Effective Date or Buyer's ownership, operation or use of the Purchased Assets following the Effective Date; provided, however, that Buyer shall not indemnify Seller for any Losses arising from Seller's own misconduct or negligence or the conduct of the Business prior to the Effective Date.

9.3 Losses. References herein to "Loss" or "Losses" shall mean (i) any and all damages, claims, losses, expenses, costs, obligations and liabilities, including, without limitation, liabilities for reasonable attorneys' fees and related expenses incurred by the party incurring the Loss or Losses and (ii) the cost of remediation, cleanup, containment and disposal with respect to matters addressed in Section 9.1(d). Seller shall bear the burden of proving that any Loss by reason, or arising out, of any matters addressed in Section 9.1(d) was not caused directly or indirectly by Seller or results solely from occurrences prior to the date Seller obtained possession, the right to possess or control of the Real Property or any improvements thereon.

9.4 Notice of Claims. All claims for indemnification under this Agreement shall be resolved in accordance with the following procedures:

(a) If an indemnified party reasonably believes that it may incur any Loss, it shall deliver written notice to the indemnifying party of the facts which are the basis of an indemnification claim hereunder and setting forth an estimated amount of such potential Loss, if possible, and the sections of this Agreement upon which the claim for indemnification for such Loss is based (a "Claim Notice"). If an indemnified party receives notice of a third-party claim for which it intends to seek indemnification hereunder, it shall give the indemnifying party prompt written notice of such claim, so that the indemnifying party's defense of such claim under Section 9.5 hereunder may be timely instituted.

(b) When a Loss actually is incurred or paid by an indemnified party or on an indemnified party's behalf or otherwise fixed or determined, the indemnified party shall give the indemnifying party written notice of its claim for payment for such Loss, in reasonable detail and specifying the amount of such Loss (a "Payment Certificate"), with a copy to the Escrow Agent if the party seeking indemnification is Buyer. Except as set forth in Section 9.5 with respect to third-party claims, the indemnified party may submit a Payment Certificate without having first submitted a Claim Notice. If a Claim Notice or Payment Certificate refers to any claim, action, suit or proceeding made or brought by a third party, the Claim Notice or Payment Certificate shall include copies of the claim, any process served and all legal proceedings with respect thereto.

(c) If, after receiving a Payment Certificate, the indemnifying party desires to dispute such claim or the amount claimed in the Payment Certificate, it shall give to the indemnified party, with a copy to the Escrow Agent, a written objection (a "Counternotice") to such claim or payment setting forth the basis for disputing such claim or payment. Such Counternotice shall be given within 30 days after the date the Payment Certificate to which it relates was given. If no such Counternotice is given within the aforementioned 30-day period, the indemnified party shall be entitled to prompt payment for such Loss from the indemnifying party.

(d) If, within 30 days after receipt by an indemnified party of the Counternotice to a Payment Certificate, the parties shall not have reached agreement as to the claim or amount in question, the claim for indemnification shall be submitted to one arbitrator selected from the panel of arbitrators of the American Arbitration Association, or, if Seller and Buyer cannot agree on the arbitrator, by three arbitrators selected from such panel, one of whom shall be chosen by Buyer, one of whom shall be chosen by Seller and the third of whom shall be chosen by the two arbitrators so chosen. If either Buyer or Seller shall not have designated such an arbitrator within 20 days after submission by the American Arbitration Association of the list of names of arbitrators selected from its panel, the resolution of the contested Payment Certificate shall be made by the arbitrator chosen by the other party. Arbitration will be held in Greensboro, North Carolina and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The decision of the arbitrator(s) shall be final and binding upon the parties. The determination of which party (or combination thereof) shall bear the costs and expenses incurred in connection with any such arbitration proceedings shall be determined by the arbitrator(s). (It is the intent of

the parties that if one party prevails completely in its position in an arbitration proceeding hereunder between the parties hereto not involving the defense of a third party claim, such prevailing party shall be entitled to recover from the other party the reasonable attorneys' fees and other legal expenses incurred by such prevailing party in such proceeding.) Any such arbitrator's decision and satisfaction thereof may be enforced by the party entitled thereto in any court having jurisdiction over the subject matter or the parties.

(e) With respect to any Loss based upon an asserted liability or obligation to a person or entity not a party to this Agreement for which indemnification is being claimed, the obligations of the indemnifying party hereunder shall not be reduced as a result of any action by the party furnishing the notice of third party claim responding to such claim if such action is reasonably required to minimize damages or to avoid a forfeiture or penalty or to comply with a requirement imposed by law.

9.5 Defense of Third-Party Claims. The indemnifying party under this Article IX shall have the right to conduct and control, through counsel of its own choosing, which counsel shall be reasonably acceptable to the indemnified party, any third-party claim, action or suit, but the indemnified party may, at its election, participate in the defense of any such claim, action or suit at its sole cost and expense. Except with the prior written consent of the indemnified party, no indemnifying party, in the defense of such claim or litigation, shall consent to entry of any judgment or order, interim or otherwise, or enter into any settlement that provided for injunctive or other nonmonetary relief affecting the indemnified party or that does not include as an unconditional term thereof the giving by each claimant or plaintiff to such indemnified party of a release from all liability with respect to such claim or litigation. In the event that the indemnified party shall in good faith determine that the indemnified party may have available to it one or more defenses or counterclaims that are inconsistent with one or more of those that may be available to the indemnifying party in respect of such claim or any litigation relating thereto, the indemnified party shall have the right at all times to take over and assume control over the defense, settlement, negotiations or litigation relating to such claim at the sole cost of the indemnifying party; provided, however, that, if the indemnified party does so take over and assume control, the indemnified party shall not settle such claim or litigation without the written consent of the indemnifying party, such consent not to be unreasonably withheld. In the event that the indemnifying party does not accept the defense of any matter as above provided, the indemnified party shall have the full right to defend against any such claim or demand and shall be entitled to settle or agree to pay in full such claim or demand. In any event, the indemnifying party and the indemnified party shall cooperate in the defense of any claim or litigation subject to this Section 9.5 and the records of each shall be available to the other with respect to such defense.

9.6 Deductible. Notwithstanding any provision contained in this Article 9 or elsewhere herein to the contrary, Buyer shall have no right to receive any indemnification from Seller with respect to Losses until and except to the extent that such Losses exceed, in the aggregate \$10,000, whereupon Seller shall be obligated to pay only those sums in excess of such amount.

9.7 Survival of Representations, Warranties, Covenants and Agreements. The representations, warranties, covenants and agreements of Seller and Buyer set forth in this Agreement shall survive the Closing and shall remain in full force and effect at all times following the Effective Date.

ARTICLE X

ADDITIONAL COVENANTS AND AGREEMENTS

10.1 Purchased Assets. As of the Effective Date Seller shall convey to Buyer good and marketable title to all the Purchased Assets, free and clear from all liens.

10.2 Bulk Sales Compliance. The parties waive compliance with the provisions of any applicable bulk transfer laws as they may be applicable to the transactions provided for in this Agreement. Seller shall pay and discharge, promptly and diligently, when due, all claims of creditors (except for any such claims being contested or litigated in good faith) that could be asserted against Buyer or the Purchased Assets by reason of such noncompliance, and to indemnify Buyer for any failure to do so.

10.3 Warranties. Seller hereby assigns to Buyer all of its right, title and interest in and to such warranties (express and implied) that continue in effect with respect to the Purchased Assets and hereby nominates Buyer as its true and lawful attorney to enforce such warranties, and Seller shall execute and deliver such specific assignments of such warranty rights as Buyer may reasonably request from time to time.

10.4 Further Assurances. Seller shall for no further consideration perform all such other action and execute, acknowledge and deliver and cause to be executed, acknowledged and delivered such assignments, transfers, consents and other documents as Buyer may reasonably request to vest in Buyer and protect Buyer's rights, title and interest in and enjoyment of the Purchased Assets.

10.5 Access; Mail. From time to time following the Effective Date, upon the reasonable request of Buyer, Seller shall afford Buyer and its authorized representatives access to Seller's corporate records, general ledgers and tax returns to the extent reasonably necessary for Buyer's business, tax, accounting or legal purposes, and shall permit Buyer to make copies thereof at Buyer's sole expense. From and after the Effective Date, Buyer will have the right to receive all mail addressed to Seller; provided, however, that Buyer will promptly forward to Seller any mail sent to Buyer which appears to relate to assets other than the Purchased Assets or accounts receivable to be collected by Buyer pursuant to Section 10.8 hereof or to agreements, liabilities or obligations other than the Assumed Agreements.

10.6 Employees. Seller acknowledges that Buyer is under no obligation to offer employment to any of Seller's employees. Buyer anticipates that it will employ most of Seller's employees during the period it operates the Facilities. Buyer intends, but does not warrant or covenant, to pay a "Stay Bonus" equal to one week's pay to each hourly and incentive employee who remains employed by Buyer for a period of or about three months. Seller shall terminate the

employment of all its employees who have been offered employment with Buyer and shall encourage such employees to accept such offer. Seller shall make available to Buyer on and after the Effective Date any and all records with respect to such employees as Buyer shall reasonably request. Each of Seller (prior to the Effective Date) and Buyer (following the Effective Date) shall be responsible for any notification or other requirements pursuant to the Workers Adjustment and Retraining Notification Act, 29 U.S.C. §2101, et seq.; provided, however, that Seller shall not notify Seller's employees of the transactions contemplated hereunder without prior approval by Buyer of the timing, form and content of such notification, which approval shall not be unreasonably withheld.

10.7 Employee Benefit Plans. Except for the retained health plans listed and described on Schedule 10.7, Seller shall terminate at or prior to the Effective Date all Employee Benefit Plans as defined in Section 4.20 and shall assume all liability and responsibility for any liabilities arising out of or attributable to any such Employee Benefit Plans.

10.8 Name. At all times from and after the Effective Date, neither Seller nor any affiliate of Seller shall use or license the use of the name "Vision Legwear, LLC" or derivations thereof in the operation of a hosiery manufacturing, marketing or sales business.

10.9 Accounts Receivable/Chargebacks. For the 90-day period after the Effective Date, Buyer shall remit each Wednesday to Seller payments on all accounts receivable of Seller existing as of the Effective Date and received by Buyer during the week ending on the immediately preceding Sunday. In addition, Buyer shall remit to Seller with each weekly payment under this Section fifty percent (50%) of the Chargebacks (as hereinafter defined) taken on the invoices collected during the relevant weekly period unless and until the aggregate amount of all such Chargebacks after the Effective Date exceed Two Hundred Thousand Dollars (\$200,000), at which point and thereafter Buyer shall make no additional payments to Seller for Chargebacks. "Chargebacks" means all amounts charged back to the account of any customer to the extent that (a) such amounts are related to merchandise shipped to the customer prior to the Effective Date, (b) such amounts are not accompanied by the return of the merchandise, and (c) Buyer receives the customer's request for such Chargeback no later than March 31, 2001. Nothing in this Section shall obligate Buyer to use affirmative efforts to collect any account receivable of Seller and Buyer shall have no liability to Seller for failure to do so.

10.10 Returned Goods. Buyer shall receive on behalf of Seller all those finished goods returned to Buyer by customers of the Business that were shipped to the customer prior to the Effective Date and are returned and received by Buyer no later than March 31, 2001 (the "Returned Goods"). Buyer shall take reasonable efforts to resell such Returned Goods and remit the proceeds of such sale, less any expenses reasonably incurred by Buyer in the sale or liquidation of the Returned Goods, to Seller within 10 business days of Buyer's receipt of such proceeds; provided, however, that Buyer shall be under no obligation to sell the Returned Goods in any manner that would cause Buyer to lose any business opportunity or that would cause Buyer unreasonable effort or expense. Buyer may destroy or otherwise dispose of any items that Buyer cannot reasonably resell pursuant to this Section. Buyer shall have no liability or responsibility for accounts receivable that are not paid in whole or in part, including but not limited to those not paid by reason of Returned Goods.

10.11 Good Faith Deposit. Simultaneously with the execution by both parties of this Agreement, Buyer shall deliver the sum of One Hundred Fifty Thousand Dollars (\$150,000) in immediately available funds to the Escrow Agent (the "Good Faith Deposit") to be held in escrow as evidence of Buyer's good faith intent to complete the transactions contemplated hereby. In the event that the Closing does not occur because of a breach of this Agreement by Buyer without any fault on Seller's part, then the Good Faith Deposit shall be paid to Seller in accordance with the terms of the Escrow Agreement.

