PARTICIPANTS

Corporate Participants

Ron Parham – Head-Investor Relations
Gertrude Boyle – Chairman
Timothy P. Boyle – President, Chief Executive Officer & Director
Thomas B. Cusick – Chief Financial Officer, Treasurer, CAO & VP

Other Participants

Bob Scott Drbul – Managing Director & Senior Equity Research Analyst, Barclays Capital, Inc.
Katharine McShane – Research Analyst, Citigroup Global Markets (United States)
Reed A. Anderson – Vice President & Senior Research Analyst, D. A. Davidson & Co.
Ken M. Stumphauzer – Senior Analyst, Sterne, Agee & Leach, Inc.
Michelle F. Tan – Research Analyst, Goldman Sachs & Co.
Corbin Nicholas Weyer – Analyst, Robert W. Baird & Co. Equity Capital Markets

MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the Columbia Sportswear Second Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Ron Parham, Senior Director of Investor Relations and Corporate Communications for Columbia Sportswear. Thank you, Mr. Parham. You may begin.

Ron Parham, Head-Investor Relations

Thanks, Bob and good afternoon everyone. Thanks for joining us on today's call. Earlier this afternoon, we announced our second quarter financial results and reaffirmed our outlook for the remainder of 2011.

With me today to discuss those results and answer your questions are President and CEO, Tom Boyle; Senior Vice President of Finance, Chief Financial Officer and Treasurer, Tom Cusick; and Senior Vice President and General Counsel, Peter Bragdon.

Before we start, Columbia Chairman, Gert Boyle, has an important reminder.

Gertrude Boyle, Chairman

Good afternoon. This conference call will contain forward-looking statements regarding Columbia's business opportunities and anticipated results of operation. Please bear in mind that forward-looking information is subject to many risks and uncertainties, and actual results may differ materially from what is projected. Many of these risks and uncertainties are described in Columbia's Annual Report on Form 10-K for the year ending December 31, 2010 and subsequent filing with SEC.

Forward-looking statements in this conference calls are based on our current expectations and beliefs, and we do not undertake any duty to update any of the forward-looking statements after the date of this conference call to conform the forward-looking statements to actual results or to change in our expectations.

Ron Parham, Head-Investor Relations

Thank you, Gert. And now I'll turn the call over to Tim.

Timothy P. Boyle, President, Chief Executive Officer & Director

Thanks, Ron. Welcome, everyone, and thanks for joining us this afternoon. By now we hope you've had a chance to read the press release as well as the more detailed CFO commentary that was posted to our Investor Relations website.

As a reminder, the second quarter is the company's smallest revenue quarter, historically accounting for approximately only 15% of annual net sales. As a result, year-over-year brand, regional and category net sales and earnings comparisons often produce large percentage variances.

We're pleased with our second quarter results and remain on pace towards achieving the full year outlook that we shared in April and reaffirmed today. During the quarter, each of our major brands posted strong growth and we generated double-digit gains in each of our international regions and product categories.

We have begun to deliver against our strong fall 2011 backlog, and believe we will be able to meet this increased demand with significantly less reliance on air freight when compared to last year. As Tom's CFO commentary noted, the significant anticipated growth of our Sorel and Columbia winter footwear business, coupled with continued growth of our direct-to-consumer operations is altering the mix of our sales between third and fourth quarters, making these quarters nearly equal contributors to our expected second half net sales and profitability.

Our international regions are each contributing more sales growth than in recent years. The EMEA region has begun to deliver against a strong fall backlog, reflecting a positive response to our innovations across Western Europe in our direct markets, as well as in Russia.

In our LAAP region, Korea continues to generate exceptional growth and Japan appears to have regained momentum following the tragedies of March 11. Our business is also very strong in China, driven primarily by the Columbia brand. Around the world we're advancing the Columbia brand's position as a leading innovator in the outdoor industry with the introduction of ultra breathable waterproof Omni-Dry EVAP, and sweat activated Omni-Freeze ice cooling apparel for spring 2012.

