



**Delta Apparel, Inc.**  
**Fiscal 2012 Third Quarter Earnings Conference Call**  
**April 26, 2012**

**Operator:** Please stand by as we're about to begin. Thank you and good afternoon to everyone participating in Delta Apparel's Fiscal 2012 Third Quarter Earnings Conference Call. Joining us from management are Bob Humphreys, Chairman and Chief Executive Officer, and Deb Merrill, Vice President and Chief Financial Officer.

Before we begin, I'd like to remind everyone that during the course of the conference call, projections or other forward-looking statements may be made by Delta Apparel's executives. Such statements suggest prediction and involve risk and uncertainty and actual results may differ materially. Please refer to the periodic reports filed with the Securities and Exchange Commission, including the Company's most recent Form 10-K. This document contains and identifies important factors that could cause actual results to differ materially from those contained in the projections or forward-looking statements. Please note that any forward-looking statements are made only as of today and the Company does not commit to update or revise these statements even if it becomes apparent that any particular results will not be realized.

I would now turn the call over to Delta's CFO, Deb Merrill, who will provide the details of the Company's fiscal third quarter.

**Deborah Merrill:** Thank you and good afternoon. During our fiscal 2012 third quarter, several factors came into play that affected our business; some good and some not so good. Let's first look at the not so good. Cotton prices, which reached record highs in 2011, caused turmoil in the marketplace that continue to play out in our third quarter, particularly in our blank t-shirt business. Customers continue to destock inventories, holding off on making speculative buys in anticipation of lower future prices. The lower marketplace demand only enhanced the competitive landscape, leading to further price discounting.

In the branded segment, continued weakness in the retail market in the beginning of the quarter had a negative effect on our Softe business, which is noted for several popular lines of activewear, as well as military training apparel. Softe also was impacted by slower callouts of military

training gear in the quarter. The combined effect reduced net sales and profits in the Soffe business, which comprises about half of our branded segment.

Now, let's look at the good factors. Cotton prices have been declining since mid-December, and customers are destocking their inventory, which bodes well for improvement in the Delta Catalog business in upcoming quarters. We also experienced continued good growth in the FunTees business, which somewhat helped to offset the decline in basic tees in the third quarter.

With the exception of Soffe, our branded segment did well, with sales increases in each of our other branded businesses: Junk Food, To The Game, and Art Gun. These good and bad factors combined to give us a slight increase in net sales for our fiscal third quarter ended March 31<sup>st</sup>, which came in at 125.5 million compared to 125 million in our 2011 third quarter. Net income for the 2012 third quarter was 1.9 million or \$0.22 per diluted share compared to 5.7 million or \$0.65 cents per diluted share in the prior year third quarter.

Branded segment sales for the 2012 third quarter were 58.5 million, a 7.7% increase over 2011 third quarter sales of 54.3 million. Our To The Game business, led by Salt Life, came in strong for the quarter with a 42% increase in net sales and improved margins, as expected. The Company's Junk Food brand continued double-digit sales growth, with a 15% increase. While still very small, Art Gun also improved significantly, both in sales and margins. These increases were offset somewhat by the weakness in Soffe sales that I just mentioned.

Our basics segment had 2012 third quarter net sales of 67 million, down approximately 5% from last year's third quarter. Our Delta Catalog business, which continues to suffer from the over-inventoried marketplace, was the sole reason for the decline in sales. Our FunTees business remained solid in the third quarter, with a 13% increase in net sales.

For the first nine months, net sales increased approximately 5% to 354.6 million from 337.6 million in the comparable period of 2011. The 2012 nine-month period, which includes our second quarter's 16.2 million inventory markdown in the basics segment, had a net loss of 7.3 million or \$0.86 per diluted share. This compares with 2011 nine-month net income of 8.8 million, or \$1.00 per diluted share.