10.12 Office Equipment. From the Effective Date through the date in which Buyer ceases to carry on the Business (the "Transition Period"), Seller shall make available for the use of Buyer the items of Office Equipment that Buyer deems necessary to carry on the Business. During the Transition Period, Buyer shall promptly reimburse to Seller any monthly charges incurred by Seller as a result of Seller's leasing of any such items of Office Equipment ("Monthly Charges"). Buyer shall promptly return to Seller any items of Office Equipment that Buyer no longer requires for the operation of the Business and shall cease to be liable for any Monthly Charges on such items of Office Equipment so returned.

ARTICLE XI

MISCELLANEOUS

11.1 Expenses. Except as otherwise specifically provided in this Agreement, each party hereto shall bear all of its expenses incurred in connection with the transactions contemplated by this Agreement, including, without limitation, accounting and legal fees incurred in connection therewith.

11.2 Successor and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that no party shall be released from its liabilities or obligations hereunder by reason of any assignment of the benefits hereunder.

11.3 Notices. All notices, demands and other communications that are required or permitted to be given hereunder or with respect hereto shall be in writing, shall be given either by personal delivery, by nationally recognized overnight courier or by telecopy and shall be deemed to have been given or made upon receipt when personally delivered, when deposited with charges prepaid with the nationally recognized overnight courier, or when transmitted on telecopy machine, addressed to the respective parties as follows:

If to Seller:

Vision Legwear, LLC
103 Cross Street
Spruce Pine, North Carolina 28777
Attention: Fritz Schulte, President
Telecopy: (828) 765-0526

with a copy to:

Johnston, Allison & Hord, P.A.
610 East Morehead Street
Charlotte, North Carolina 28236
Attention: H. Morrison Johnston, Jr.
Telecopy: (704) 376-1628

If to Buyer:

Acme-McCrary Corporation
159 North Street
Asheboro, North Carolina 27203
Attention: William H. Redding, Jr., President
Telecopy: (336) 629-2263

with a copy to:

Schell Bray Aycock Abel & Livingston P.L.L.C.
230 North Elm Street
Post Office Box 21847
Greensboro, North Carolina 27420
Attention: Doris R. Bray
Telecopy: (336) 370-8830

Any party may by notice change the address to which notice or other communications to it are to be delivered or mailed.

11.4 Captions. The captions of Articles and sections of this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

11.5 Law Governing. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of North Carolina.

11.6 Amendments, Waivers, Etc. No amendment, modification or discharge of this Agreement, and no waiver of any condition or the breach of any provision, term, covenant, representation or warranty hereunder, shall be valid or binding unless set forth in writing and duly executed by the party against whom enforcement of the amendment, modification, discharge or waiver is sought. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way be deemed to be or construed as a further or continuing waiver of any such condition or of the breach of any other provision, term, covenant, representation or warranty of this Agreement, and shall not impair the rights of the party granting such waiver in any other respect or at any other time. The failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right at a later date to enforce the same or to enforce any future compliance with or performance of any of the provisions hereof.

11.7 Entire Agreement. This Agreement, together with the Related Agreements and the Other Documents, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes and cancels any and all prior agreements and understandings, both written and oral, among them relating to the subject matter hereof.

11.8 Buyer's Inspection; Adequacy of Disclosure. No inspection or investigation by Buyer of any matter relating to the Purchased Assets or the Business of Seller shall be deemed a waiver by Buyer of any representation, warranty or covenant of Seller hereunder. Any item disclosed in any Schedule hereto in connection with a representation, warranty or covenant of Seller shall be deemed disclosed only in connection with the specific representation, warranty or covenant to which the item is explicitly referenced.

11.9 Meaning of Knowledge. Any reference in this Agreement or in any Related Agreement or Other Document to Seller's "knowledge" (whether to "Seller's best knowledge," to "the knowledge of Seller" or other similar expressions relating to the knowledge or awareness of Seller) shall mean and include all matters which Seller or any of its officers or directors actually know or should have known after diligent inquiry. In making each representation or warranty set forth in this Agreement and in any Related Agreement or Other Documents which is qualified by any such expression as to the knowledge of Seller, Seller hereby represents and warrants that it has duly and diligently inquired of all relevant officers and directors as to the accuracy and completeness of such representation or warranty.

11.10 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument.


IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

BUYER:
ACME-McCRARY CORPORATION

By: 

President

SELLER:
VISION LEGWEAR, LLC

By: 

President

SCHEDULE

1.11	Computer System
1.13	Display Racks
1.28	Leased Assets
1.30	Office Equipment
1.38	Real Property
3.5	Allocation of Purchase Price
4.6	Liens
4.8	Equipment
4.9	Intangible Assets
4.10(a)	Customer Contracts
4.10(b)	Purchase Orders
4.10(c)	Licenses, Contracts, Operating Leases and Other Agreements
4.11	Customers and Suppliers
4.13	Governmental Approvals and Filings
4.17	Employees
4.20	Employee Benefit Plans
4.24	Environmental Disclosures
10.7	Retained Health Plans

EXHIBITS

1	Assignment and Assumption Agreement
2	Bill of Sale
3	Escrow Agreement
4	Opinion of Counsel to Seller
5	Opinion of Counsel to Buyer
6	Employment Agreement
7	Buyer's Real Property Lease
8	Bill of Sale of Leased Assets

Vision Legwear, LLC

Schedule – 4.9 Intangible Assets

TRADEMARKS

<u>Trademark Name</u>	<u>Status</u>	<u>Serial #</u>	<u>Registration #</u>
Fun Feet	Pending	75888730	
Healthy Feet	Registered	75097477	2364807
Kids Vision	Pending	76044391	
Leg Therapy	Pending	75803664	
Micro Shield	Pending	75520606	
Nova Sheers	Registered	73709980	1510208
Putting More Life in Your Feet	Registered	75187956	2170296
Sheer Fun	Pending	75567277	
Sheer Prestige	Pending	75198999	
Silk Impressions	Registered	74508200	1922151
Simply Nude	Pending	76142439	
North American Merchandising	Registered	74620917	1994183
North American Merchandising (NAM)	Registered	74685797	2023136

Pending:

FLASHLEGS - US Trademark Application Serial No. 74/549,189 "Ladies Hosiery"
Opposition No 99,216 Sara Lee Corporation vs. Hampshire Hosiery, Inc. for the
mark "FLASHLEGS"

Settlement offered by Sara Lee on October 20, 2000 - Rejected by Vision
Legwear:

- (1) That Vision Legwear agree to abandon, with prejudice, its present application to register the FLASHLEGS mark;
- (2) That Vision Legwear cease all use of the FLASHLEGS mark. Sara Lee would grant Vision Legwear a period of four (4) months to sell off existing inventory of FLASHLEGS products;
- (3) That Sara Lee agree not to challenge Vision Legwear's use of, or to oppose its application to register, the designation FLASHLEGWEAR; and
- (4) That Sara Lee agree to compensate Vision Legwear a lump sum payment of \$25,000

Counter offer presented by Vision Legwear on November 1, 2000 -

- (1) Vision Legwear be allowed five months to sell off existing inventory of FLASHLEGS product, and that retailers of FLASHLEGS products not be liable for selling off their existing inventory, so long as that inventory was sold by Vision Legwear to the retailer prior to the five-month deadline.
- (2) That Sara Lee pay Vision Legwear a sum of \$37,500.
- (3) That Sara Lee agree not to challenge Vision Legwear's use, or oppose its application to register, or initiate a cancellation proceeding against the mark FLASHLEGWEAR or FLASH LEGWEAR.

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT is made, executed and delivered as of the ____ day of December, 2000, pursuant to the Asset Purchase Agreement, dated as of December ____, 2000 (the "Asset Purchase Agreement"), by and between Acme-McCrary Corporation, a North Carolina corporation ("Buyer"), and Vision Legwear, LLC, a North Carolina limited liability company ("Seller").

WITNESSETH:

WHEREAS, the Asset Purchase Agreement, which is incorporated herein by this reference and made a part hereof, provides for, among other things, the assignment by Seller, and the assumption by Buyer, of certain specified liabilities and obligations of Seller.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that for the consideration referred to in the Asset Purchase Agreement, the receipt and sufficiency of which are hereby acknowledged, subject to Section 2.2 of the Asset Purchase Agreement as to liabilities and obligations to be retained by Seller, Seller hereby assigns to Buyer, and Buyer hereby assumes, and agrees to pay, perform and discharge as and when due in accordance with their terms the Assumed Agreements (as defined in the Asset Purchase Agreement).

Notwithstanding the foregoing or anything in the Asset Purchase Agreement to the contrary or any doctrine of law, Buyer shall not assume, or be liable with respect to, any liability or obligation of Seller, whether fixed, absolute, contingent, known, unknown, direct or indirect or otherwise, not expressly assumed by Buyer pursuant to this Assignment and Assumption Agreement ("Retained Liabilities"). The Retained Liabilities shall include, without limitation, those liabilities and obligations described in Section 2.2 of the Asset Purchase Agreement. Nothing in this Assignment and Assumption Agreement shall be construed as an assignment or assumption of any liabilities or obligations of Seller under any claim, contract, license, lease, commitment, sales order, purchase order or agreement that is nonassignable as a matter of law or is nonassignable without the prior consent of another party thereto.

IN WITNESS WHEREOF, each of Buyer and Seller has caused this Assignment and Assumption Agreement to be executed and delivered by its duly authorized representative as of the day and year first above written.

ACME-MCCRARY CORPORATION

VISION LEGWEAR, LLC

By: _____
 William H. Redding, Jr.
 President

By: _____
 Name: _____
 Title: _____

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS that VISION LEGWEAR, LLC, a North Carolina limited liability company ("Seller"), pursuant to the Asset Purchase Agreement, dated of December ___, 2000 (the "Asset Purchase Agreement"), by and between Seller and JME-McCRARY CORPORATION, a North Carolina corporation ("Buyer"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby sell, convey, transfer and assign to Buyer, its successors and assigns, all of its right, title and interest in and to the Purchased Assets (as defined in the Asset Purchase Agreement).

Notwithstanding anything contained hereinabove to the contrary, Seller does not hereby convey, transfer or assign to Buyer any of the Excluded Assets (as defined in the Asset Purchase Agreement).

TO HAVE AND TO HOLD, all and singular, the Purchased Assets hereby sold, conveyed, transferred and assigned to Buyer, its successors and assigns, to and for its own use and benefit forever.

This Bill of Sale is executed pursuant to and in accordance with the terms and provisions of the Asset Purchase Agreement. BUYER ACKNOWLEDGES THAT SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER WITH RESPECT TO THE PURCHASED ASSETS EXCEPT AS SET FORTH IN ARTICLE IV OF THE ASSET PURCHASE AGREEMENT.

Seller hereby agrees to execute and deliver all such other documents and instruments of sale, assignment, conveyance and transfer and shall take all such other action as Buyer may reasonably request to transfer to and vest in Buyer title to and possession of the Purchased Assets.

Seller hereby assigns to Buyer all of its right, title and interest in and to such warranties (express and implied) that continue in effect with respect to the Purchased Assets and hereby appoints Buyer as its true and lawful attorney to enforce such warranties, and Seller shall execute and deliver such specific assignments of such warranty rights as Buyer may reasonably request from time to time.

Nothing in this Bill of Sale shall be construed as an attempt to assign any claim, contract, license, lease, commitment, sales order, purchase order or any claim or right, or any benefit arising thereunder or resulting therefrom, that is nonassignable as a matter of law or is nonassignable without the consent of another party thereto. Seller agrees to cooperate with Buyer in obtaining the benefits of such claims, contracts, licenses, leases, commitments, sales orders or purchase orders.

IN WITNESS WHEREOF, each of Buyer and Seller has caused this Bill of Sale to be executed and delivered by its duly authorized representative as of the ____ day of December, 2000.

VISION LEGWEAR, LLC

ACME-McCRARY CORPORATION

By: _____
Name: _____
Title: _____

By: _____
William H. Redding, Jr.
President

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Agreement") is made as of the 5th day of December, 2000 by and among ACME-McCRARY CORPORATION, a North Carolina corporation ("Buyer"), VISION LEGWEAR, LLC, a North Carolina limited liability company ("Seller"), and MARY CATHERINE HOLCOMB ("Escrow Agent").

WITNESSETH:

Buyer and Seller have entered into an Asset Purchase Agreement of even date herewith (the "Asset Purchase Agreement"), wherein Buyer has agreed to purchase certain assets of Seller. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Asset Purchase Agreement.

Sections 3.2(a)(ii) and 10.11 of the Asset Purchase Agreement provide that Buyer shall deliver to Escrow Agent a Good Faith Deposit in the amount of One Hundred Fifty Thousand Dollars (\$150,000) as evidence of its good faith intent to complete the transactions contemplated by the Asset Purchase Agreement, such Good Faith Deposit to be governed by the terms of this Agreement.