In addition, our PFG line performed exceptionally well at retail in the U.S. this spring. These are important spring and summer season complements to our fall season technology portfolio, which is led by Omni-Heat. The response from retailers to Columbia's innovations, most recently at the Outdoor Show held earlier this month in Friedrichshafen, Germany continues to be very encouraging and gives us confidence that we are succeeding in elevating our flagship brand with retailers who carry significant influence among core outdoor consumers.

Our Mountain Hardwear brand is also being recognized for innovation. At the Friedrichshafen Outdoor Show the Mountain Hardwear brand walked away with four industry awards for innovation and design, including a gold award for the Spinoza Jacket that features Dry.Q waterproof breathable technology.

Finally, our Sorel brand is poised for another year of outstanding growth with our fall backlog up more than 80% that's expected to add significantly to our fourth quarter sales growth in 2011, and we believe holds a great deal of growth potential for the years ahead.

Our U.S. direct-to-consumer business continues to generate strong growth and profitability. Beginning this fall, we'll expose millions more consumers to our brands and our innovations with the launch of eCommerce sites in Canada and eight European countries, including the U.K., Germany, France, Italy, Belgium, Austria, Spain and the Netherlands.

These successes and the resulting growth have increased the complexity of our business and are the motivation behind the investments we're making in our information technology initiatives, including a multi-year ERP implementation. Like others in our industry, we have experienced erosion in product margins as a result of the inflationary sourcing environment and we are planning our business under the assumption that this inflationary environment will continue.

We remain strongly committed to the notion that authentic innovation and great design will improve our pricing power and we need to constantly remind ourselves, our employees, our customers and our investors that we are still relatively early in the process of driving broad global consumer awareness and increased demand for our innovative products.

While we have made great progress in elevating our brands, our brand portfolio holds tremendous untapped potential. Our team is encouraged by the position we have in the market place, and we're working hard together to improve our profitability.

That concludes my prepared remarks. Now I'd like to open the call to questions. Operator, can you help us?

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Robert Drbul with Barclay Capital. Please proceed with your question.

<Q – Bob Drbul – Barclays Capital, Inc.>: Thanks. Good afternoon.

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Hey, Bob.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Hi, Bob.

<Q – Bob Drbul – Barclays Capital, Inc.>: Hi, guys. Hi, Gert.

<A – Gertrude Boyle – Chairman>: Hi there.

<Q – Bob Drbul – Barclays Capital, Inc.>: How are you? The – a couple of questions for you. First, on the second quarter, the cancellations that you had, can you give us any color on channel geography or products for the cancellations that you have? And sort of tying that together, I think in the inventory discussion in the comments that you put out at 4:15, can you just maybe quantify sort of how much on that inventory increase, how much of it was in sort of fall '10 excess versus spring '11 excess as well?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Sure, Bob. So let me – the bulk of the cancels were really North America as a result of the unusually wet and cold spring. The resulting excess inventory is not concerning us at all. We've got our normal liquidation processes through our own outlet stores as well as to our regular retailers and some with the value change as well. And I think Tom prefers to answer the other question that you had.

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Yes, Bob, on the inventory, to start with currency contributed at about 6 percentage points of the 36% growth. So setting that aside, and talking to that 30% growth in constant dollars, it's pretty equally splint between fall '11, spring '11 and fall '10, at a little bit over $30 million for each of those seasons.

And as we'd mentioned, the fall '10 inventory cleared through our outlet channel in the second half of this year. The fall '11 growth is really a function of earlier receipt of inventory this year as compared to last. And then the spring '11's a function of the cancels, and that'll clear through both, our in-line customer base, our value channel and the outlets, primarily in the second half of this year.

<Q – Bob Drbul – Barclays Capital, Inc.>: Okay, great. And then my next question, Tim, on [audio gap] (9:52-10:05).

<A – Timothy Boyle – President, Chief Executive Officer & Director>: No, not really. I mean, I think we were looking at the same sort of risk bay – excuse me, risk base that we've had in the past. This is the way our customers laid out their order requirements, their demands, and it is skewed more heavily now that we've got a larger direct-to-consumer business, and also a larger winter boot business, which drives the revenues in Q4 higher. But – no, I've done some review, and I feel comfortable that we're in about the same position risk-wise as we have been historically.