SG&A expenses, as a percentage of sales, improved in the third quarter of 2012. SG&A was 17.7% of sales compared to 18.2% in the prior year period. For the first nine months, SG&A was 18.9% of sales compared to 19.5% in the prior year nine months. Our effective tax right for the third quarter was a negative 4.4%, and for the nine months, 45.6%. These

percentages are skewed by our taking the entire second quarter inventory markdown as a discrete item in the December quarter. Excluding this discrete item, we expect our effective tax rate will be in the mid to upper single digits for the full year.

Capital spending during the quarter was 2.1 million and should total about 7 million for the full year. Depreciation and amortization, including non-cash compensation, was also 2.1 million in the quarter and will be about 9 million for the full year.

Total debt at March was 132.6 million. Historically, we were at our peak working capital levels during the March quarter, and the increase in debt during this period is not unusual. We anticipate the debt levels will decline approximately 15 million during our fourth quarter and should continue to decline in our first quarter of fiscal 2013. We remain committed to strategically reducing the capital used in the business to improve return on capital and reduce the leverage on the business. We had 6.1 million authorized by our Board for stock repurchases but did not repurchase any shares during our third quarter. We made decisions regarding repurchases based on a number of factors, including current leverage, stock valuation, and future business opportunities for the capital.

While improving conditions point to a fourth quarter significantly stronger than the third quarter, the lingering effects in the marketplace have made it necessary for us to adjust our sales and earnings guidance for fiscal 2012. Currently, we believe net sales will be in the range of 475 to 485 million, and we will have a loss for the year of 15 to \$0.20 per diluted share. While the turbulent marketplace is taking its toll on results for most apparel companies, we believe the strength of Delta Apparel can be seen in our ability to grow revenue and gain market share despite less-than-ideal conditions. Fiscal 2012 profitability was hurt by high cost cotton and other unusual cost incurred to better position the Company for the future. With this behind us, we see fiscal 2013 back on the earnings trend we had through fiscal 2011.

I'll now turn the call over to our Chairman and CEO, Bob Humphreys, for some remarks on our future growth strategy.

**Robert Humphreys:** Thanks, Deb. While we're disappointed with the results of the quarter, we're beginning to see some economic and apparel marketplace improvements that warrant cautious optimism. The inordinate cotton price increases of 2011 that created so much chaos in the marketplace are now moderating. Sales volume should return to our more normal growth pattern, pricing should stabilize, and we envision a better business environment going forward.

In the short term, we have taken actions in our supply chain to balance capacity with lower unit demand. We expensed cost associated with these actions of approximately \$1 million in the third quarter. In addition, we expanded our Easter holiday manufacturing shutdown and anticipate potential further downtime, which will be expensed in the fourth quarter. These curtailments are allowing us to reduce our inventories in an orderly manner and free up excess working capital in our business.

We've also taken steps to reduce cost and further strengthen our position in the marketplace. During the third quarter, we completed the conversion of The Cotton Exchange and The Game to BlueCherry, putting all of our branded business on the same ERP system. This should provide service efficiencies in apparel ordering, warehousing, and distribution processes, and reduce our IT cost going forward. This also marks the final stage of integration of The Cotton Exchange at Soffe's College Bookstore division.

In addition, we are in the process of moving our FunTees private label business onto the existing software platform used in the Delta Catalog business and expect to complete this in the first part of fiscal 2013. This consolidation will allow us to better manage our inventory flow and gain further synergies, which should improve gross margins and lower SG&A cost. We are also moving several functions of our private label business to our El Salvador facility to better service customers through an enhanced and efficient product development process. In conjunction with this, we are further modernizing our decoration equipment, which should expand capabilities and lower our cost. While these initiatives have encouraged short-term expense and capital expenditures in the 2012 third and fourth quarters, they should provide long-term benefits and efficiencies that we will begin to recognize in fiscal 2013.

Sales in the Delta Catalog business were hindered by the over-inventoried marketplace. While volumes in this business were down approximately 9%, we believe our service level in this market segment allowed us to capture a larger share of the business available. We expect the gains we have made in taking market share will become more evident as the inventories are worked through and the market returns to a more normal growth pattern. As Deb explained to you, our FunTees business continued strong growth in the third quarter, and we believe the initiatives just mentioned will help continue that growth in improving trends as we go forward.

Our new Soffe line of XT46 military activewear is getting good reception in the military exchanges, and we are currently initiating a marketing strategy to place the product into some non-military settings, such as sporting goods stores. While still early, we are seeing initial progress to extend the brand outside of the military's channel.

Our Junk Food business continued strong in the third quarter, thanks to innovations that have broadened the Junk Food brand with original product offerings. Teaming up with Rock the Vote, Junk Food developed the first ever 'Scan to Vote' social media powered QR scan t-shirt. This tee, once scanned by your phone or wireless devices, allows you to register to vote. We continue to be impressed by the creative items the Junk Food teams come up with.

In March, we opened our Salt Life flagship store in Jacksonville Beach, the home of the Salt Life brand. We are excited about this new venture and plan to use the new facility, along with our new online store, [www.saltlife.com](http://www.saltlife.com), to promote the Salt Life brand and grow our direct-to-consumer selling opportunities. We continue to add innovative products with the Salt Life product line and further expanded our merchandise categories with an exclusive license for Salt Life footwear that we signed during the quarter.

We continue to make investments in the expansion of our e-commerce offerings, with new capabilities for mobile and tablet devices coming soon, as well as expanded product offerings on the sites. We are also developing micro sites to harvest additional direct-to-consumer business, leveraging the creative art from Junk Food with the ability to (inaudible) all demand for our Art Gun business. Our new B2B website, the Delta Catalog business, has been well received by our customers, who are enjoying the convenience of ordering when and how they want while bypassing the usual customer service channel. This enables us to size our customer ordering capability accordingly, resulting in lower SG&A cost while providing better service to our customers. We're using the Delta Catalog site as the platform to create the B2B site for our Softe business, which is expected to go live in the first quarter of fiscal 2013. We believe this site will give our independent sporting goods customers the ease and convenience they desire to order Softe products, which should enhance our growth in this channel.

As you can see, during the first three quarters of fiscal 2012, we've developed new products and brand offerings and have taken steps to better service our customers while reducing cost. At the same time, we took a second core inventory markdown to normalize the effects of cotton prices in our third and fourth quarters. While some of the things that had a short-term negative impact on our bottom line, we believe they make Delta Apparel an even stronger company going forward, as will be recognized as we move into fiscal 2013.

Fiscal 2012 should mark the ninth consecutive year of sales growth for Delta Apparel. We believe one of the key strengths of the Company is our diversified distribution channels and product offerings, which has allowed us to consistently grow revenue even in an environment of price deflation. While fiscal 2012 profitability was hurt by high cotton cost and cost

associated with the other actions we took, we believe with this behind us our fiscal 2013 will be back on the earnings trends we achieved prior to 2012.

At this time, we'll turn the call back over to the Operator to begin questions.

**Operator:** All right, thank you very much. Well, ladies and gentlemen, at this time, if you would like to queue up to ask a question, please press star, and then one on your touchtone telephone keypad. Again, that's star, one if you'd like to queue up to ask a question at this time, and we'll pause for a moment to assemble our question roster. Once again, it's star, one if you'd like queue up.

And we'll go first to James Fronda with Sidoti.

**James Fronda:** Hi guys, how are you?

**Robert Humphreys:** Good.

**James Fronda:** Do you guys break out, I guess, how much of that Soffe business is related to the military?

**Robert Humphreys:** No.

**James Fronda:** Okay. And I guess, you know, the business would start to improve somewhat if cotton prices started to rebound, correct, or...

**Robert Humphreys:** Yes, that would probably add a bit of urgency in some areas...

**James Fronda:** Okay.

**Robert Humphreys:** That there hasn't been, you know, in the catalog business.

**James Fronda:** Okay. And is it...

**Robert Humphreys:** But, you know, I would say, yes, those inventories are being worked through in a pretty orderly manner.

**James Fronda:** Okay.

**Robert Humphreys:** Inventories at the distributor level were actually lower at the end of March than they were the prior year March. That's on unit spaces now. The prior year, that channel of distribution had loaded up on inventory in

anticipation of higher prices. But I think we are getting pretty close to inventories in that market being back in an orderly situation.

**James Fronda:** Okay. And I mean, did anybody you talked to in the business say anything about where cotton prices may stabilize?

**Robert Humphreys:** You know, you can find a reasonably knowledgeable person that will say that at about any number you want to, between about...

**James Fronda:** Yes.

**Robert Humphreys:** \$0.60 and \$1.00, so I think it just depends on the next several months as the current crop year is really planted and, you know, we see growing patterns and weather around the world, not to mention actions that different governments have taken about the export of cotton and all that has had some impact on the marketplace.

**James Fronda:** Right. And then, obviously a big focus going forward would be to pay down the debt?

**Robert Humphreys:** Yes, and as Deb explained, this is our highest working capital time. Added to this year was higher raw material costs, which are in our inventory, but we do see the capability for extensive reduction in debt in the...

**James Fronda:** Right.

**Robert Humphreys:** Ensuing quarters.

**James Fronda:** Right. Okay, all right. Thanks, guys.

**Robert Humphreys:** Mm-hmm.

**Operator:** All right, thank you very much. And once again, that's star, one to queue up to ask a question.

And we'll now move onto James Fuld with Fuld Corp.

**James Fuld:** Hi. Could you give a little more color as to the comment that you expect next year performance trends to be similar to, let's say, 2011? Is this margin trends? Is this earnings trends? Maybe you could just clarify it a little bit.

**Robert Humphreys:** Yes, I think, obviously, there was some market disruptions going on, which occurred in our fiscal year that's—covers (inaudible) obviously half of two different calendar years. But, you know, we see those

things behind us, or the extraordinary impact of them, and we see, despite that, during those times that we were able to add to our asset base—and by that, I mean brands and license agreements, and customer relationships that we rely on to grow our business. And so, we just think that we'll be able to continue the general trends that we had achieved. Obviously, we haven't finalized our business plan completely for next year. And when we do so, we'll have some specific guidance, but we would expect, you know, to continue sales growth; that we would have improving margins, and a little further leverage of our SG&A cost.

**James Fuld:** I mean, if you were to compare 2013 with 2011, certainly your sales volume will be maybe 10, 15% higher because you would have had two years of sales growth. Are you hopeful to have margins equal to historical profit margins?

**Deborah Merrill:** Yes. What we're saying is that some—you know, you're going to have the mismatch between the higher inventory cost and the low selling prices that took place, causing our inventory write-down that we took in the second quarter. We won't—you know, we should not be experiencing that again. And so, we should be back on, you know, our margin trends that we were seeing before the disruption that took place in 2012.

**James Fuld:** Terrific. Thank you very much.

**Operator:** All right, thank you. And now moving on, we'll go to Jamie Wilen with Wilen Management.

**Jamie Wilen:** Hi, fellas. When you took the inventory hit last quarter, I thought you moved the inventory pricing relatively close to market, and it seems like the cotton prices have been relatively stable over the last four or five months. When are we going to—when is that cotton price now level to where it—our inventory equals the spot market?

**Deborah Merrill:** Jamie, what we took in the December quarter, that was taking and lowering, taking the hit of the cotton to lower that cotton that was in our inventory. But what took place in the third quarter was really lower, you know, much lower volumes than we had anticipated in that business and then further selling price decline. But as far as actual cotton cost in our inventory, that had been marked down, but just from the expectations of where selling prices were going to be in the third quarter, there were further price discounting going on. That, coupled with the lower volume, is what took the profitability away that we had expected to be in the third quarter.

**Jamie Wilen:** Okay. Could you give us a ballpark...

**Robert Humphreys:** And Jamie, just...



**Jamie Wilen:** As to what your inventory cost is now? Cotton loss?

**Robert Humphreys:** Jamie, let me just give you a little bit more, you know, color on that, I think. Actually, cotton prices have declined about 15% from where we drew the line in the sand in the third quarter to where they are today. So, there has been a further decline in cotton prices. And we are—really in the next few weeks, we will run out of our old high priced cotton that has been reserved. But if you just thought about it on a fiscal basis, we'll be out of that and then the cotton that we would have bought and fixed for this quarter, after the decline. And I'll just say, kind of a second thing, you'll never really have your inventory to the spot market unless you just had a long period of time of the same price because the spot market is for basically delivery today or very short term, and you've had stuff come through your inventory over a three to four-month period of time. And then, I guess the last point I would make is that, today, we are the shortest of cotton that we've ever been in our history, so we are very hand-to-mouth, which I guess would suggest that we're still bearish on cotton prices long term.

**Jamie Wilen:** Okay. And you say inventory should go down, was it 15 or 50 million by year end? Fifteen?

**Deborah Merrill:** Our debt levels should go down about 15 million from March to June and then will continue to decline in the first quarter.

**Jamie Wilen:** And where would you expect your inventory levels to be by the end of June?

**Deborah Merrill:** Less than they are now.

**Jamie Wilen:** Okay.

**Deborah Merrill:** We're not releasing the inventory numbers at this time, but they will (inaudible) they will continue to decline from March as well.

**Jamie Wilen:** Okay. In pounds, could you—and how much is your inventory up, forgetting about the dollar cost of it, from last year at this time?

**Robert Humphreys:** I'm wanting to take a stab at that, Jamie, but we don't have it just right in front of us.

**Jamie Wilen:** And then, while you're doing—you say selling prices have continued to decline throughout the quarter. Are they continuing to decline as well, or are they starting to stabilize now?

**Robert Humphreys:** Yes, I think inventory—I think pricing in that marketplace are starting to stabilize. The volume is improving. And just to give

you a little timeline there, I think January was—and this is kind of incoming orders for us, and again, I'm talking undecorated tees here, but incoming orders were down slightly in January, they were down slightly in February, and then they were down pretty dramatically in March. And yes, I think March last year was one of the all-time shipping records we had, probably for the industry because there were significant price increases announced for the beginning of April. And then, so far in April, our bookings are up pretty significantly over last year. Again, the prior year was probably negatively impacted by the fact that people bought in March. So, you know, we'll have to see how the rest of this quarter plays out, but supply and demand are getting back in a more normal basis.

Having said that, you know, we have in our plans right now, to take some more time out in the fourth quarter, that cost is reflected in our guidance. And we'll decide, ultimately, whether to take that or not based on bookings over the next four, five weeks.

**Jamie Wilen:** Gotcha. On the Salt Life side, could you talk about its growth, the number of doors, what geography are you now expanding in, and any numbers that you can share on that business?

**Robert Humphreys:** Yes, let me answer your other question. It's about 4.8 million pounds...

**Jamie Wilen:** Okay.

**Robert Humphreys:** Of additional cotton in our inventory today than a year ago.

Let's see. Let me try to give you some flavor on Salt Life. You know, our sales are growing significantly. I think that it went over the overall growth rate in The Game business, which I think will give you an indication of that. We do have some department store doors that will be rolling, or are rolling out as we speak, which is significant, a new business force. We're adding doors in our sporting goods channels of our major retailers. We're in a number of Bass Pro shops. I was with some people today. I believe the Charlotte store is the third highest selling store of their shops, so we're obviously making good progress in getting it out of just the coastal regions.

We've got doors out as far west now as Texas. But through the kind of the Virginia-Maryland area, we will be expanding in the northeast here soon. We've got people coming on board to do that. We have some business on the west coast, just based on national retailers, but not a lot. And we'll be soon implementing our plan to start and in southern California in seeding that market. We've got some fishing tournaments lined up to sponsor later in the summer, so that will be where we attack next.

**Jamie Wilen:** Okay. And lastly, on the buyback program, you said you had \$6 million but you hadn't bought any back in the third quarter. What's the game plan looking forward?

**Robert Humphreys:** Well, it'll be based on that criteria that Deb talked about, you know, capital availability, obviously how the stock's trading, the other options we have for that. So, we continue to evaluate it and look at our options and try to make the best decision that we can that will benefit our shareholders on a long-term basis.

**Jamie Wilen:** Okay, very good. Thanks, fellas.

**Robert Humphreys:** Uh-huh.

**Operator:** All right, thank you very much. Now, moving on, we'll go to John Curti with Singular Research.

**John Curti:** Good afternoon.

**Deborah Merrill:** Good afternoon.

**John Curti:** I had a couple of questions on the additional downtime that you took in the third quarter and planning for in the fourth. If you could quantify the impact to the third quarter?

**Deborah Merrill:** In the third quarter, as Bob mentioned, we expensed about a million dollars related to the downtime that was taken.

**John Curti:** And how much additional downtime was that?

**Robert Humphreys:** Yes, I don't think we want to disclose the specific number of days. But it took out some production and, obviously, particularly with our offshore sewing plants and textile facilities, when you don't operate, you still have all your labor cost and all (inaudible).

**John Curti:** The potential additional downtime taken in the fourth quarter, is it looking like it would be more or less than the time taken in the third?

**Robert Humphreys:** It's probably about the same.

**John Curti:** Do you have handy the segment operating profit and/or loss for the quarter (cross talking)?

**Deborah Merrill:** All of that information will come when we file our 10-Q, which will get filed here in the next week or so.

**John Curti:** With respect to Salt Life, where are you relative to your plans in terms of the rollout when we talked on the last quarterly call? Are you about on plan, slightly behind, slightly ahead of where you thought you would be?

**Robert Humphreys:** We are, I'd say, right on plan as far as rollout. Ourselves, we're ahead of plan.

**John Curti:** And anything that kind of surprised you as to why sales are above plan?

**Robert Humphreys:** Well, you know, we're always encouraged when we have quick sell-through, and so our customers obviously ordered more product and were anxious to get it replenished. And we've started seeing further sell-through and replenishment orders, so there's a lot of excitement for the Salt Life brand. We're seeing that with growth on our website as well.

**John Curti:** With respect to the Junk Food business, business has been strong there. Can you talk about any new programs or new customers that you may have picked up, or just kind of the composition of the business? What seems to be driving it there, driving the increased volumes?

**Robert Humphreys:** No, it's just the same general pieces we've had. Our sports licenses are doing well. We have some creative work that we did for GAP stores, which did well. We've had some rebuilding of some of the boutique business; I think as the economy has gotten better, we've had more support in the boutique area. We've had a number of specialty launches that we've done over the last few quarters for the NFL, for Monopoly, with Hasbro, some things that have gotten us more notoriety there, so we feel good about that. We see some business expanding with some other online retailers that are giving us more business. So, that's been—across the board, we got a number of things working on at Junk Food that we hope to be able to talk more about after year end.

**John Curti:** And then, on the Softe business, is that business begun to stabilize, and what was the cause of the downturn?

**Robert Humphreys:** Well, I think a couple areas at Softe; our department store business was weak in January and February, not sure all the reasons why. Obviously, department stores were—like a lot of people, were dealing with different issues, economics; warm—cold weather gear not selling and that sort of thing. And then, in addition, which was somewhat unusual, our—parts of our military business that issue gear, training gear – not what's sold in PXs – was unusually weak to the fact that we cut that production and what have you. Since then, it has become unusually strong and we've got more orders for delivery now than we'll be able to produce in the fourth quarter, so we're gearing that back up.

We'll be running it strong in the fourth quarter and certainly well into our first quarter.

**John Curti:** And any ideas why it was particularly weak and why it's kind of turned around? I mean (cross talking).

**Robert Humphreys:** Yes, I think—I just think it's how they order, how they look at their inventory, how visible it is (inaudible), you know, probably something that better communication between us and them could allow for better planning there.

**John Curti:** Okay. All right. Thanks very much.

**Robert Humphreys:** Okay.

**Operator:** All right, thank you very much. So, once again, that's star, one if you'd like to queue up to ask a question at this time. Again, that's star, one.

And we just had Joe Furst queue up with Furst Associates.

**Joe Furst:** Good afternoon, gentlemen. You were talking about next year and saying on—I think you were saying on par, basically for 2011. And I remember back about a year or so ago before you made the \$2.00 – I know you made in '11 – you thought that by 2013, you might be able to achieve earnings—or your goal rather, I should say was to achieve earnings of around \$3.00 a share. I assume that's out the window for now. But I'm not quite clear when you were talking about 2013 being on par with 2011, or were you talking about maybe being—doing the same growth as far as the two there that you did back then? Can you...

**Robert Humphreys:** Yes, I think...

**Joe Furst:** Expand on that a little?

**Robert Humphreys:** You know, our point is—and obviously, we'll have more color on this when we have some guidance, official guidance for next year. But fiscal '09, '10, and '11 had pretty steady sales growth and earnings improvement, and so...

**Joe Furst:** Right.

**Robert Humphreys:** We would expect to get kind of back on that trend of improvement.

**Joe Furst:** Gotcha. All right, thank you.

**Operator:** Next, moving on with Laura Viola with Greenwood Investments.

**Laura Viola:** Hi, I have a question about your comment about market share gains in the quarter. Can you talk about maybe the size of the market share gain that you had, and whether you believe that, going forward, you'll be able to maintain that level of market share?

**Robert Humphreys:** Well, I think there's a couple or three ways to frame that. Obviously, if you look at our Company in general, we have been growing our revenue over the years and the slight growth in fourth quarter during a period of time where most of our competitors have had some periods of sales contraction. So, when you just look at it in total in the market space of apparel that we participate, we've obviously grown our market share. I think if you look probably more specifically at the basic tee business, whether decorated or undecorated, when it gets out, ultimately to the consumer, that market did decrease in the third quarter. You got to look at all parts of it, not just what happens at the distributor level, but there's a lot of other channels that ultimately go into that marketplace. And I think you can see with the results some companies have been reporting on revenue that we're obviously kind of holding our own and building a little bit versus declines in other places.

**Laura Viola:** Okay, thanks. That's it for me.

**Operator:** All right, great. Next, we'll go back to Jamie Wilen with Wilen Management.

**Jamie Wilen:** Yes, Bob, could you talk about some of the licenses that you were developing earlier on in the year; H&B (ph) you were starting with, and Under Armour you were doing the hats with, and a little bit more about the Monopoly license. And what's your outlook for those things, and how much traction have they been able to gather?

**Robert Humphreys:** You know, the Under Armour temporary license is up and running and shipping product. We're happy to be partnered up on that, and it'll add some incremental revenue at The Game but, you know, it's not a big needle mover for us. The H&B license, we're really just getting started on. It'll be an asset for future use. I would say, in general, we're happy with the license opportunities; probably got more opportunities right this minute than we've got horsepower to get behind and do a good job for them and do a good job for us. So, we are encouraged with the licensors that are out there that are reaching out to us to do something with their (inaudible).

**Jamie Wilen:** Okay. And on the acquisition front, Bob, are you—with this little stutter step, are you going to pull back or you still out there looking for additional properties?

**Robert Humphreys:** You know, we are—we always have our radar screen out. It's—you never know when and where and how you find them. Obviously, we'd like to get our balance sheet in better shape, but as you know, once you find something, it's still a multi-month process to work through to do due diligence and what have you. So, we're always interested in good companies and good ideas that are priced in a way that we think the value is right, and sometimes it takes us a while to get through that, you know?

**Jamie Wilen:** Okay, very good. Thanks, fellas.

**Operator:** All right. It appears there are no further questions in our queue at this time.

**Robert Humphreys:** Okay. Thank you very much. We appreciate your interest in our Company, and we'll look forward to updating you on our full-year results here in a few months. Thank you.

**Operator:** All right, well, thank you very much. Well again, ladies and gentlemen, that does conclude today's conference.