Sections 3.2(a)(iii) and 9.1 of the Asset Purchase Agreement provide that Seller shall deliver to Escrow Agent an additional sum of One Hundred Fifty Thousand Dollars (\$150,000) as security for Seller's promise to indemnify Buyer with respect to certain matters pursuant to the Asset Purchase Agreement, such additional sum to be governed by the terms of this Agreement.

NOW, THEREFORE, as a material inducement to Buyer to acquire, and Seller to sell, such assets of Seller in accordance with the terms and conditions of the Asset Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Transfers to Escrow Agent. Simultaneously with the execution and delivery of this Agreement, Buyer shall deliver to Escrow Agent the Good Faith Deposit in immediately available funds. Upon the Closing of the transactions contemplated by the Asset Purchase Agreement, Buyer shall transfer to Escrow Agent the additional sum of One Hundred Fifty Thousand Dollars (\$150,000) in immediately available funds, which amount, together with the Good Faith Deposit, shall constitute the "Escrowed Funds." The Escrow Agent shall deposit the Good Faith Deposit and the Escrowed Funds in an interest-bearing account at Bank of America, N.A. Upon receipt of the Good Faith Deposit, the duties and obligations of each of the parties to this Agreement will commence. Until the Closing, the rights and duties of Buyer, Seller and Escrow Agent with respect to the disbursement of the Good Faith Deposit are as set forth in Section 2.

2. Good Faith Deposit.

(a) If the Closing shall not have occurred by January 31, 2001, Escrow Agent shall promptly pay the Good Faith Deposit to Buyer unless Escrow Agent shall have received from Seller on or before January 31, 2001 a written notice, with a copy to Buyer, that the Closing did not occur because of a breach of the Asset Purchase Agreement by Buyer without fault on the part of Seller. It shall not be deemed a breach by Buyer of the Asset Purchase Agreement for which Seller would be entitled to the Good Faith Deposit if Buyer's failure to perform its obligations under the Asset Purchase Agreement is the result of (i) the nonfulfillment of any of the conditions set forth in Sections 8.1 through 8.10 of the Asset Purchase Agreement, (ii) the nonfulfillment of any of the conditions set forth in Sections 8.11 through 8.13 of the Asset Purchase Agreement for any reason other than Buyer's unreasonable failure to perform, and (iii) riots, wars, acts of enemies, national emergency, strikes, floods, fires, acts of God or any other cause not within the reasonable control of Buyer, whether of the class of causes enumerated in this clause (iii) or not.

(b) If, within 15 days after Seller has given notice of Buyer's breach of the Asset Purchase Agreement, Buyer shall not have given to Escrow Agent, with a copy to Seller, a written notice disputing the validity of Seller's claim of Buyer's breach, Escrow Agent shall promptly pay to Seller the Good Faith Deposit. If, however, Buyer shall have given notice within such 15-day period disputing Seller's claim of Buyer's breach, then Escrow Agent shall pay the Good Faith Deposit only:

(i) upon receipt of and in accordance with further joint written instructions executed by Buyer and Seller reflecting mutual agreement upon the disposition of the Good Faith Deposit; or

(ii) upon receipt of and in accordance with the decision of the arbitrator(s) as provided for in subsection 2(c); or

(iii) to Buyer if within 60 days after the giving by Buyer of its notice disputing Seller's claim of Buyer's breach such disputed claim is neither (x) resolved by the mutual agreement of Buyer and Seller nor (y) submitted to arbitration as provided by subsection 2(c).

(c) If, within 30 days after Buyer has given its notice disputing Seller's claim of Buyer's breach, Buyer and Seller shall not have reached agreement as to the disposition of the Good Faith Deposit, the dispute shall be submitted by either Seller or Buyer, with notice to Escrow Agent, to one arbitrator selected from the panel of arbitrators of the American Arbitration Association, or, if Buyer and Seller cannot agree on the arbitrator, by three arbitrators selected from such panel, one of whom shall be chosen by Buyer, one of whom shall be chosen by Seller and the third of whom shall be chosen by the two arbitrators so chosen. If either Buyer or Seller shall not have designated such an arbitrator within 20 days after submission by the American Arbitration Association of the list of names of arbitrators selected from its panel, the

arbitrator chosen by the other party shall resolve the dispute. Arbitration will be held in Greensboro, North Carolina, or such other location in North Carolina as the parties may agree and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The decision of the arbitrator(s), including the awarding to the prevailing party of its costs and expenses incurred in connection with such arbitration proceedings, shall be final and binding upon the parties. Any such arbitrator's decision and satisfaction thereof may be enforced by the party entitled thereto in any court having jurisdiction over the subject matter or the parties.

3. Escrowed Funds. Escrow Agent shall hold the Escrowed Funds in escrow as security for the accuracy of the representations and warranties, and the faithful performance of the covenants and undertakings, of Seller set forth in the Asset Purchase Agreement. The Escrowed Funds shall be distributed by Escrow Agent in accordance with the following:

(a) On the date that is six months following the Effective Date (the "Distribution Date"), or on such later date as may result from the application of subsection 3(d), Escrow Agent shall pay the Escrowed Funds to Seller unless, prior to the Distribution Date, Buyer shall have given Escrow Agent and Seller one or more written notices (each such notice a "Claim Notice") asserting one or more claims for which Buyer seeks indemnification pursuant to Article IX of the Asset Purchase Agreement (each such claim a "Claim"). Escrow Agent shall withhold from the payment to be made to Seller on the Distribution Date an amount sufficient to honor every pending Claim, plus interest determined pursuant to Section 4 hereinbelow.

(b) If within 30 days after the giving of any Claim Notice Seller shall not have given Escrow Agent and Buyer a written notice disputing the validity of the Claim or Claims asserted in such Claim Notice (a "Dispute Notice"), Escrow Agent shall promptly pay to Buyer the full amount of the Claim or Claims set forth in such Claim Notice, plus interest determined pursuant to Section 4 hereinbelow. If, however, a Dispute Notice shall have been given within such 30-day period, then Escrow Agent shall pay the part of the Escrowed Funds involved in such disputed Claim, plus interest, only:

(i) upon receipt of and in accordance with further joint written instructions executed by Seller and Buyer reflecting mutual agreement upon the resolution of the disputed Claim; or

(ii) upon receipt of and in accordance with the decision of the arbitrator(s) as provided for in subsection 3(c); or

(iii) to Buyer if within 60 days after the giving of a Dispute Notice such disputed Claim is neither (x) resolved by the mutual agreement of Buyer and Seller nor (y) submitted to arbitration as provided in subsection 3(c).

(c) If within 30 days after the giving of a Dispute Notice Buyer and Seller shall not have reached agreement as to the resolution of the disputed Claim, the disputed Claim shall be submitted by either Seller or Buyer, with notice to Escrow Agent, to one arbitrator selected from the panel of arbitrators of the American Arbitration Association,

or, if Buyer and the Seller cannot agree on the arbitrator, by three arbitrators selected from such panel, one of who shall be chosen by Buyer, one of whom shall be chosen by the Seller and the third of whom shall be chosen by the two arbitrators so chosen. If either Buyer or the Seller shall not have designated such an arbitrator within twenty days after submission by the American Arbitration Association of the list of names of arbitrators selected from its panel, the resolution of the disputed Claim shall be made by the arbitrator chosen by the other party. Arbitration will be held in Greensboro, North Carolina, or such other location in North Carolina as the parties may agree and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The decision of the arbitrator(s), including the awarding to the prevailing party of its costs and expenses incurred in connection with such arbitration proceedings, shall be final and binding upon the parties. Any such arbitrator's decision and satisfaction thereof may be enforced by the party entitled thereto in any court having jurisdiction over the subject matter or the parties.

(d) If any Claim remains unresolved on the Distribution Date, then, as to that Claim, the Distribution Date shall be extended by an amount of time sufficient for the completion of the dispute resolution procedures contemplated in this Section 3.

(e) Upon the final distribution of the Escrowed Funds in accordance with this Agreement, this Agreement shall terminate.

4. Interest. Any interest received from the deposit of the Good Faith Deposit or the Escrowed Funds shall be added to and become part of the Good Faith Deposit and the Escrowed Funds, respectively. Any interest payable to a party shall be calculated and determined in the discretion of the Escrow Agent based on the average interest earned on the Good Faith Deposit or Escrowed Funds during the period in which such funds were held.

5. Tax Matters. Each of Buyer and Seller shall provide a completed I.R.S. Form W-8 or Form W-9 to Escrow Agent at the signing of this Agreement. Escrow Agent may delay accepting the Good Faith Deposit and Escrowed Funds until the I.R.S. forms have been provided. Buyer and Seller, jointly and severally, shall indemnify and hold Escrow Agent harmless against all liability for tax withholding and/or reporting for any payments made by Escrow Agent pursuant to this Agreement.

6. Duties of Escrow Agent. Escrow Agent shall have no duties or responsibilities other than those expressly set forth in this Agreement, and no implied duties or obligations shall be read into this Agreement against Escrow Agent. Escrow Agent shall have no duty to enforce any obligation of any person, other than as provided herein. Escrow Agent shall be under no liability to anyone by reason of any failure on the part of any party hereto or any maker, endorser or other signatory of any document or any other person to perform such person's obligations under any such document.

7. Liability of Escrow Agent; Withdrawal. Escrow Agent shall not be liable for any action taken or omitted by it, or any action suffered by it to be taken or omitted, in good faith, and in the exercise of its own best judgment, and may rely conclusively and shall be protected in acting upon any order, notice, demand, certificate, opinion or advice of counsel (including

counsel chosen by Escrow Agent), statement, instrument, report or other paper or document (not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and acceptability of any information therein contained) which is believed by Escrow Agent to be genuine and to be signed or presented by the proper person(s). Escrow Agent shall not be held liable for any error in judgment made in good faith by an officer of Escrow Agent unless it shall be proved that Escrow Agent was negligent in ascertaining the pertinent facts, acted intentionally in bad faith or is in willful default or breach of trust with respect to this Agreement. Escrow Agent shall not be bound by any notice of demand, or any waiver, modification, termination or rescission of this Agreement or any of the terms hereof, unless evidenced by a writing delivered to Escrow Agent signed by the proper party or parties and, if the duties or rights of Escrow Agent are affected, unless it shall give its prior written consent thereto.

Escrow Agent shall not be responsible, may conclusively rely upon and shall be protected, indemnified and held harmless by Buyer and Seller, respectively, for the sufficiency or accuracy of the form of, or the execution, validity, value or genuineness of any document or property received, held or delivered by it hereunder, or of the signature or endorsement thereon, or for any description therein; nor shall Escrow Agent be responsible or liable in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver a document, property or this Agreement.

In the event that Escrow Agent shall become involved in any arbitration or litigation relating to the Escrowed Funds, Escrow Agent is authorized to comply with any decision reached through such arbitration or litigation.

Escrow Agent may resign at any time and be discharged from its duties or obligations hereunder by giving 10 days' notice in writing of such resignation specifying a date when such resignation shall take effect; provided, however, that such resignation shall not be effective until a successor agent has been appointed by Buyer and Seller and shall not relieve Escrow Agent of liability for any actions occurring prior to the time such resignation is effective.

8. The Escrow Agent's Fee. The Escrow Agent's fees shall be as set forth on Schedule 1 hereto, payable one-half by Seller and one-half by Buyer. The Escrow Agent's fees are due and payable as and when billed by the Escrow Agent.

Buyer and Seller, respectively, shall indemnify Escrow Agent for, and hold it harmless against, any loss, liability or expense incurred without negligence or willful misconduct on the part of Escrow Agent, including without limitation legal or other fees and expenses arising out of or in connection with its entering into this Agreement and carrying out its duties hereunder. Escrow Agent shall be under no obligation to institute or defend any action, suit, or legal proceeding in connection herewith, unless first indemnified and held harmless to its satisfaction in accordance with the foregoing, except that Escrow Agent shall not be indemnified against any loss, liability or expense arising out of its negligence, bad faith, or willful misconduct or breach of trust with respect to this Agreement. Such indemnity shall survive the termination or discharge of this Agreement or resignation of Escrow Agent. Escrow Agent shall be reimbursed one-half by Seller and one-half by Buyer for any reasonable expenses or disbursements incurred in connection with the performance of Escrow Agent's obligations hereunder, including without

limitation reasonable legal fees should Escrow Agent reasonably deem it necessary to retain an attorney.

9. Inspection. All funds or other property held as part of the escrow shall at all times be clearly identified as being held by Escrow Agent hereunder. Any party hereto may at any time during Escrow Agent's business hours (with reasonable notice) inspect any records or reports relating to the Escrowed Funds.