<Q – Bob Drbul – Barclays Capital, Inc.>: Great. Thanks very much.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yeah.

Operator: Thank you, our next question comes from the line of Kate McShane with Citi Investment Research. Please proceed with your question.

<Q – Katharine McShane – Citigroup Global Markets (United States)>: Hi. Thanks. Good afternoon.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Hi, Kate.

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Hi, Kate.

<Q – Katharine McShane – Citigroup Global Markets (United States)>: I was wondering if you could walk us through the SG&A dollar growth commitment for the back half of the year, if you could put that into a couple of buckets for us as to where that dollar growth is being spent.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yeah. So maybe just stepping back, Kate, and looking at it from a full year perspective, and then I can provide a little bit of color on the back half. When we look at the roughly just over $90 million in SG&A growth for the year, over half of that growth will come in dollar terms from the retail business, and the IT and supply chain areas of the business. Another not insignificant component would be currency. That's roughly 15% to 16% of the growth year-over-year. And then just given the growth in our European business, it's driving some SG&A growth in that region as well.

And then as we look between Q3 and Q4, I would say that the biggest contributor to the increase in SG&A between the third quarter and fourth quarters is the absolute dollar amount of advertising spend between Q3 and Q4 was about $7 million of the $9 million in the total increase in advertising for the full year.

<Q – Katharine McShane – Citigroup Global Markets (United States)>: Okay. That's really helpful. Thank you. And then my second question is on eCommerce. You had a lot of eCommerce launches, it sounds like during the quarter. Was that for all the country launches, is that for all brands? And what can we expect to see for the back half of the year in terms of further site launches?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yeah, so the launches that we talk about in Canada and in Europe are for the Columbia brand. And again, we have been able to leverage our existing format that we're using and platform that we're using on our USA eCom business, which you're right has four brands in eCom.

And that's the primary reason we believe we have relatively low risk in terms of accomplishing this. I said August, I meant September, I think, we've got a September launch on that. But one of the primary reasons for us adding this eCom business in those markets was obviously for some revenue, but what we found when we started actually doing commerce on our marketing site in the U.S., we were able nearly to double the visitors to the site, and we have about an industry average conversion rate.

So that means something in the mid-90% of visitors to our site get a chance to get our view of our technologies, our innovations, and leave with a much richer concept of the brand than they otherwise would get. So, we'll have some revenue, but at the end of the day, the real return for the company is going to be on a much richer brand vision by consumers of what we have to offer.

<Q – Katharine McShane – Citigroup Global Markets (United States)>: Okay. Thanks. And my very last question, if I can, something I haven't heard you talk about in a while and maybe I've missed it, but Pacific Trail and that business, I mean, what is the status of that acquisition from a couple of years ago?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yeah, it's been several years ago and I think it was actually in '06 if I'm not mistaken. And we've since taken a charge for that business, we weren't able to convert it into as large an opportunity as we saw initially when we purchased the brand portfolio out of bankruptcy. However, we do have a revenue stream driven under a license basis from that by a firm, actually a couple firms that are selling apparel products in North America. So the products actually are in the market. But our intended use of those marks just didn't pan out for the company.

<Q – Katharine McShane – Citigroup Global Markets (United States)>: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Reed Anderson with D. A. Davidson. Please proceed with your question.

<Q – Reed Anderson – D. A. Davidson & Co.>: Hello?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Hey, Reed.

<Q – Reed Anderson – D. A. Davidson & Co.>: A couple questions, first one, when I'm looking at Tom's detailed commentary, I was looking in the outlook area, you give some good detail on kind of growth expectations by product. And obviously footwear is going to be very strong in the second half: it says it's over 50% of the sales growth. And so by implication then, I just want to make sure I've got this right, does that then imply that really the non-footwear pieces whether its outerwear or sportswear kind of would be growing at that low double digits sort of level in the second half? Is that the right way to read that?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yeah. I think that's in the ballpark, Reed, yes.

<Q – Reed Anderson – D. A. Davidson & Co.>: Okay. And so the question – one – couple questions with that. One is, I mean, you're – so you're seeing the mix of footwear go up pretty dramatically, I guess, couple hundred basis points perhaps this year, yet margins still improve. So just reconcile that thought for me. I'm sure that you're selling the product at full price, but intuitively that wouldn't be what I'd expect.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yeah. So maybe just a couple of comments on overall gross margin for the year. So to begin with, air freight was a big drag on gross margin for us in 2010. So based on our current visibility that should be a benefit and more than offset the increase in input costs for the year. And then please remember that our Sorel footwear carries a higher gross margin than the Columbia footwear. The margins on Sorel are quite good, so that helps drive the margin up for the year as well.

<Q – Reed Anderson – D. A. Davidson & Co.>: Okay, good. That's helpful. And then just another question is, you talked about the shift of advanced orders to distributors impacted kind of 2Q more so -favorably impacted 2Q versus 3Q, any chance you can quantify that or just a little more color there?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yes. So maybe just to look at the backlog growth of 19% versus the second half growth of roughly – on the high-end of the range implied at say 16.5% just stepping back and looking at that, when you look at the backlog of growth of roughly $136 million year-over-year for fall and you add the global retail business to that and you back away the distributor shift from Q3 to Q2 for the fall business, that puts us in line with that second half growth.

<Q – Reed Anderson – D. A. Davidson & Co.>: Okay. That's perfect. Thank you.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: And maybe just one other point, Reed, the distributor business shifts around. We shipped the spring '11 business, a much greater percentage of that in Q4, so that obviously impacted the first half of the year.

<Q – Reed Anderson – D. A. Davidson & Co.>: Okay. Good. And then just two more quick ones, first off on the direct business, I'm just curious, does the mix of your direct business, does it look similar to the kind of the corporate mix of apparel versus footwear or would it be skewed more apparel?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: No, actually I think it's slightly higher footwear.

<Q – Reed Anderson – D. A. Davidson & Co.>: It is, its footwear. Okay.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: No, you're talking about in Europe right?

<Q – Reed Anderson – D. A. Davidson & Co.>: I'm just talking in general.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Okay. So I think – our European footwear business is a bigger percentage of the total European business than in the U.S. or in Canada. So – Tom, do you have a comment on our direct business? We include Korea and Japan in that business and I don't know that we have it on the tip of our tongue.

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: So is it weighted to the direct business versus the distributor business, is that what you're getting at, Reed?

<Q – Reed Anderson – D. A. Davidson & Co.>: No, actually my question was just the direct – your direct-to-consumer business, my apologies. I should have clarified that.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Oh, okay. I got you.

<Q – Reed Anderson – D. A. Davidson & Co.>: Direct-to-consumer business, so if you look at the mix of that business, does that look similar to your overall mix or – I was just presuming it skewed a little more non-footwear apparel.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Actually, it's a little higher because if you remember, the direct-to-consumer business on Sorel is only footwear.

<Q – Reed Anderson – D. A. Davidson & Co.>: Yes. That's true. Okay. And then last one, I just – Tim, I was struck by your comments on PFG because it was a terrible fishing year, the weather was bad and yet that product sounds like it had a really good year, and I'm just suspecting it had something to do with the geography, just some color on why that might have been doing so well?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Sure. Well, you know PFG's been a real strong part of our base, it certainly in the USA, but it's historically been really a southern business. So the Gulf coast all the way maybe clear up to into Maryland is where the bulk of our business in PFG really resides from a historical basis and that part of the world had terrific weather and it's really – that brand down there, the sub brand of PFG has just been so embraced by outdoors people of all sort of ilk including lots of women and so they had great weather and the sales were great there.

<Q – Reed Anderson – D. A. Davidson & Co.>: Super. Well hey, thank you very much, best of luck.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yep.