10. Controlling Document. To the extent provisions of the Asset Purchase Agreement conflict with the provisions contained herein, this Agreement shall control; provided, however, that the provisions of Article IX of the Asset Purchase Agreement shall control for all purposes, except for Escrow Agent's duties.

11. Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy, electronic or digital transmission method; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service; and upon receipt, if sent by certified or registered mail, return receipt requested. In each such case notice shall be sent to:

If to Seller:

Vision Legwear, LLC
103 Cross Street
Spruce Pine, North Carolina 28777
Attention: Fritz Schulte, President
Telecopy: (828) 765-0526

with a copy to:

Johnston, Allison & Hord, P.A.
610 East Morehead Street
Charlotte, North Carolina 28236
Attention: H. Morrison Johnston, Jr.
Telecopy: (704) 376-1628

If to Buyer:

Acme-McCrary Corporation
159 North Street
Asheboro, North Carolina 27203
Attention: William H. Redding, Jr., President
Telecopy: (336) 629-2263

with a copy to:

Schell Bray Aycock Abel & Livingston P.L.L.C.
230 North Elm Street, Suite 1500
Post Office Box 21847
Greensboro, North Carolina 27420
Attention: Doris R. Bray
Telecopy: (336) 370-8830

If to Escrow Agent:

Mary Catherine Holcomb
Holcomb & Fletcher, PLLC
831 East Morehead Street, Suite 550
Charlotte, North Carolina 28204
Telecopy: (704) 370-6505

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina without regard to the principles of conflicts of law.

13. Binding Effect; Benefit. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

14. Modification. This Agreement may be amended or modified at any time by a writing executed by Seller, Buyer and Escrow Agent.

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

16. Headings. The section headings contained in this Agreement are inserted for convenience only, and shall not affect in any way the meaning or interpretation of this Agreement.

17. Severability and Further Assurances. This Agreement together with all schedules hereto constitutes the entire Agreement among the parties and supersedes all prior and contemporaneous agreements and undertakings of the parties in connection herewith. No failure or delay of the parties hereto in exercising any right, power or remedy may be, or may be deemed to be, a waiver thereof, nor may any single or partial exercise of any right, power or remedy preclude any other or further exercise of any right, power or remedy. In the event that any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement. Each of the parties hereto shall, at the request of another party, deliver to the requesting party all further documents or other assurances as may reasonably be necessary or desirable in connection with this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement or have caused it to be duly executed as of the date first above written.

SELLER:

VISION LEGWEAR, LLC

By: _____

Fritz Schulte
President

BUYER:

ACME-McCRARY CORPORATION

By: _____

William H. Redding, Jr.
President

ESCROW AGENT:

Mary Catherine Holcomb

SCHEDULE I

The Escrow Agent's fees shall be \$1,000; except, however, should a dispute arise as to the disbursement of the Escrowed Funds, the Escrow Agent's fees shall be computed on an hourly basis at the rate of \$195 per hour with clerical assistance billed at the rate of \$50 per hour, against which the \$1,000 fee will be credited.

Form of Opinion of Counsel to Seller

Acme-McCrary Corporation
159 North Street
Asheboro, North Carolina 27203

*Re: Asset Purchase Agreement dated as of December ____, 2000 between
Vision Legwear, LLC and Acme-McCrary Corporation.*

Ladies and Gentlemen:

We have acted as counsel to Vision Legwear, LLC, a North Carolina limited liability company ("Seller"), in connection with the Asset Purchase Agreement dated as of December ____, 2000 (the "Agreement") between Seller and Acme-McCrary Corporation, a North Carolina corporation ("Buyer"), and the transactions contemplated thereby. This opinion letter is delivered to you pursuant to Section 8.10 of the Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings as are ascribed to them in the Agreement.

We have reviewed such documents and considered such matters of law as we, in our professional judgment, have deemed appropriate to render the opinions contained herein. We have made no independent factual investigation in connection with the preparation of this opinion letter. To the extent that any matters of fact may be deemed material to this opinion letter, we have relied, without investigation or analysis of any underlying data contained therein, upon the representations and warranties of Seller in the Agreement and upon certificates or other comparable documents of public officials and officers or other appropriate representatives of Seller. In rendering our opinion that Seller "is a limited liability company" and "is in existence," we have relied solely upon a Certificate of Existence regarding Seller from the North Carolina Secretary of State dated December ____, 2000.

In giving the opinions expressed herein and in making our investigations in connection herewith, we have assumed (a) the parties other than Seller have all requisite power and authority to enter into and perform, and have duly authorized, executed and delivered, the Agreement, (b) the Agreement constitutes the legal, valid and binding obligation of all parties thereto other than Seller, (c) the genuineness of all signatures on original documents, (d) the authenticity of all documents submitted to us as originals, (e) the conformity to the originals of all documents presented to us as copies and the authenticity of the originals of such documents, (f) the integrity and completeness of Seller's company minute books and ownership records presented for our review, and (g) as to certificates or statements or both of public officials, we have assumed that they have been properly given and are accurate.

The phrases "to our knowledge" and "known to us" mean the conscious awareness by lawyers in the primary lawyer group of factual matters such lawyers recognize as being relevant to the opinion or confirmation so qualified. Where any opinion or confirmation is qualified by the phrase "to our knowledge" or "known to us," the lawyers in the primary lawyer group are without knowledge, or conscious awareness, that the opinion or confirmation is untrue. "Primary lawyer group" means any lawyer in this firm (i) who signs this opinion letter, (ii) who is actively involved in negotiating or documenting the Agreement and the transactions contemplated thereby, or (iii) solely as to information relevant to a particular opinion or factual confirmation issue, who is primarily responsible for providing the response concerning the particular opinion or issue.

The opinions set forth herein are limited to matters governed by the laws of the State of North Carolina and the federal laws of the United States, and no opinion is expressed herein as to the laws of any other jurisdiction. We express no opinion concerning any matter respecting or affected by any laws other than laws that a lawyer in North Carolina exercising customary professional diligence would reasonably recognize as being directly applicable to Seller, the Agreement or the transactions contemplated thereby.

Based upon and subject to the foregoing and the further limitations and qualifications hereinafter expressed, we are of the opinion that:

(1) Seller is a limited liability company in existence under the laws of the State of North Carolina.

(2) Seller has the company power to execute, deliver and perform its obligations under the Agreement and the Escrow Agreement.

(3) The Agreement and the Escrow Agreement have been duly authorized, executed and delivered by Seller and are the valid and binding obligations, of Seller, enforceable against Seller in accordance with their respective terms.

(4) Neither the execution and delivery by Seller of the Agreement and the Escrow Agreement nor the consummation of the transactions contemplated thereby will result in a violation or breach of, or constitute a default under, the Articles of Organization or Operating Agreement of Seller or, to our knowledge, any material agreement, indenture or other instrument to which Seller is a party or by which Seller may be bound, or to which any of the Purchased Assets is subject, nor will the performance by Seller of its obligations under the Agreement and the Escrow Agreement, to our knowledge, violate any law, rule, regulation or decree of any court or any governmental agency or body having jurisdiction over Seller or the Purchased Assets, or result in the creation or imposition of any lien, charge, claim or encumbrance upon any of the Purchased Assets.

(5) To our knowledge, the execution and delivery by Seller of the Agreement and the Escrow Agreement and the performance by Seller of its obligations therein do not require approval from or any filings with any governmental authority under applicable provisions of statutory laws and regulations.

(6) The Bill of Sale, Assignment and Assumption Agreement and the certificates of title for the vehicles listed on Schedule I hereto that Seller has delivered to Buyer are sufficient in form to vest fully in Buyer all of Seller's right, title and interest in and to the Purchased Assets.

In addition, we advise you that, to our knowledge, there is no action, suit or proceeding at law or in equity, or by or before any governmental instrumentality or agency or arbitral body, now pending or overtly threatened against Seller.

The opinions expressed above are subject to the following qualifications and limitations:

- a. The enforceability of the Agreement and related documents may be limited by (i) applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights or the collection of debtors' obligations in general including without limitation any state or federal fraudulent conveyance or fraudulent transfer laws and (ii) general principles of equity (regardless of whether considered in a proceeding in equity or at law) the application of which may deny Buyer certain of the rights and remedies granted to Buyer under the Agreement, including rights to specific performance, injunctive relief and the appointment of a receiver.
- b. We express no opinion on the enforceability of any provisions contained in the Agreement that require waivers or amendments to be made only in writing.
- c. We express no opinion concerning the possible application to the Agreement, the transactions contemplated thereby, or the obligations of the parties thereunder of Section 548 of the Bankruptcy Code, 11 U.S.C. 548, or any comparable provision of state law (including without limitation, sections 39-15 through 39-22 of the North Carolina General Statutes).
- d. We express no opinion with respect to the description, title or location of any of the Purchased Assets.
- e. Provisions of the Agreement or related documents purporting to require a party thereto to pay or reimburse attorneys' fees incurred by another party, or to indemnify another party therefor, may be limited by applicable statutes and decisions relating to the collection and award of attorney's fees.

This opinion letter is delivered solely for your benefit in connection with the Agreement and may not be used or relied upon by any other person or for any other purpose without our prior written consent in each instance. Our opinions expressed herein are as of the date hereof, and we undertake no obligation to advise you of any changes in applicable law or any other

matters that may come to our attention after the date hereof that may affect our opinions expressed herein.

Very truly yours,

Form of Opinion of Counsel to Buyer

Vision Legwear, LLC
31 Cross Street
Spruce Pine, North Carolina 28777

Re: *Asset Purchase Agreement dated as of December __, 2000, between
Vision Legwear, LLC and Acme-McCrary Corporation*

Ladies and Gentlemen:

We have acted as counsel to Acme-McCrary Corporation, a North Carolina corporation ("Buyer"), in connection with the Asset Purchase Agreement dated as of December __, 2000 (the "Agreement") between Buyer and Vision Legwear, LLC, a North Carolina limited liability company ("Seller"), and the transactions contemplated thereby. This opinion letter is delivered to you pursuant to Section 7.5 of the Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings as are ascribed to them in the Agreement.

We have reviewed such documents and considered such matters of law as we, in our professional judgment, have deemed appropriate to render the opinions contained herein. We have made no independent factual investigation in connection with the preparation of this opinion letter. To the extent that any matters of fact may be deemed material to this opinion letter, we have relied, without investigation or analysis of any underlying data contained therein, upon the representations and warranties of Buyer in the Agreement and upon certificates or other comparable documents of public officials and officers or other appropriate representatives of Buyer. In rendering our opinion that Buyer "is a corporation" and "is in existence," we have relied solely upon a Certificate of Existence regarding Buyer from the North Carolina Secretary of State dated _____, 2000.

In giving the opinions expressed herein and in making our investigations in connection herewith, we have assumed (a) the parties other than Buyer have all requisite power and authority to enter into and perform, and have duly authorized, executed and delivered, the Agreement, (b) the Agreement constitutes the legal, valid and binding obligation of all parties thereto other than Buyer, (c) the genuineness of all signatures on original documents, (d) the authenticity of all documents submitted to us as originals, (e) the conformity to the originals of all documents presented to us as copies and the authenticity of the originals of such documents, (f) the integrity and completeness of Buyer's corporate minute books and stock records presented for our review, and (g) as to certificates or statements or both of public officials, we have assumed that they have been properly given and are accurate.

The phrases "to our knowledge" and "known to us" mean the conscious awareness by lawyers in the primary lawyer group of factual matters such lawyers recognize as being relevant to the opinion or confirmation so qualified. "Primary lawyer group" means any lawyer in this firm (i) who signs this opinion letter, (ii) who is actively involved in negotiating or documenting the Agreement and the transactions contemplated thereby, or (iii) solely as to information

relevant to a particular opinion or factual confirmation issue, who is primarily responsible for providing the response concerning the particular opinion or issue.

The opinions set forth herein are limited to matters governed by the laws of the State of North Carolina and the federal laws of the United States, and no opinion is expressed herein as to the laws of any other jurisdiction. We express no opinion concerning any matter respecting or affected by any laws other than laws that a lawyer in North Carolina exercising customary professional diligence would reasonably recognize as being directly applicable to Buyer, the Agreement or the transactions contemplated thereby.

Based upon and subject to the foregoing and the further limitations and qualifications hereinafter expressed, we are of the opinion that:

- (1) Buyer is corporation in existence under the laws of the State of North Carolina.
- (2) Buyer has the corporate power to execute, deliver and perform its obligations under the Agreement.
- (3) The Agreement and Escrow Agreement have been duly authorized, executed and delivered by Buyer and are the valid and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms.
- (4) Neither the execution and delivery by Buyer of the Agreement and the Escrow Agreement nor the consummation of the transactions contemplated thereby will result in a violation or breach of, or constitute a default under, the articles of incorporation, bylaws or other governing documents of Buyer or, to our knowledge, any material agreement, indenture or other instrument to which Buyer is a party or by which Buyer may be bound, or to which any property of Buyer is subject, nor will the performance by Buyer of its obligations under the Agreement and the Escrow Agreement, to our knowledge, violate any law, rule, regulation or decree of any court or any governmental agency or body having jurisdiction over Buyer or its properties.
- (5) To our knowledge, the execution and delivery by Buyer of the Agreement and the Escrow Agreement and the performance by Buyer of its obligations therein do not require approval from or any filings with any governmental authority under applicable provisions of statutory laws and regulations.

The opinions expressed above are subject to the following qualifications and limitations:

- a. The enforceability of the Agreement and related documents may be limited by (i) applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights or the collection of debtors' obligations in general including without limitation any state or federal fraudulent conveyance or fraudulent transfer laws and (ii) general principles of equity (regardless of whether considered in a proceeding in equity or at law) the application of which may deny Seller certain of the rights and remedies

granted to Seller under the Agreement, including rights to specific performance, injunctive relief and the appointment of a receiver.

- b. We express no opinion on the enforceability of any provisions contained in the Agreement that require waivers or amendments to be made only in writing.
- c. We express no opinion concerning the possible application to the Agreement, the transactions contemplated thereby, or the obligations of the parties thereunder of Section 548 of the Bankruptcy Code, 11 U.S.C. 548, or any comparable provision of state law (including without limitation, sections 39-15 through 39-22 of the North Carolina General Statutes).
- d. Provisions of the Agreement or related documents purporting to require a party thereto to pay or reimburse attorneys' fees incurred by another party, or to indemnify another party therefor, may be limited by applicable statutes and decisions relating to the collection and award of attorney's fees.

This opinion letter is delivered solely for your benefit in connection with the Agreement and may not be used or relied upon by any other person or for any other purpose without our prior written consent in each instance. Our opinions expressed herein are as of the date hereof, and we undertake no obligation to advise you of any changes in applicable law or any other matters that may come to our attention after the date hereof that may affect our opinions expressed herein.

Very truly yours,

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of the 1st day of January, 2001, by and between ACME-McCRARY CORPORATION, a North Carolina corporation (the "Company"), and FRITZ SCHULTE (the "Employee").

WHEREAS, Employee is presently employed by the Vision Legwear, LLC ("Vision") as its President and Chief Executive Officer; and

WHEREAS, the Company and Vision have entered into an Asset Purchase Agreement pursuant to which the Company will acquire from Vision substantially all of the assets of Vision (the "Asset Purchase Agreement"); and

WHEREAS, a condition to the consummation of the transactions contemplated by the Asset Purchase Agreement is that the Employee and the Company enter into this Agreement to set forth the terms of Employee's employment with the Company following the Company's purchase of the assets of Vision pursuant to the Asset Purchase Agreement;

NOW THEREFORE, in consideration of the premises and the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. Employment and Duties. The Company hereby employs Employee as an executive officer of the Company with the titles of Vice President of Sales and Marketing, Acme-McCrary Corporation and President, Acme-McCrary Sales Company. It is expected that the Employee will be appointed a director of the Company and Employee consents and agrees to serve in that capacity at no additional compensation. The Employee will perform such duties as an executive officer and director as may be specified from time to time by, and subject to the direction and control of, the President of the Company. Employee hereby accepts such employment and appointment and shall devote his full-time working hours to his duties hereunder, shall faithfully serve the Company, shall in all respects conform to and comply with the directions and instructions given to him by the President of the Company and shall use his best efforts to promote and serve the interests of the Company.

2. Term. The term of this Agreement shall commence as of the date hereof and, unless otherwise terminated as hereinafter provided, shall continue for an initial term of three (3) years (the "Initial Term") and thereafter until terminated by either party (the "Employment Period"). The Agreement may be terminated at the end of the Initial Term or at any time thereafter (a "Termination Date") by written notice by either party to the other, given not less than 30 days prior to the Termination Date reflected in such notice.

3. Compensation and Other Benefits. Subject to the provisions of this Agreement, the Company shall pay and provide the following compensation and other benefits to the Employee during the Employment Period as compensation for all services rendered hereunder:

(a) Salary. During the Employment Period, Employee shall receive an initial base salary at the rate of \$166,200 per annum (such salary as it may be increased from time to time being hereafter referred to as "Base Salary"), payable in installments in a manner comparable to that of other like employees of the Company from time to time in effect. Necessary withholding taxes, FICA contributions, and the like shall be deducted from such compensation. The Employee shall receive such increases in his Base Salary as the Company may from time to time approve in its discretion. No decreases in Base Salary may be effected without the written consent of the Employee.

(b) Incentive Bonus. During the Employment Period, the Employee shall be eligible to receive a cash bonus not more often than annually (the "Incentive Bonus") calculated as set forth in Exhibit A attached hereto, payable no later than 90 days following the end of the Company's fiscal year. No Incentive Bonus shall be payable to the Employee for any calendar year of this Agreement in which the Employee's employment with Company is terminated either for Cause (as defined in Section 4(c) hereof) by the Company or voluntarily by the Employee.

(c) Welfare and Fringe Benefits. The Employee shall be entitled to participate in the various benefit plans and programs, as the same may now or hereafter exist, made available by the Company to its employees generally, in accordance with the terms and conditions of such plans and programs. The Employee shall be entitled to vacation in accordance with the Company's vacation policy as in effect from time to time but in no event less than four (4) weeks per year.

(d) Reimbursement of Expenses. Consistent with its established or adopted policies, the Company shall reimburse Employee for all reasonable and necessary out-of-pocket expenses incurred during the term of Employee's employment and in connection with the performance of Employee's duties hereunder, provided that sufficient evidence of such expenses are presented to the Company prior to reimbursement, and provided that such expenses are valid business expenses recognized as deductible by the United States Internal Revenue Service. These expenses shall include, without limitation, the use of a Company automobile and the reimbursement of reasonable and necessary business expenses related thereto (e.g., insurance, fuel, and maintenance).

4. Termination. The employment of the Employee will continue for the Employment Period subject to the following:

(a) The Company may terminate this Agreement and the employment of Employee with the Company immediately upon the occurrence of any of the following events:

(i) Upon the death of Employee;

(ii) Upon the Permanent Disability of Employee. For purposes of this Agreement, "Permanent Disability" means Employee is unable, with or without a reasonable accommodation, to perform the essential functions and duties of his

position with the Company by reason of a physical or mental disability, impairment or condition that has continued for more than one hundred eighty (180) consecutive days. Employee shall submit such medical evidence to the Company regarding his disability, impairment or condition as is reasonably requested by the President of the Company; or

(iii) Upon the close of business on the date the Company gives Employee written or verbal notice of termination for Cause. For purposes of this Agreement, termination "for Cause" means termination of the employment of Employee by the Company for or as a result of: (i) misappropriation, embezzlement or any other material act of dishonesty or fraud by Employee in connection with his employment with the Company or against any parent, affiliate or subsidiary of the Company; (ii) a conviction, guilty plea or plea of *nolo contendere* by Employee for any crime involving moral turpitude or for any felony, if the President of the Company reasonably deems that such conviction or plea may have a significant adverse effect upon Employee's ability to perform under this Agreement or upon the Company; (iii) continued drug or alcohol abuse that is interfering with the job performance of Employee, in the sole discretion of the President of the Company, in each case after prior notice from the Company; (iv) continued willful or gross neglect of duties for which employed or continued acts of insubordination by Employee, in each case after prior notice from the Company; (v) willful misconduct in the performance of duties for which employed; (vi) repeated and intentional failure by Employee, after prior notice from the Company, to comply with established Company policies; (vii) any activity or conduct by Employee that results in adverse publicity or notoriety for Employee or the Company or that brings Employee or the Company into public disrepute, contempt, scandal or ridicule, if the President of the Company reasonably deems that such activity or conduct will have a significant adverse effort upon Employee's ability to perform under this Agreement or upon the Company; or (viii) any material breach by Employee of any of Sections 6 through 9 of this Agreement.

(b) In the event Employee is terminated by the Company other than for Cause as defined in Section 4(a)(iii), the Company shall pay Employee a lump sum payment equal to the total of all unpaid base salary payments for the remainder of the Employment Period plus any additional compensation that would be paid between the date of such termination and the expiration of the Employment Period, without any discounts for present value of the payments.

5. Acknowledgements. The Company is in the business of designing, manufacturing and selling hosiery for a variety of clients nationwide. Employee acknowledges that:

- (a) the Company's services are highly specialized;
- (b) the identity and particular needs of the Company's customers are not generally known in the Company's industry;

(c) the Company has a proprietary interest in its customer lists, including those acquired from Vision; and

(d) documents and other information regarding the Company's sales methods, pricing and costs, as well as information pertaining to the Company's customers, including, but not limited to, identity, location, service requirements, and charges to the customers, are highly confidential and constitute trade secrets.

6. Trade secrets and confidential information. During the term of this Agreement, Employee may have access to, and become familiar with, various trade secrets and confidential information belonging to the Company, including, but not limited to, the documents and information referred to in Paragraphs 5(c) and 5(d) above and the New Discoveries referred to in Paragraph 7 below. Employee acknowledges that such confidential information and trade secrets are owned and shall continue to be owned solely by the Company. For the duration of Employee's employment and thereafter, except as may be required of Employee in the performance of Employee's obligations under this Agreement, Employee agrees not to use, communicate, reveal or otherwise make available such information for any purpose whatsoever, or to divulge such information to any person, partnership, corporation or entity other than the Company or persons expressly designated by the Company. The duty of confidentiality required hereby will not apply to any information that (a) is, at the time of the disclosure, in the public domain or available to the public or enters the public domain at a later date by becoming available to the public through no fault of Employee, or (b) is required to be disclosed by law or court order.

7. New Discoveries. Employee agrees that:

(a) The Company shall have the sole and exclusive right, title, and interest in and to all discoveries, ideas, information, innovations, inventions, methods, processes, products, techniques, technologies, and improvements thereto and physical manifestations thereof (whether or not patentable or copyrightable) that are acquired, conceived, created, developed, or reduced to practice in whole or part by Employee (either alone or with others) during the course of employment with the Company (or during Employee's employment with the Company prior to the date hereof) that (i) relate in any way to the business of the Company, or to actual or anticipated research and development of the Company or (ii) result in anyway from the performance by Employee of duties and responsibilities as an Employee of the Company (hereinafter referred to as "New Discoveries"). Employee shall promptly and fully disclose to the Company all New Discoveries and shall reduce such disclosures to writing at the request of the Company. Except to the extent expressly authorized in writing by the Company, Employee shall treat all New Discoveries as Confidential Information under paragraph 6 above.

(b) Employee shall, at the request of the Company and without further compensation, take all actions and execute all instruments reasonably requested by the Company to secure and perfect the Company's (or its assigns') sole and exclusive right,

title, and interest in and to New Discoveries, including but not limited to the execution of instruments assigning to others designated by the Company all of Employee's right, title, and interest in and to New Discoveries, and the provision of assistance in preparing applications, registration forms, and other documents relating to the acquisition or maintenance of copyrights and patents in the United States and in other countries.

(c) THE PROVISIONS OF THIS PARAGRAPH 7 DO NOT APPLY TO INVENTIONS THAT QUALIFY FULLY AS INVENTIONS THAT CANNOT BE REQUIRED TO BE ASSIGNED UNDER SECTION 66-57.1 OF THE NORTH CAROLINA GENERAL STATUTES.

8. Documents. Under no circumstances shall Employee remove from the Company's office any of the Company's books, records, documents, or customer lists, or any copies of such documents, without the Company's prior written consent; nor shall Employee make any copies of such books, records, documents, or customer lists for use outside of the Company's office, except as specifically authorized in writing by the Company.

9. Noncompetition. Employee agrees that:

(a) Except in the case of Employee's employment being involuntarily terminated by the Company without cause or unless Employee shall give the Company not less than six (6) months written notice prior to voluntarily terminating his employment with the Company, Employee covenants and agrees that during the period commencing with the date of his termination of employment with the Company and ending one (1) year thereafter he will not, either directly or indirectly, as an owner, partner, shareholder, broker, dealer, agent, employee, officer, director, independent contractor, representative, or otherwise, in the territory (as hereinafter defined), engage in any business which is in competition with the business being conducted by the Company or otherwise engage in any activity which might be deemed to be competitive with or against the best interest of the Company.