Operator: Thank you. Our next question comes from the line of Ken Stumphauzer with Sterne, Agee. Please proceed with your question.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: Thank you. Good afternoon, guys.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Hi.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: Thank you for taking my questions. A couple of quick ones for you, specifically on the gross margin guidance for 3Q, you're guiding for a 25 basis point increase, and if I recall correctly, a year ago, you guys had implied that operating margins would have been up ex the airfreight cost, in other words implying it was 150 basis point head wind, and so I'm just curious to know, is there something else going on in the quarter that's depressing gross margins which would not make them increase more than 25 basis points?

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Yeah, Ken, this is Tom. So, the main drivers of the 25 basis point improvement in Q3 are obviously leading with airfreight but a lot of the airfreight benefit in the third quarter is absorbed by increased input costs, and to us, a small degree, the mix between full price and closeout. We've got a slightly higher mix of closeout product sales in the third quarter this year as compared to last.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: And that's related to the excess fall product from 2010?

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: I would say that's probably more spring '11 than fall '10, because the fall '10 will go through the outlet channel.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: Okay. And then secondly, I guess one can infer from your comments that you guys didn't try to push through the entirety of the cost pressures that you're feeling. What was the strategic rational behind it? Just given the momentum behind the brand.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Well, we were able to raise prices for most of our products in the back half of '11, but the inflationary pressures caught us a little bit and so we weren't able to pass through all of them, but the intention is obviously to grow the innovative parts of the business faster, and have the opportunity to raise our gross profit margins.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: So just to clarify that, you guys didn't anticipate the magnitude of it when you initially discussed pricing with the retailers or it was a willful decision not to push through the entirety of the increase?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: No, no. The inflation kept going past our initial pricing dates.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: Okay.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: And we weren't able to capture all those things. We were able to capture it on the initial purchases for the season, but not on the subsequent purchases.

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: And Ken, maybe just one other clarifying point. Currency's a benefit to us in the back half and the full year, but the European region is a drag from a currency perspective. And so given the growth, there's a channel component that's flushing through the gross margin in the third quarter as well that's dampening the gross margin expansion that we've would have otherwise seen.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: Okay. And then, just one last follow-up on gross margin and I'll let it go. But just given what you're saying about 3Q being up 25 basis points and you're retaining your full-year guidance for 100 basis points of expansion that implies a pretty big fourth quarter from an expansion standpoint. So is there some kind of shift going on in the quarter? Is it that more of the airfreight was weighted to 4Q than 3Q, any color you can give in that regard?

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Yeah. So the implied guidance for the fourth quarter would be gross margin expanding a little over two points, and roughly half of that benefit would be airfreight, coupled with the higher direct-to-consumer portion of revenue, and then significant growth in the Sorel footwear business in the fourth quarter of '11 versus '10. All those contribute to the expanded margin, along with currency in the fourth quarter.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: Okay. And then, just one last question, finally. As far as the EMEA region goes, there's been a lot of volatility in the growth rate there. And I presume that some of that is ultimately related to distributor shipments. But how should that trend for the duration of the year, and will we see similar volatility in the upcoming quarters?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: You're talking about our EMEA region?

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: Yes.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: So, that's divided between distributor businesses, which are led really by Russia, and then the company's direct business. So if you remember from a historical perspective, we had an enormously strong business there going back three or four years, which we have been underperforming, and in fact gave back a lot of top line revenue.

So the focus has been on growing the European direct business, as well as our business in Russia. So I think the volatility you've seen has been the improvements there based on the focus by the company. So we hope that you continue to see growth in that region as we've got very heavy investments there, both in infrastructure and the people.

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: And then, just as it relates to the volatility point, that distributor business ships between December and January for spring, and June and July for fall. So that – and those are factory direct shipments that we don't control the timing of. So that volatility will likely continue into the future.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: Okay. Thank you, guys. Best of luck.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Michelle Tan with Goldman Sachs. Please proceed with your question.

<Q – Michelle Tan – Goldman Sachs & Co.>: Great, thanks. Hey, guys.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Hi, Michelle.

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Hi, Michelle.

<Q – Michelle Tan – Goldman Sachs & Co.>: I was wondering, just going back to I think Bob's question about some of the cancellations that you saw in the quarter and some of the disruption from the weather issues, how much comfort do you have that that was a broad-based problem, or what kind of indications do you have that that was a broad-based problem and not specific to the spring product that you guys had out there?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Well, we can quantify the cancellations fairly with a lot of granularity. So we know where they came from and what caused them. We had an enormously popular and strong southern part of the United States business growing, and – we have a high degree of visibility, a high degree of understanding on those cancels, where they come from and why they happen.

<Q – Michelle Tan – Goldman Sachs & Co.>: Okay, great. So it's a sector-wide thing. You don't think it was anything specific to your product?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: No, no, I -- no. Well, I can't really comment on the entire sector, but I can comment on our cancellations and my strong belief that there as a result of the weather that we all had the good fortune to spend time – and for staff. Our rainwear business was phenomenal, but we just don't have that big a rainwear business when you compare it to the shorts and T-shirts and sandals that the company sells.

<Q – Michelle Tan – Goldman Sachs & Co.>: Got it, perfect. And then secondly, I guess looking at your backlog for fall, I think you were up 19%. I think your full year guidance implies something less than that in terms of sales growth for the second half. So can you help us think about what's creating that delta, and am I doing the math right on that?

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Yeah, Michelle, this is Tom. So I think I tried to address this with Reed's question, but let me take another crack at it, and if I'm not clear here, please come back at me. But the 19% backlog growth equates to roughly $136 million. When we add the global retail business to that, that's not included in our backlog, and we account for the shift of the distributor business from the third quarter to the second, you get to that say 16.5% revenue growth for the back half.

<Q – Michelle Tan – Goldman Sachs & Co.>: Okay, okay. So the wholesale growth will be closer to the fall backlog?

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Correct.

<Q – Michelle Tan – Goldman Sachs & Co.>: And half. Okay. Got it. And then I guess this is sort of another crack at the question that you guys were just asked about margin expansion in fourth quarter. But it's the highest level of operating margin expansion – I think you guys are going to put up on a quarter since 2007. So I guess help us think about, is this something more related to some of these unusual aspects of timing or is it the start of actually seeing some of that leverage that we've been looking for, for a while starting to kick in?

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Yeah, so Michelle, this is Tom. I would say, you know, the greater proportion of direct-to-consumer business with eCom in the U.S., and to a much lesser degree now in Europe, which will be the first Q4 that we will have had eCom in Canada and Europe, along with just the excellent growth we're seeing in our direct-to-consumer brick and mortar retail are really helping push that gross margin, along with less airfreight in Q4 this year as compared to last, are all helping push that gross margin up.

<Q – Michelle Tan – Goldman Sachs & Co.>: Right. And I don't want to get ahead of ourselves, but I guess the underlying question is, as we start thinking about operating margin opportunities off of what seems like still a very low base for you guys, is what we're seeing in fourth quarter in terms of expansion representative of how we could think about '12 and '13? Or are there going to be – is more of that Q4 the airfreight comparison?

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: I think a relatively good share of that expansion is airfreight. You know, and we're not providing our outlook for 2012 today, as we're early in our spring order taking. But we are keenly focused on improving our operating margin in 2012. Input costs, we expect will continue to pressure gross margins, and with reasonable revenue growth, we expect to leverage our SG&A in 2012.

<Q – Michelle Tan – Goldman Sachs & Co.>: Okay. Perfect. And then if I can sneak in one last one, as you look at the spring business this year, obviously, it's unfortunate that there were weather impacts that hurt sell-through, created cancellations, how do you think that affects the retailer's psyche as they place orders for next spring, are you hearing any kind of impact to how they're thinking about the next season, I know...

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Well, we're in the middle, as Tom said, of taking orders for spring, 2012. We really want to avoid any kind of discussion on that, but I'm pleased with our progress. I would suggest that retailers look at it as an aberration, and we're going to be excited with what we see. But we're going to know a lot more here in the next few weeks when we conclude the spring selling season.

I did want to make a comment though on profitability and leverage, you know from me personally, having been here for a long period of time and having frankly industry-leading profitability for a lengthy period of time, we're keenly focused on the embarrassment that we have as it relates to sub-average profitability. It's a keen focus for the company. We spend a lot of time on that issue, and my expectation is that we're going to be looking at a period of time when we're getting back to at least average and beyond.