(b) A business shall be considered to be in competition with the Company if it manufactures, distributes or sells merchandise or products of the same type as or substantially similar to or fungible with goods or merchandise manufactured, distributed or sold by the Company at the date of such termination of employment or at any time thereafter during said one (1) year term (but prior to Associate's entering into such new business not engaged in by the Company at the date of such termination of employment).

(c) Since the Company is currently doing business (directly or indirectly) in all fifty states of the United States, the territory covered by the covenant shall consist of the fifty states of the United States. If it is judicially determined that the foregoing definition of the territory is excessively broad, or that the term of the foregoing covenant is excessively long, then the territory shall constitute the largest geographic area, or the term shall be the longest term, in which the foregoing covenant may be legally enforced, whichever the case may be.

(d) Notwithstanding the foregoing provisions, Employee may own shares of stock in any Company whose shares of stock are registered under Section 12 of the Securities Exchange Act of 1934, as amended, and which is engaged in a business which is in competition with the business engaged in by the Company, provided that the acquisition of said shares of stock is for investment purposes only and that Employee shall not own, directly or indirectly, more than five percent (5%) of the issued and outstanding shares of any class of stock of such Company.

(e) Employee further acknowledges that: (1) in the event his employment with the Company terminates for any reason, regardless of whether the termination is initiated by the Company or Employee, Employee will be able to earn a livelihood without violating the foregoing restrictions; and (2) Employee's ability to earn a livelihood without violating such restrictions is a material condition of his employment with the Company under the terms of this Agreement.

10. Remedies. The Employee acknowledges and agrees that the rights of the Company under paragraphs 6, 7, 8, and 9 of this Agreement are of a specialized and unique character and that immediate and irreparable damage will result to the Company if the Employee fails or refuses to perform Employee's obligations under such provisions. Accordingly, notwithstanding any election by the Company to claim damages from the Employee as a result of such failure or refusal, the Company may, in addition to any other remedies and damages available, seek an injunction in a court of competent jurisdiction to compel performance by the Employee with Employee's obligations under this Agreement or to restrain any breach of this Agreement by the Employee. In the event of any action, suit or arbitration proceeding arising out of or relating to this Agreement or any breach or alleged breach hereof, the party prevailing in any such action, suit or proceeding shall be entitled to recover from the other party, in addition to all other damages recoverable, such reasonable attorneys fees and other reasonable expenses of the proceeding as the prevailing party may incur.

11. Survival of Covenants. Notwithstanding anything contained in this Agreement, Paragraphs 6 through 10 hereof, shall survive any termination of this Agreement and shall not lapse.

12. Entire Agreement/Amendment. This Agreement constitutes the entire agreement of the parties hereto relating to the subject matter hereof, and there are no written or oral terms or representations made by either party other than those contained herein. No provision of this Agreement may be modified or discharged unless such modification or discharge is agreed to in writing by both parties. This Agreement supersedes any and all prior employment agreements between the Company and Employee.

13. Notices. All notices or other communications given pursuant to this Agreement shall be in writing and either delivered personally or by prepaid registered or certified mail, return receipt requested. Notices and other communications mailed to the Employee shall be addressed to his last address as shown on the personnel records of the Company, and notices and other communications to the Company shall be addressed to Acme-McCrary Corporation, 159 North Street, Asheboro, North Carolina 27204, Attn: President. Either party may change the

address to which notices are to be mailed pursuant to this paragraph 13, by written notice given in accordance herewith. Any notice pursuant to this paragraph 13 shall be effective for all purposes on the date delivered or mailed as herein provided.

14. Severability. The provisions of this Agreement (including, without limitation, the various provisions of paragraph 9) constitute separate and independent covenants, and the invalidity or unenforceability of one or more of the provisions hereof shall not affect the validity or enforceability of the remaining provisions. If any provision of this Agreement is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be construed in order to carry out as nearly as possible the purpose and intent of this Agreement, and (b) the invalidity or unenforceability of any such provision in such jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

15. Waiver. No failure or delay by any party in exercising any right or remedy under this Agreement shall operate as a waiver of any such right or remedy. If either party shall waive a breach of any provision of this Agreement by the other party, such waiver shall not operate or be construed as a waiver of any subsequent breach by any such party.

16. Benefit. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the duties of the Employee hereunder are personal in nature and may not be delegated or assigned without the prior written consent of the Company.

17. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of North Carolina.

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

COMPANY:

ACME-McCRARY CORPORATION

By: _____
William H. Redding, Jr., President

EMPLOYEE:

Fritz Schulte

EXHIBIT "A" TO EMPLOYMENT AGREEMENT
DATED JANUARY 1, 2001 BETWEEN
ACME-McCRARY CORPORATION AND FRITZ SCHULTE

Incentive Bonus

The Company has purchased certain assets relating to the business of Vision Legwear, LLC ("Vision") and has assumed Vision's customer and supplier contracts. The Company's principal goal in purchasing those assets is to assume Vision's business relationships with its customers and suppliers on an ongoing basis. The Employee was the Chief Executive Officer of Vision prior to the sale.

The Employee will be entitled to a bonus of up to \$43,800 payable on or before March 31, 2002, if the customer and the supplier relationships of Vision are successfully transferred to the Company. The bonus will be determined by the President of the Company after consultation with the Employee regarding the success of the transfer of such relationships.

PREMISES LEASE

THIS LEASE ("Lease"), dated as of January 1, 2001, is entered into between **HAMPSHIRE GROUP, LIMITED**, a corporation organized under the laws of the State of Delaware, having its principal executive offices at 215 Commerce Boulevard, Anderson, South Carolina 29625 ("Lessor" or "Hampshire Group") and **ACME-McCRARY CORPORATION**, a corporation organized under the laws of the State of North Carolina, having its principal executive offices at 159 North Street, Asheboro, North Carolina 27204 ("Lessee" or "Acme-McCrary").

WHEREAS, Hampshire Group is the owner of the Demised Premises (hereinafter defined), which is presently leased to Vision Legwear, LLC ("Vision Legwear");

WHEREAS, Acme-McCrary and Vision Legwear have entered into an Asset Purchase Agreement (the "Purchase Agreement") pursuant to which Acme-McCrary is purchasing substantially all of the assets and business of Vision Legwear, in accordance with the terms thereof;

WHEREAS, to insure an orderly transition of the business of Vision Legwear, the Purchase Agreement contains a condition precedent that Acme-McCrary shall have entered into a lease agreement for the Demised Premises; and

WHEREAS, Lessor desires to lease to Lessee, and Lessee desires to lease from Lessor the Demised Premises.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency thereof which are hereby acknowledged, Lessor and Lessee agree as follows:

ARTICLE I – DEMISED PREMISES

Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, for the term, at the rental, and upon all of the covenants and conditions set forth herein, the following (collectively, the "Demised Premises"):

(A) That certain tract of real property located at 6523 Highway 19 East, Spruce Pine, North Carolina, known locally as Vision Legwear Knitting Plant together with any buildings and improvements located thereon;

(B) That certain tract of real property located at 31 Cross Street, Spruce Pine, North Carolina, known locally as Vision Legwear Finishing Plant together with any buildings and improvements located thereon; and

(C) All suitable access and egress to any public street adjacent thereto.

ARTICLE II - TERM

2.1 Term. The term of this Lease (the "Term") shall commence on January 1, 2001 (the "Commencement Date") and shall continue for twelve calendar months.

2.2 Lease Month. The term "Lease Month" shall mean each calendar month commencing the first day of the month and ending the last day of the respective calendar month.

2.3 Termination Options. Notwithstanding the provisions of Paragraph 2.1 above, Lessee shall have the option, upon sixty (60) days written notice to Lessor, to cancel this Lease as the end of any calendar month, without penalty.

ARTICLE III - RENT

3.1. Lessee shall during the Term hereof, or until terminated under the provisions of Paragraph 2.3 hereof, pay to Lessor per Lease Month, Twelve Thousand Seven Hundred and Fifty Dollars (\$12,750) (hereinafter, the "Rent"), and, except as expressly provided herein, without offset, counterclaim, defense or demand therefor.

3.2. Rent shall be payable to Lessor at the address set forth in the preamble to this Lease or at such place as Lessor shall designate in writing from time to time.

3.3. Rent shall be payable to Lessor monthly, in advance, on the first day of each month, and shall be delinquent if not received by Lessor on or before the tenth day of each month.

3.4. The Rent to be paid to the Lessor includes Two Thousand Two Hundred and Fifty Dollars (\$2,250) per Lease Month allocation for building insurance and real estate taxes on the Demised Premises.

ARTICLE IV - SECURITY DEPOSIT

Simultaneously with the execution of this Lease, Lessee shall pay to the Lessor a security deposit of one month's rent in the amount of Twelve Thousand Seven Hundred and Fifty Dollars (\$12,750). The parties agree that such deposit is a security deposit and shall not relieve the Lessee of the responsibility to make each and every monthly payment on the due date. No interest shall accrue on the security deposit.

ARTICLE V - USE

The Demised Premises shall be used for manufacturing, warehousing, storage and distributing of legwear, general office purposes and/or any other lawful purposes. Lessee shall obtain, at its sole cost and expense, all licenses, approvals and permits required for Lessee's use and occupancy of the Demised Premises. Lessee shall not use or permit the use of the Demised Premises in violation of any applicable law, statute, ordinance, code, rule, regulation order or decree, including, without limitation, the Environmental Response, Compensation and Liability

Act, the Resource Conservation and Recovery Act, and so-called "Superfund" or "Superlien" laws, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter in effect. ("Environmental Laws")

ARTICLE VI – COMPLIANCE WITH LAW

6.1. Lessee and Lessor Compliance. Lessee shall, at Lessee's expense, promptly comply with all Governmental Laws relating to the Demised Premises in effect during the Term or any part of the Term regulating the use by Lessee of the Demised Premises, provided Lessee shall not be responsible for any non-compliance existing prior to the date of this Lease. Lessor represents and warrants that at the time of commencement of this Lease the Demised Premises are in compliance with Environmental Laws and Governmental Regulations.

6.2. Contests. Lessee shall have the right, to the extent permitted by law, at its own expense to contest the validity and/or applicability of any Governmental laws relating the Demised Premises by appropriate proceedings diligently conducted in good faith, and, notwithstanding the provisions of Paragraph 6.1 hereof, Lessee's compliance with such contested Governmental Laws may be postponed or deferred during the pendency of such proceeding so long as neither the Demised Premises nor any part thereof would, by reason of such noncompliance be, in the reasonable judgment of Lessor, in danger of being forfeited or lost and Lessor shall not be subject to any criminal or civil liability.

ARTICLE VII – CONDITION OF DEMISED PREMISES

Lessee hereby agrees to accept the Demised Premises "as is" without warranty as to condition and in accordance with the terms of this Lease, subject to all Governmental Laws and restrictions of record governing and regulating the use of the Demised Premises, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto.

ARTICLE VIII – MAINTENANCE AND REPAIRS

8.1. Lessee Repair Obligations. Lessee shall, at its sole cost and expense, take good care of the Demised Premises, the fixtures, and appurtenances thereof. Except as provided in Paragraph 8.2, Lessee shall be responsible for and shall promptly make all repairs, interior and exterior, in and to the Demised Premises. Lessee, at its sole cost and expense, shall be responsible for the repair, and routine maintenance of all mechanical, electrical, sanitary, plumbing, heating, ventilating, air-conditioning and other fixtures and equipment in the Demised Premises.

8.2. Lessor Repair Obligations. Lessor agrees, at its sole cost and expense, to make any and all structural repairs and replacements of the roof, foundation, exterior and load bearing walls of the Demised Premises as are reasonably necessary, or as required by OSHA. In addition, Lessor shall be responsible for major repairs and replacements of mechanical, electrical, sanitary, plumbing, heating, ventilating, air-conditioning and other fixtures and

equipment in the Demised Premises. For purposes of this Lease, a major repair shall be any item exceeding \$300 in cost.

8.3 Lessor's and Lessee's Rights. If either party fails to perform its obligations hereunder, the other may at its option (but shall not be required to) put the same in good order, condition and repair, upon thirty (30) days written notice to the non-performing party and the cost thereof, together with interest thereon at the Lease Interest Rate (as defined in Paragraph 20.3) shall become due and payable from the non-performing party to the other party within ten (10) days after demand by the performing party; provided, however, if the obligation of the non-performing party is not capable of being performed within such thirty (30) day period and if the non-performing party is diligently endeavoring to perform such obligation, the performing party shall not perform such obligation. All such work performed by the performing party shall be performed in a good and workmanlike manner, in compliance with all Governmental Laws. Neither Lessee nor Lessor shall perform any such work until such time as it has received all necessary permits, licenses and approvals from the applicable state, county and municipal governmental authorities having jurisdiction over the Demised Premises ("Governmental Authorities"). If either party performs any such work, such party shall, at all times, keep the Demised Premises free of liens and encumbrances for labor and materials.

ARTICLE IX – ALTERATION AND IMPROVEMENTS

9.1. Lessee Alterations. Lessee shall make no alterations or changes to the Demised Premises without written approval of the Lessor, which approval will not be unreasonably withheld. All such work shall be done at Lessee's own cost and expense and in a good and workmanlike manner, and in accordance with all Governmental Laws and regulations. Lessor shall execute and deliver upon request of Lessee such reasonable instruments embodying the approval of Lessor which may be required by Governmental Authority for the purpose of obtaining any license, permit or approval for the making of alterations or changes in, to or upon the Demised Premises, Lessee agreeing to pay for any such license, permit or approval. Lessee shall not make any alterations to the Demised Premises until such time as it has received all required permits, licenses and approvals from the applicable Governmental Authority and Lessor.

9.2. Removal of Improvements. Any and all alterations, improvements and installations made by Lessee in, to or upon the Demised Premises, as well as any fixtures installed on the Demised Premises by Lessee, at Lessee's option, may be removed from the Demised premises at any time and from time to time during the Term and shall remain the property of Lessee during the Term of this Lease, provided that, if any such alterations, improvements, installations and/or fixtures are removed by Lessee, any damage caused by such removal shall be promptly repaired by Lessee at its sole cost and expense. Any such alterations, improvements, installations and/or fixtures not removed promptly by Lessee at the termination of this Lease shall become the property of Lessor.

ARTICLE X - SURRENDER

On the last day of the Term, or on any sooner termination of this Lease, Lessee shall surrender the Demised Premises to Lessor in the same condition as when received by Lessee, broom clean, ordinary wear and tear and damage due to perils beyond the reasonable control of Lessee excepted. These perils include earthquake, flood, windstorm and other so-called "acts of God".

ARTICLE XI - INSURANCE COVERAGE

11.1. Premises Policy. Lessor shall maintain a policy of standard fire and extended coverage insurance on the Demised Premises including all improvements. Lessee's share of this expense is included in the Rent in accordance with Paragraph 3.4.

11.2. General Liability Policy. Lessee shall maintain, at Lessee's cost and expense, issued in the names of Lessee and Lessor as their interests may appear, a policy of general public liability insurance against claims for personal injury or property damage, with such limits not less than Two Million Dollars (\$2,000,000) in respect of bodily injury or death and One Million Dollars (\$1,000,000) for property damage.

11.3. Certificates. All insurance provided for under this Lease shall be effected under valid enforceable policies issued by insurers of recognized responsibility and who are reasonably acceptable to Lessor and licensed to do business in the State of North Carolina. Certificates of Insurance evidencing the current existence of such coverage shall be delivered by Lessee to Lessor, together with satisfactory evidence of payment of the premium on such policies. To the extent obtainable, all such policies shall contain agreements by the insurers that such policies shall not be canceled except upon thirty (30) days' prior written notice to each named insured including Lessor.

11.4. Adjustments. All policies of insurance required herein shall name Lessor and Lessee as the insureds as their respective interest may appear. The loss, if any, under said policies referred to in this Article 11 shall be adjusted with the insurance companies by Lessor to the extent that Lessor is obligated to repair or restore the Demised Premises pursuant to Article 12 hereof.

11.5. Proceeds. All proceeds payable by reason of any loss or damage to the Demised Premises, or any portion thereof, and insured under any policy of insurance required by this Article 11 shall be paid to Lessor and shall be used for reconstruction or repair, as the case may be, of any damage to or destruction of the Demised Premises, or any portion thereof. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Demised Premises shall be retained by Lessor. In the event Lessor is not required or does not elect to repair and restore, and this Lease expires or is terminated, all such insurance proceeds shall be paid to and retained by Lessor.

ARTICLE XII – DAMAGE OR DESTRUCTION

12.1. Restoration. Subject to the provisions of Paragraph 12.2 hereof, Lessor covenants that in the event of damage to all or a portion of the Demised Premises by fire or any other cause, similar or dissimilar (a "Casualty"), Lessor will promptly, after receipt of the insurance proceeds, restore or repair the Demised Premises so damaged or destroyed as nearly as possible to the condition it was in immediately prior to such Casualty, if such restoration does not exceed the amount of the insurance proceeds received in connection with such damage or destruction, plus the amount of any insurance deductible, and that the portion of the Demised Premises after being restored has a market value of not less than 150% of the cost of restoration. Such restoration shall be commenced promptly and prosecuted with reasonable diligence, unavoidable delays excepted. Rent shall be reduced from the date of the Casualty in a reasonable proportion based on the amount and value or utility of the Demised Premises damaged to the operation of Lessee's business on the Demised Premises. Any dispute as to such reduction in Rent may be submitted by either party to arbitration in accordance with Article XIX hereof.

12.2. Termination Option. Notwithstanding the provisions of Paragraph 12.1 hereof, in the event that at any time during the Term all or a portion of the Demised Premises are damaged to the extent that, in Lessor's reasonable judgment, either (x) the cost of the necessary repairs or restoration would exceed fifty percent (50%) of the estimated market value of the Demised Premises as determined by the Mitchell County Assessor's Office for the year in which such damage shall have occurred or (y) the necessary repairs or restoration would not be substantially completed within six (6) months from the date of said Casualty, Lessor or Lessee may terminate this Lease upon delivery of written notice to the other party within sixty (60) days after the occurrence of the Casualty causing such damage and Lessee shall be released from any liability under this Lease accruing from and after the date of Lessor's receipt of said notice, provided, however, Lessee's obligation to pay Rent shall terminate effective the date of the Casualty.

ARTICLE XIII – TAXES

13.1. Real Property Taxes. The Lessor shall pay the real property taxes and assessments assessed and levied against the Demised Premises during the Term hereof. Lessee's share of taxes and assessments is included in the Rent in accordance with Paragraph 3.4.

13.2. Impositions. Lessee covenants and agrees to pay or cause to be paid, as hereinafter provided, to the Governmental Authority imposing the same, all of the following items ("Impositions") not later than the date on which same are due without the payment of penalties or interest: (a) personal property taxes, (b) water, water meter and sewer charges, and (c) fines, penalties and other similar or like governmental charges applicable to the foregoing and any interest or costs with respect thereto only to the extent such fines, penalties and other similar or like governmental charges are incurred by reason of Lessee's wrongful act or omission or Lessee's failure fully and promptly to comply with any provisions of this Lease.

13.3. Evidence of Payment. If Lessee is paying any Imposition directly to the Governmental Authority imposing the same, then Lessee, from time to time upon the request of Lessor, shall furnish to Lessor, within the earlier of (i) thirty (30) days after the date when such

Imposition is due and payable under this Lease, or (ii) thirty (30) days after the date when an official receipt of the Governmental Authority imposing the same is received, such official receipt or, if no such receipt has been received by Lessee, other evidence reasonably satisfactory to Lessor, evidencing the payment of the Imposition.

13.4. Excluded Taxes. Nothing herein contained shall require Lessee to pay municipal, state or federal income, succession or transfer taxes of Lessor, or any corporate franchise tax imposed upon Lessor or any gross income or gross receipts taxes to the extent the same are imposed on Lessor in lieu of net income taxes or corporate franchise taxes.

13.5 Apportionment. Any Imposition, relating to a fiscal period of the imposing Governmental Authority, a part of which period is included within the Term and a part of which is included in a period of time after the expiration of the Term (whether or not such Imposition shall be assessed, levied, imposed upon or in respect of or become a lien upon the Demised Premises, or shall become payable, during the Term) shall be apportioned between Lessor and Lessee as of the Commencement Date or the date of expiration of the Term, as the case may be, so that Lessee shall pay that portion of such Imposition which that part of such fiscal period included in the period of time after the Commencement Date and before the date of expiration of the Term.

13.6 Contests.

(a) Lessee shall have the right, to the extent permitted by law, at its own expense, to contest the amount or validity, in whole or in part, of any Imposition by appropriate proceedings diligently conducted in good faith, and, notwithstanding the provisions of Paragraph 13.1 hereof, the payment of such contested Imposition may be postponed or deferred so long as neither the Demised Premises nor any part thereof, nor any part of the rents, issues and profits thereof, would, by reason of such postponement or deferment, be, in the reasonable judgment of Lessor, in danger of being forfeited or lost and Lessor shall not be subject to any criminal or civil liability.

(b) Lessee shall have the right, to the extent permitted by law, and at Lessee's sole cost and expense, to seek a reduction in the valuation of the Demised Premises assessed for real property tax purposes and to prosecute any action or proceeding in connection therewith. Lessor shall fully cooperate with Lessee in any such proceeding.

(c) Lessor shall not be required to join in any proceedings referred to in Paragraphs 13.6(a) and (b) hereof unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by and/or in the name of Lessor, in which event, Lessor shall join and cooperate in such proceedings or permit the same to be brought in its name, but shall not be liable for the payment of any costs or expenses in connection with any such proceedings and Lessee shall reimburse Lessor for any and all reasonable costs or expenses which Lessor may sustain or incur in connection with any such proceedings.

ARTICLE XIV - UTILITIES AND SERVICES

14.1 Lessor Representation. Lessor represents and warrants that the Demised Premises are equipped with all plumbing equipment, electrical facilities and lighting fixtures and equipment, heating, air conditioning, ventilating, and other appurtenant equipment and facilities necessary or appropriate for Lessee's use of the Demised Premises in the manner used prior to the date hereof.

14.2 Lessee's Responsibilities. Lessee will pay, or cause to be paid all charges for electricity, power, gas, oil, wood chips, water and other utilities used in connection with the Demised Premises during the Term of this Lease.

14.3 Services Provided by Lessor. Lessor shall not be obligated to furnish any utilities or services to the Demised Premises.

ARTICLE XV - ASSIGNMENT

15.1. Except as expressly permitted in this Lease, Lessee shall not voluntarily or by operation of law assign all or any part of Lessee's interest in this Lease, without Lessor's prior written consent, which Lessor shall not unreasonably withhold, condition or delay. Any attempted assignment without such consent shall be void and shall constitute a breach of this Lease, unless the same is expressly permitted hereunder.

15.2 Notwithstanding the provisions of Paragraph 15.1 hereof, Lessee may assign this Lease, without Lessor's consent, to any corporation resulting from the merger or consolidation with Lessee, to any person or entity which acquired all the assets of Lessee as a going concern of the business that is being conducted on the Demised premises, or to any person or entity having, in Lessor's reasonable judgment, a net worth greater than the net worth of Lessee prior to such assignment, provided that said assignee assumes, in full, the obligations of Lessee under this Lease and provided that Lessee shall remain liable for all of its obligations to be performed or observed under this Lease.

ARTICLE XVI - DEFAULTS; REMEDIES

16.1 Defaults. If any of the following events shall occur (each, a "Default" and collectively "Defaults"):

(a) The failure by Lessee to make any payment required to be made by Lessee hereunder when due, where such failure shall continue for a period of fifteen (15) days;

(b) The failure by Lessee to observe or perform any of the material covenants, conditions or provisions of this Lease to be observed or performed by Lessee, other than described in Paragraph 16.1 (a) above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Lessor to Lessee specifying, in reasonable detail, how Lessee has failed to perform; provided, however, that if Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in

Default if Lessee commenced such cure within said 30-day period and thereafter diligently prosecutes such cure to completion; and

(c) The filing by Lessee of a voluntary petition in bankruptcy or the institution against Lessee of proceedings in bankruptcy which proceedings shall not be stayed or discharged within ninety (90) days; or the appointment of a receiver of Lessee's assets, which is not stayed or discharged within ninety (90) days.

16.2. Remedies. In the event of any such Default, Lessor may at any time thereafter, with or without notice or demand, and without limiting Lessor in the exercise of any right or remedy, which Lessor may have by reason of such default or breach:

(a) Terminate Lessee's right to possession of the Demised Premises by any lawful means, in which case this Lease shall terminate, and Lessee shall immediately surrender possession of the Demised Premises to Lessor. In such event, Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of the Default including, but not limited to, the cost of recovering possession of the Demised Premises; expenses of reletting including costs of necessary renovation and alteration of the Premises to repair damages to such Premises caused by Lessee, reasonable attorneys' fees, and any real estate commission actually paid; and the lesser of (x) the unpaid rent for the balance of the Term or (y) two month's rent.; or

(b) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the State of North Carolina.

16.3 Lessor's Termination Right.

(a) In the event, Lessor elects to terminate this Lease as provided in Paragraph 16.2 hereof, and this Lease is so terminated, and possession of the Demised Premises is surrendered by Lessee in accordance with Article 8 hereof, except as specified in Paragraph 16.2 hereof or except for any violation of Article V hereof relating to environmental matters, neither Lessor nor Lessee shall have any claim against the other for money owed or damages resulting from a breach of this Lease, regardless of whether the claim accrued prior to or subsequent to the termination of this Lease, except with respect to provisions herein which expressly survive any termination or expiration of this Lease.

(b) No remedy herein or otherwise conferred upon or reserved to Lessor or Lessee shall be considered exclusive of any other remedy, but the same shall be distinct, separate and cumulative and shall be in addition to every other remedy given under this Lease, or now or hereafter existing at law or in equity or by statute. Every power and remedy given by this Lease to Lessor, or Lessee, may be exercised from time to time as often as occasion may arise, or as may be deemed expedient. No delay or omission of Lessor or Lessee to exercise any right or power arising from any default on the part of the other shall impair any such right or power, or shall be construed to be a waiver of such default or any other default or an acquiescence thereto. The consent or approval by Lessor or Lessee to or of any act by the other requiring such consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar acts by Lessor or Lessee, as the case may be.

16.4. Lessee's Termination Right.

(a) In addition to all other remedies which the Lessee may have as stated elsewhere in this Lease, at law or in equity, including the right to seek specific performance or injunctive relief, Lessee shall have the right, but not the obligation, on notice to Lessor, to terminate this Lease if Lessor shall fail to perform any of the terms, covenants and obligations of Lessor herein.

(b) With respect to defaults as to which this Lease does not provide any grace period or opportunity to cure, Lessor shall have thirty (30) days after receipt of such notice from Lessee to cure the default giving rise to Lessee's right to so terminate this Lease; provided; however, that if Lessor's default is such that more than thirty (30) days are reasonably required for its cure, then Lessor shall not be deemed to be in default if Lessor commenced such cure within said 30-day period and thereafter diligently prosecutes such cure to completion.

(c) If Lessor cures the default within the period set forth in Paragraph 16.4(b), this Lease shall not terminate and shall continue in full force and effect. If Lessor fails to cure the default within said cure period, Lessee shall give notice to Lessor of Lessor's failure to cure the same and this Lease shall terminate, as if by passage of time, on the date set forth in Lessee's notice of termination.

ARTICLE XVII – CONDEMNATION

If the Demised Premises or any portion thereof are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "Condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title to or possession of the Demised Premises of such portion thereof, whichever first occurs. If more than 50% of the floor area of the Demised Premises, or more than 50% of the parking area included in the Demised Premises and used by Lessee, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within twenty (20) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within twenty (20) days after the condemning authority shall have taken title to or possession of the Demised Premises or any part thereof) terminate this Lease as of the later of the date on which the condemning authority takes title to or possession of the Demised Premises or any part thereof.

If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Demised Premises remaining, except that the Rent shall be reduced from the date of the taking in a reasonable proportion based on the amount of the Demised Premises so taken and the value or utility of such portion so taken to the operation of Lessee's business on the Demised Premises. Any dispute as to such reduction in rent may be submitted by either party to arbitration in accordance with Article XIX hereof. Any award for the taking of all or any part of the Demised Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor; provided, however, that Lessee shall be entitled to any award made to Lessee as

compensation for diminution in value of the Lessee's leasehold estate, business loss, moving expenses, loss of or damage to the Lessee's trade fixtures and removable personal property. In the event that this Lease is not terminated by reason of such Condemnation, Lessor shall, to the extent of an award received by Lessor in connection with such Condemnation, repair any damage to the Demised Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority; provided, however, that Lessor shall be under no obligation to rebuild or replace any square footage, including that for parking, taken by condemnation.

Notwithstanding anything which may be to the contrary in this Article XVII, in connection with any taking, Lessee shall be entitled to make a separate claim, and to prove and receive an award for (a) any award made directly to Lessee, (b) the value of Lessee's property to the extent the same is taken, and (c) any moving allowance and other expenses permitted by law.

ARTICLE XVIII – SALE OF DEMISED PREMISES

Lessor shall have the right to sell or otherwise transfer its interest in the Demised Premises to a related party at any time during the Term of the Lease.

ARTICLE XIX - ARBITRATION

19.1. Arbitration. In each case expressly specified in this Lease in which it shall become necessary to resort to arbitration, such arbitration shall be determined in the manner provided in this Article 19.

19.2. Arbitration Procedure. The party desiring such arbitration shall give written notice to that effect to the other party and shall in such notice (the "First Notice") appoint an impartial person of recognized competence in the field involved, having not less than ten (10) years' experience in the county in which the Demised Premises are located, as arbitrator on its behalf. Within ten (10) days thereafter, the other party shall by written notice to the original party appoint a second impartial person of recognized competence in such field, having not less than ten (10) years' experience in the county in which the Demised Premises are located, as arbitrator on behalf of such other party. Within ten (10) days thereafter, the arbitrators thus appointed shall appoint a third similarly qualified impartial person of recognized competence in such field, and such three arbitrators shall as promptly as possible determine such matter, provided, however, that:

(i) If the second arbitrator shall not have been appointed as aforesaid, the first arbitrator shall proceed to determine such matter; and

(ii) If the two arbitrators appointed by the parties shall be unable to agree, within ten days after the appointment of the second arbitrator, upon the appointment of a third arbitrator, they shall give written notice of such failure to agree to the parties, and, if the parties fail to agree upon the selection of such third arbitrator within ten days after the arbitrators appointed by the parties give notice as aforesaid, then within five days thereafter either of the parties upon written notice to the other party hereto may request such appointment by the

American Arbitration Association (or any organization successor thereto), or in its absence, refusal, failure or inability to act, may apply for a court appointment of such arbitrator.

19.3. Rules. The arbitration shall be conducted, to the extent consistent with this Article 19, in accordance with the then prevailing rules of the American Arbitration Association (or any organization successor thereto). The arbitrators shall render their decision and award, upon the concurrence of at least two of their number, within thirty (30) days after the appointment of the third arbitrator. Such decision and award shall be in writing and counterpart copies thereof shall be delivered to each of the parties. In rendering such decision and award, the arbitrators shall not add to, subtract from or otherwise modify the provisions of this Lease. Judgment may be had on the decision and award of the arbitrators so rendered.

19.4. Fees. Each party shall pay the fees and expenses of the one of the two original arbitrators appointed by or for such party and the fees and expenses of the third arbitrator and all other expenses of the arbitration shall be borne by the parties equally.

ARTICLE XX – GENERAL PROVISIONS

20.1. Estoppel Certificates.

(a) Lessee shall at any time upon not less than twenty (20) days prior written notice from Lessor execute, acknowledge and deliver to Lessor or any party designated by Lessor a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this lease, as so modified, is in full force and effect) and the date to which the Rent and other charges are paid in advance, if any, (ii) acknowledging, as of the date of the certificate, that, to its actual knowledge, there are no uncured Defaults or events which with the giving of notice or the passage of time or both would constitute a Default or specifying such Defaults or events, if any are claimed and (iii) any other information reasonably requested by Lessor. Such statement shall be binding on Lessee and may be relied upon by Lessor or any other party designated by Lessor to whom such certificate is delivered.

(b) Lessor shall at any time upon not less than twenty (20) days prior written notice from Lessee, execute, acknowledge and deliver to Lessee or any party designated by Lessee a statement in writing (i) certifying that this lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the Rent and other charges are paid in advance, if any, (ii) acknowledging, as of the date of the certificate, that, to its actual knowledge, there are no uncured Defaults or events which with the giving of notice or the passage of time or both would constitute a Default or specifying such Defaults or events, if any are claimed and (iii) any other information reasonably requested by Lessee. Such statement shall be binding on Lessor and may be relied upon by Lessee or any other party designated by Lessee to whom such certificate is delivered.

20.2 Severability. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof

20.3 Interest on Past-Due Obligations. Except as expressly provided herein, any amount due hereunder to either Lessor or Lessee from the other party which is not paid when due and any amount paid by Lessor or Lessee on behalf of the other in accordance with the terms hereof shall bear interest from the date due or the date paid, as applicable, at the lesser of (a) 2% in excess of the prime rate of interest announced by The Bank of America at its principal office in Charlotte, North Carolina (the "Lease Interest Rate"), and (b) the maximum rate of interest permitted by applicable law with respect to said amounts. Payment of such interest shall not excuse or cure any Default or event of default by Lessee under this Lease.

20.4 Captions. Article and paragraph captions are not a part hereof and are for convenience of reference only.

20.5 Incorporation of Prior Agreements, Amendments. This Lease contains the entire agreement and understanding of the parties hereto with respect to the subject matter hereof. All prior agreements or understandings pertaining to the subject matter hereof shall be of no force or effect. This Lease may only be amended or modified in writing, signed by parties in interest at the time of such amendment or modification.

20.6 Notices. Any notices required or permitted to be given hereunder shall be sufficient if in writing and given at the addresses of Lessor and Lessee first set forth above. Notices shall be sufficient if sent by certified mail, return receipt requested, postage prepaid; nationally recognized overnight courier service; or by hand. Notices sent (i) by certified mail, return receipt requested shall be deemed received three (3) days after deposit in a United States mail box, postage prepaid, (ii) by nationally recognized overnight courier service shall be deemed received on (1) business day after delivery to such courier service; and (iii) by hand shall be deemed delivered upon receipt. A copy of any notice of default sent to Lessor shall be sent to Ludwig Kuttner, Estouteville Farm, Keene, VA 22946. Any notice to Lessee shall be addressed to Mr. William H. Redding, Jr., President, Acme-McCrary, 159 North Street, Asheboro, NC 27203 with a copy to Schell Bray Aycock Abel & Livingston P.L.L.C., Attention: Doris R. Bray, Esquire, 230 North Elm Street, Greensboro, NC 27420.

20.7 Waivers. No waiver by either party of any term or provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by the other of the same or any of the provision. Lessor's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of Rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular Rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such Rent.

20.8 Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

20.9 Binding Effect; Choice of Law. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, distributees,

executors, administrators and personal representatives. This Lease shall be governed by the laws of the State in which the-Demised Premises are located.

20.10. Lessor's Access. Subject to Lessee's reasonable security regulations, Lessor and Lessor's agents shall have the right to enter the Demised Premises at reasonable times upon reasonable notice for the purpose of inspecting the same, showing the same to prospective purchasers, Lenders, or lessees, and making such alterations, repairs, improvements or additions to the Demised Premises as Lessor deems necessary or desirable. Any time during the last one hundred eighty (180) days of the Term, Lessor may place on or about the Demised Premises any ordinary "For Sale or Lease" sign.

20.11. Consents. Wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld, conditioned or delayed.

20.12. Quiet Possession. Upon Lessee paying the Rent reserved hereunder and observing and performing all of the material covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Demised Premises for the entire Term hereof subject to all of the provisions of this Lease.

20.13. Signage. During the period in which Lessee occupies the Demised Premises, Lessee shall have the right to place signs on the Demised Premises. All signs erected or placed on the Demised Premises by Lessee shall comply with all applicable Governmental Laws.

20.14. Brokers. Lessor and Lessee each covenant, warrant and represent to the other that no broker was instrumental in bringing about or consummating this Lease and that neither Lessor nor Lessee has had dealings with any broker or other person concerning the leasing of the Demised Premises. Lessor and Lessee shall each indemnify and hold the other harmless against and from any claims for any brokerage commissions or fees, and all costs, expense and liabilities in connection therewith, including, without limitation, attorneys' fees and expense (a) in connection with such claim if any broker or other person claims to have had dealings with the indemnifying party and/or (b) in connection with the enforcement of a party's rights under this Paragraph 20.14.

20.15. Authorization. Lessor and Lessee each represents to the other that all necessary authorizations, consents and approvals required in connection with the execution and delivery of this Lease have been obtained and that the entering into of this Lease does not violate the organizational documents of such party or any agreement, court order or law to which such party is subject.

20.16. No Partnership. Nothing contained in this Lease shall be deemed or construed to create a partnership or joint venture of or between Lessor and Lessee, or to create any relationship between the parties other than that of a lessor and a lessee.

20.17 Release of Liability. Lessor hereby releases Lessee from all liabilities arising out of loss or damage to the Demised Premises (except any damage to Lessee's leasehold

improvements which Lessee is required to insure under the terms of this Lease) caused by perils covered under fire and extended coverage insurance policies or all risk property insurance.

The parties hereto have executed this Lease as of the date first set forth above.

LESSEE:

ACME-McCRARY CORPORATION

Name: _____

Title: _____

LESSOR:

HAMPSHIRE GROUP, LIMITED

By: Charles W. Clayton, Vice President