<Q – Michelle Tan – Goldman Sachs & Co.>: Great. Thanks so much for the color, guys.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yes.

Operator: Thank you. [Operator Instructions] We do have a follow-up coming from Ken Stumphauzer [Sterne, Agee & Leach]. Please proceed with your follow-up.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: [ph] (33:43) I just wanted to get kind of a long-range historical perspective from you guys, just given your answer to your last question about long-run potential operating margins. When you look at the profitability of the business, I guess gross margins weren't as much of the adverse effect as much as the SG&A deleverage was. So historically, was the problem that essentially you were investing and you weren't receiving the type of sales return that you expected with the incremental SG&A expense or what precisely do you attribute the decline in profitability too?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Well, you know – so, when we look back at the company, when those periods of time when we had 20% sometimes plus, but within that range operating margins, the company was smaller and had less infrastructure investments. We had a high amount of leverage on the infrastructure investments the company may – had previously made.

We're now in a position where frankly we've begun to make investments in the company's infrastructure at a time when our revenues flagged. So we sort of were investing in a period of time when the company's products had gotten a bit stale and the business in total was weaker. And then the impact of the reduction in our volumes in Europe, all those things contributed.

Now we've been making significant investments in innovation and in products which are highly differentiated, and which are producing terrific top line. We just have to be able to get ourselves around the corner here to where we can start leveraging these investments we've made over the last four or five years. And frankly, average industry margins are not going to be satisfactory for us. We want to have – we want to be above average in every measurement and we're clearly not there, but we're definitely going there.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: But ultimately, your return to those kind of operating margins are probably going to be a function of significant sales growth over the next two to three years, I presume. And more modest SG&A reinvestment associated with that growth, correct?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yeah, it's very likely.

<Q – Ken Stumphauzer – Sterne, Agee & Leach, Inc.>: Okay. Thank you.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Thank you.

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Thank you.

<A – Ron Parham – Head-Investor Relations>: Operator?

Operator: Thank you. We do have another question coming from Corbin Weyer with Robert Baird. Please proceed with your question.

<Q – Corbin Weyer – Robert W. Baird & Co. Equity Capital Markets>: Yeah, good afternoon. This is Corbin Weyer calling in for Mitch Kummetz. Just, could you guys maybe remind us what your store opening plan is for the back half of the year? Maybe – how many stores you ended up with at the end of the second quarter?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Yes, so we had 48 stores in the U.S. at the end of Q2, the same as last year, at the end of June. And we've got three new outlets planned in the U.S. in the third quarter, and none currently in the fourth quarter.

<Q – Corbin Weyer – Robert W. Baird & Co. Equity Capital Markets>: Great. Thanks. And then just one more, with the amount of sales that got shifted from the third quarter into the second quarter, distributor rates are broad, do you think – is there an opportunity that you could possibly get some stronger reorder activity in the back half, possibly in the fourth quarter with that shift?

<A – Timothy Boyle – President, Chief Executive Officer & Director>: That's – there's very little opportunity there, because that's – those shifted or shifted shipments were to our distributors, there's relatively long lead time, and they'll be focusing on liquidating those inventories that they have purchased from us. There's great opportunity for reorders in the U.S., Canada and in Europe and we have a number that we expect, and that's how we calculate that.

<Q – Corbin Weyer – Robert W. Baird & Co. Equity Capital Markets>: Sure. All right. That's all I got. Appreciate it. Thanks guys.

<A – Timothy Boyle – President, Chief Executive Officer & Director>: Thanks.

<A – Thomas Cusick – Chief Financial Officer, Treasurer, CAO & VP>: Thank you.

Operator: Thank you. There are no further questions at this time. I would like to turn the floor back over to management for closing comments.

Timothy P. Boyle, President, Chief Executive Officer & Director

Thank you all for listening. We look forward to talking to you at our next conference call and giving you the information on our spring '12 bookings at that time. Thank you.

Thomas B. Cusick, Chief Financial Officer, Treasurer, CAO & VP

Thank you.

Operator: Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation.