
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT PURSUANT
TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (Date of earliest event reported): August 22, 2005

Delta Apparel, Inc.

(Exact name of registrant as specified in its charter)

Georgia

(State or Other Jurisdiction
of Incorporation)

1-15583

(Commission File Number)

58-2508794

(IRS Employer Identification No.)

2750 Premiere Parkway, Suite 100, Duluth, Georgia

(Address of principal executive offices)

30097

(Zip Code)

(678) 774-6900

(Registrant's Telephone Number
Including Area Code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below)

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.01. Completion of Acquisition or Disposition of Assets.

This Form 8-K/A amends Item 9.01 of the Current Report on Form 8-K filed by Delta Apparel, Inc. (the "Company") on August 26, 2005 (the "August Form 8-K"), regarding the completion of the acquisition of substantially all of the assets of Liquid Blaino Designs, Inc. d/b/a Junkfood Clothing. The purpose of this amendment is to provide the audited historical financial statements of the business acquired as required by Item 9.01(a) and the unaudited pro forma financial information required by Item 9.01(b), which financial statements and information were not included in the August Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

Audited balance sheet of Liquid Blaino Designs, Inc. d/b/a Junkfood Clothing as of December 31, 2004 and audited statements of income and retained earnings and cash flows for the year ended December 31, 2004 and related Report of Independent Registered Public Accounting Firm thereon are included as Exhibit 99.1 of this Current Report on Form 8-K/A and are incorporated by reference herein.

(b) Pro Forma Financial Information.

Unaudited pro forma financial information as of and for the twelve months ended July 2, 2005 are included as Exhibit 99.2 of this Current Report on Form 8-K/A and are incorporated by reference herein.

(c) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
* 2.1	Asset Purchase Agreement dated as of August 22, 2005 among Delta Apparel, Inc., Junkfood Clothing Company, Liquid Blaino Designs, Inc. d/b/a Junkfood Clothing, Natalie Grof, and Blaine Halvorson.
* 10.1	Second Amended and Restated Loan and Security Agreement dated as of August 22, 2005 among Delta Apparel, Inc., Junkfood Clothing Company, M. J. Soffe Co, Wachovia Bank National Association, as Agent, and the financial institutions named therein as Lenders.
99.1	Audited balance sheet of Liquid Blaino Designs, Inc. d/b/a Junkfood Clothing as of December 31, 2004 and audited statements of income and retained earnings and cash flows for the year ended December 31, 2004 and related Report of Independent Registered Public Accounting Firm thereon.
99.2	Unaudited pro forma financial information as of and for the twelve months ended July 2, 2005.

* Previously filed.

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SIGNATURES

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

Date: November 3, 2005

DELTA APPAREL, INC.

/s/ Herbert M. Mueller

Herbert M. Mueller

Vice President and Chief Financial Officer

EXHIBIT 99.1
LIQUID BLAINO DESIGNS, INC.
DBA JUNKFOOD CLOTHING
FINANCIAL STATEMENTS
Year Ended December 31, 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders

Liquid Blaino Designs, Inc. dba Junkfood Clothing

We have audited the accompanying balance sheet of Liquid Blaino Designs, Inc. dba Junkfood Clothing (the "Company") as of December 31, 2004, and the related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liquid Blaino Designs, Inc. dba Junkfood Clothing as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Grobstein, Horwath & Company LLP

Sherman Oaks, California

September 30, 2005

LIQUID BLAINO DESIGNS, INC.

**Balance Sheet
December 31, 2004**

Assets	
Current Assets	
Due from factor	\$ 2,426,966
Accounts receivable, less allowance for doubtful accounts of \$15,000	46,459
Inventories	958,292
Other current assets	30,731
Total Current Assets	<u>3,462,448</u>
Net Property and Equipment	
Other Assets	
Intangibles, net of accumulated amortization of \$16,000	17,528
Deposits	19,045
	<u>36,573</u>
Total Assets	<u><u>\$ 3,855,878</u></u>
Liabilities and Stockholders' Equity	
Current Liabilities	
Cash overdraft	\$ 910,976
Accounts payable	636,921
Accrued expenses	1,060,077
Income taxes payable	24,681
Current portion of notes payable	25,210
Total Current Liabilities	<u>2,657,865</u>
Long-Term Liabilities	
Subordinated notes payable to stockholders	110,000
Notes payable, net of current portion	83,625
Total Long-Term Liabilities	<u>193,625</u>
Stockholders' Equity	
Common stock — no par value; 100,000 shares authorized; 1,000 shares issued and outstanding	100,000
Retained earnings	904,388
Total Stockholders' Equity	<u>1,004,388</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 3,855,878</u></u>

LIQUID BLAINO DESIGNS, INC.
Statement of Income and Retained Earnings
Year Ended December 31, 2004

Net Sales	\$ 16,213,530	100.0%
Cost of Sales	<u>9,271,370</u>	<u>57.2</u>
Gross Profit	6,942,160	42.8
Operating Expenses	<u>3,843,077</u>	<u>23.7</u>
Income Before Officers' Salaries and Provision for Income Taxes	3,099,083	19.0
Officers' Salaries	<u>203,855</u>	<u>1.3</u>
Income Before Provision for Income Taxes	2,895,228	17.8
Provision for Income Taxes	<u>40,000</u>	<u>0.2</u>
Net Income	2,855,228	<u>17.6%</u>
Beginning Retained Earnings	802,478	
Distributions to Stockholders	<u>(2,753,318)</u>	
Ending Retained Earnings	<u>\$ 904,388</u>	

LIQUID BLAINO DESIGNS, INC.

**Statement of Cash Flows
Year Ended December 31, 2004**

Operating Activities	
Net income	\$ 2,855,228
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	55,207
Loss on abandonment of leasehold improvements	30,338
Sources and (uses) of cash from changes in operating assets and liabilities:	
Due from factor	(807,886)
Accounts receivable	20,950
Inventories	(603,155)
Other current assets	(25,369)
Deposits	(8,937)
Income taxes payable	8,408
Accounts payable	116,900
Accrued expenses	<u>338,366</u>
Net Cash Provided by Operating Activities	<u>1,980,050</u>
Investing Activities	
Expenditures for property and equipment	(146,174)
Expenditures for other assets	<u>(14,542)</u>
Net Cash Used in Investing Activities	<u>(160,716)</u>
Financing Activities	
Increase in cash overdraft	910,976
Payments on notes payable	(23,994)
Distributions to stockholders	<u>(2,753,318)</u>
Net Cash Used in Financing Activities	<u>(1,866,336)</u>
Net Decrease in Cash	(47,002)
Beginning Cash	<u>47,002</u>
Ending Cash	<u>\$ —</u>

NOTE 1 — Business Activity and Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements. These policies are in conformity with accounting principles generally accepted in the United States and have been applied consistently in all materials respects. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Business Activity

Liquid Blaino Designs, Inc. dba Junkfood Clothing (the Company) is engaged principally in the contract printing and wholesale distribution of T-shirts, and its customers consist primarily of apparel retailers and wholesalers throughout the United States.

Concentration of Credit Risk

The Company provides credit, in the normal course of business, to customers in the apparel industry. The Company and its factor perform ongoing credit evaluations of its customers and the Company maintains an allowance for doubtful accounts which, when realized, have been within the range of management's expectations.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment

Property and equipment is stated at cost. Maintenance, repairs and minor replacements are charged to operations as incurred. Improvements and major replacements are capitalized. Depreciation and amortization are provided by the straight-line method over the estimated useful lives of the related assets or, for leasehold improvements, over the terms of the related leases, if shorter. The useful lives range from three to ten years.

Impairment of Long-Lived Assets

The Company tests its investment in long-lived assets, including property, equipment, leasehold improvements, capital leases, long-term prepaid assets and intangible assets subject to periodic amortization, for recoverability whenever events or changes in circumstances indicate the net carrying amount may not be recoverable.

Advertising Costs

The Company charges all advertising costs to expense as incurred. Advertising expense for the year ended December 31, 2004 was \$30,486.

Shipping and Handling Costs

Shipping and handling costs associated with inbound freight are part of inventory cost and are recorded in cost of sales but the amounts are not determinable. Shipping and handling costs associated with freight out to customers are included in operating expenses and totaled \$240,687 for the year ended December 31, 2004. Shipping and handling fees charged to customers are included in net sales and totaled \$76,114 for the year ended December 31, 2004.

Income Taxes

No provision for federal income taxes has been provided as the Company's stockholders have elected to be taxed as an S-Corporation. Accordingly, all taxable earnings of the Company are taxed to the individual stockholders and the Company incurs only a minimum state franchise tax liability. The provision for income taxes is primarily current.

NOTE 2 — Due from Factor

The Company sells a portion of its accounts receivable to a factor under a continuing contract, cancelable upon written notice. In cases where the factor approves the credit, the account is sold without recourse and the factor assumes all credit risk. As of December 31, 2004, factored receivables for which the Company was at risk were nominal. The Company is contingently liable to the factor for merchandise disputes, customer claims and other chargebacks on receivables sold to the factor. Substantially all of the Company's assets are collateral for factor advances.

The following summarizes amounts due from factor as of December 31, 2004:

Outstanding accounts receivable	\$ 2,829,870
Advanced funds	(402,904)
	<u>\$ 2,426,966</u>

NOTE 3 — Inventories

Inventories consist of the following:

Raw materials	\$ 140,205
Work-in-progress	399,554
Finished goods	<u>418,533</u>
	<u>\$ 958,292</u>

NOTE 4 — Property and Equipment

Property and equipment consists of the following:

Autos	\$ 134,329
Leasehold improvements	76,022
Furniture and fixtures	93,203
Computer	70,498
Machinery and equipment	<u>46,126</u>
	420,178
Less accumulated depreciation and amortization	<u>(63,321)</u>
	<u>\$ 356,857</u>

Depreciation and amortization expense was \$34,912 for the year ended December 31, 2004.

NOTE 5 — Intangibles

The Company has trademarked the names "Junkfood" and "Sweet and Sour." The costs of the trademarks are being amortized on the straight-line method over an estimated useful life of 3 years. Amortization expense for the year ended December 31, 2004 was \$8,658.

NOTE 6 — Accrued Expenses

Accrued expenses consist of the following:

Royalties	\$ 448,769
Other accruals	471,594
Sales commissions	139,714
	<u>\$ 1,060,077</u>

The Company has entered into various licensing agreements requiring royalty payments of approximately 8% to 12 % of specified product sales, and these agreements have various expiration dates through December 2007. The Company is not obligated for minimum annual royalties under these agreements, but there are minimum royalty payments required over the life of each contract.

At December 31, 2004, the Company's future minimum royalty payments required under these licensing agreements are as follows:

Years Ending December 31,

2005	\$ 206,000
2006	147,000
Total minimum royalty payments	<u>\$ 353,000</u>

Royalties charged to selling expense under these licensing agreements were \$1,522,448 for the year ended December 31, 2004.

NOTE 7 — Subordinated Notes Payable to Stockholders

The notes are unsecured, due thirteen months from demand, and bear interest at 10% per annum, payable annually. The notes are subordinated to general creditors through Solo Credit International Corp., until revoked. Interest expense related to these notes amounted to \$10,000 for the year ended December 31, 2004.

NOTE 8 — Notes Payable

Notes payable consist of the following:

Note payable to a bank, secured by an automobile, bearing interest at the rate of 4.99% per annum, payable monthly, and maturing in December 2008	\$ 46,112
Note payable to a bank, secured by an automobile, bearing interest at the rate of 4.99% per annum, payable monthly, and maturing in December 2008	62,723
	<u>108,835</u>
Less: current portion	<u>(25,210)</u>
Notes payable, net of current portion	<u>\$ 83,625</u>

Maturities of notes payable as of December 31, 2004, are as follows:

	Years Ending December 31,
2005	\$ 25,210
2006	26,499
2007	27,851
2008	29,275
	<u>\$ 108,835</u>

Interest expense related to the above notes payable for the year ended December 31, 2004 was \$6,076.

NOTE 9 — Lease Commitments

The Company leases its office and warehouse under an operating lease which requires a monthly payment of \$7,140. The lease expires on October 31, 2009. The Company has an option to renew the lease at its expiration for an additional period of five years at the then current market rate. The Company is responsible for the payment of property taxes, insurance, maintenance and utilities.

The Company leases its showroom facility under an operating lease expiring in October 2006 with an aggregate monthly lease payment of approximately \$2,818.

The Company also entered into an operating lease for office equipment expiring in September 2008 with an aggregate monthly lease payment of \$602. Rent expense under all operating leases for the year ended December 31, 2004 was \$24,199.

At December 31, 2004, the Company's future minimum lease payments required under the operating leases with initial or remaining terms in excess of one year are as follows:

	Years Ending December 31,
2005	\$ 128,000
2006	125,000
2007	98,000
2008	98,000
2009	79,000
	<u>\$ 528,000</u>

NOTE 10 — Major Customers and Suppliers

Two customers accounted for approximately 21% and 10% of the Company's net sales for the year ended December 31, 2004.

Two suppliers accounted for approximately 61% and 17%, respectively of the Company's purchases for the year ended December 31, 2004.

One vendor accounted for 100% of the Company's screen-printing costs for the year ended December 31, 2004.

NOTE 11 — Profit Sharing Plan

The Company has a profit sharing plan (SEP IRA) for the benefit of eligible employees. The plan provides for contributions as determined by the stockholders, but not in excess of the amount permitted as a deductible expense under the Internal Revenue Code. As of December 31, 2004, the Company did not make any contributions to the profit sharing plan.

NOTE 12 — Subsequent Events

On August 22, 2005, the Company entered into an Asset Purchase Agreement with Junkfood Clothing Company (“Junkfood”), a newly-formed, wholly-owned subsidiary of Delta Apparel, Inc., whereby Junkfood acquired substantially all of the assets and business operations, and assumed certain liabilities and operating leases of the Company.

The aggregate consideration paid to the Company was approximately \$22.5 million, consisting of cash of \$20 million, and a promissory note guaranteed by Delta Apparel, Inc. in the original principal amount of \$2.5 million. The note bears interest at 9% per annum and has a three-year term. Additional amounts are also payable to the Company if Junkfood meets certain financial performance targets during the period beginning on August 22, 2005 and ending on July 2, 2006, and during each of the three fiscal years thereafter ending on June 27, 2009.

In conjunction with the Company’s acquisition, the stockholders, Natalie Grof and Blaine Halvorson, each entered into a four-year term employment agreement with Junkfood. The employment agreements provide that Natalie Grof and Blaine Halvorson will serve as Chief Executive Officer and President, respectively, as well as sit on the board of directors of Junkfood during the terms of their employment.

NOTE 13 — Supplemental Disclosures of Cash Flow Information

Cash paid during the year ended December 31, 2004 for interest and income taxes was \$54,215 and \$31,592 respectively.

EXHIBIT 99.2

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

General

The unaudited pro forma combined financial information has been prepared to give effect to the acquisition of Liquid Blaino Designs, Inc. d/b/a Junkfood Clothing. On August 22, 2005, Delta Apparel, Inc. and its newly-formed, wholly-owned subsidiary, Junkfood Clothing Company (“Junkfood”) entered into an Asset Purchase Agreement with Liquid Blaino Designs, Inc. d/b/a Junkfood Clothing (“Seller”) and the shareholders of Seller, Natalie Grof and Blaine Halvorson, pursuant to which Junkfood purchased substantially all of the assets of Seller and its business of designing, manufacturing, marketing, and selling licensed and branded apparel.

The aggregate consideration paid to Seller at Closing for substantially all of the assets of Seller consisted of (i) a cash payment of \$20 million; and (2) issuance to Seller of a promissory note in the original principal amount of \$2,500,000 (the “Note”). The Note bears interest at 9% and has a three-year term. Also, additional amounts are payable to Seller in cash during each of fiscal years 2007, 2008, 2009, and 2010 if financial performance targets are met by Junkfood during the period beginning on August 22, 2005 and ending on July 2, 2006 and during each of the three fiscal years thereafter (ending on June 27, 2009).

The acquisition of Junkfood Clothing will be accounted for using the purchase method of accounting. The fair value of Junkfood Clothing’s assets and related liabilities are based on preliminary estimates and are subject to change based on the outcome of the final valuation related to inventory, intangible assets, goodwill and other liabilities. Such analysis and determination of allocation of purchase price is expected to be substantially complete by the end of Delta Apparel’s second quarter of its 2006 fiscal year. The final allocation of the acquisition consideration may result in significant differences from the pro forma amounts reflected in the unaudited pro forma combined financial statements.

The unaudited pro forma combined statement of income for the year ended July 2, 2005 gives effect to the following events as if each had occurred on July 4, 2004. The unaudited pro forma balance sheet gives effect to the following events as if each had occurred on July 2, 2005:

- 1) the acquisition of substantially all of the assets of Liquid Blaino Designs, Inc. d/b/a Junkfood Clothing;
- 2) borrowings under the amended revolving credit facility, as necessary to consummate the acquisition of Junkfood Clothing.

The unaudited pro forma financial information includes appropriate adjustments for items related to the transaction. The pro forma adjustments are based on estimates, available information and certain assumptions that management deems appropriate. The unaudited pro forma combined financial statements are based on assumptions that we believe are reasonable under the circumstances and are intended for informational purposes only. They are not necessarily indicative of our future financial position or results of operations or of the financial positions or results of operations that would have actually occurred had the acquisition of Junkfood Clothing taken place as of the dates or for the period presented.

Unaudited Pro Forma Combined Statement of Income
(Amounts in thousands, except per share amounts)

	Delta Apparel Year Ended July 2, 2005	Junkfood Clothing Year Ended June 30, 2005	Pro Forma Adjustments		Pro Forma Combined Year Ended July 2, 2005
Net sales	\$ 228,065	\$ 27,364	\$ —		\$ 255,429
Cost of goods sold	174,156	15,741	64	(1)	189,961
Gross profit	53,909	11,623	(64)		65,468
Selling, general and administrative expenses	37,881	7,114	(718)	(2)	44,277
Other income	(4,117)	—	—		(4,117)
Operating income	20,145	4,509	244		25,308
Interest expense, net	3,022	284	1,001	(3)	4,307
Income before income taxes	17,123	4,225	(757)		21,001
Income tax expense	5,880	58	1,435	(4)	7,373
Net income	<u>\$ 11,243</u>	<u>\$ 4,167</u>	<u>\$ (1,782)</u>		<u>\$ 13,628</u>
Pro forma earnings per share					
Basic	\$ 1.35				\$ 1.63
Diluted	\$ 1.33				\$ 1.61
Pro forma basic weighted average number of shares outstanding	8,355				8,355
Pro forma diluted weighted average number of shares outstanding	<u>8,463</u>				<u>8,463</u>

See accompanying notes to unaudited pro forma combined financial statements.

Unaudited Pro Forma Balance Sheet
(Amounts in thousands)

	Delta Apparel July 2, 2005	Junkfood Clothing June 30, 2005	Pro Forma Adjustments	Pro Forma Combined July 2, 2005
Assets				
Current assets:				
Cash	\$ 298	\$ 27	\$ (27)	(5) \$ 298
Accounts receivable	36,611	6,186	—	42,797
Inventories	99,026	2,198	205	(6) 101,429
Prepaid expenses and other current assets	3,220	77	—	3,297
Total current assets	139,155	8,488	178	147,821
Property, plant and equipment, net	19,950	290	(54)	(5) 20,186
Goodwill and other intangibles	—	—	19,877	(6) 19,877
Other assets	409	26	—	435
	<u>\$ 159,514</u>	<u>\$ 8,804</u>	<u>\$ 20,001</u>	<u>\$ 188,319</u>
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 37,180	\$ 5,819	\$ 267	(7) \$ 43,266
Current portion of long-term debt and other borrowings	15,065	—	(12,882)	(7) 2,183
Total current liabilities	52,245	5,819	(833)	45,449
Long-term debt	17,236	110	35,601	(7) 52,837
Other liabilities	3,569	86	(86)	(5) 3,569
Total liabilities	73,050	6,015	22,790	101,855
Stockholders' equity:				
Common stock	96	100	(100)	(8) 96
Stockholder Draw	—	(1,028)	1,028	(9) —
Additional paid-in capital	53,867	—	—	53,867
Retained earnings	39,106	3,717	(3,717)	(10) 39,106
Treasury stock	(6,605)	—	—	(6,605)
Total stockholders' equity	86,464	2,789	(2,789)	86,464
	<u>\$ 159,514</u>	<u>\$ 8,804</u>	<u>\$ 20,001</u>	<u>\$ 188,319</u>

See accompanying notes to unaudited pro forma combined financial statements.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Year Ended July 2, 2005 Unaudited Pro Forma Combined Statement of Income

- (1) Reflects an adjustment of approximately \$64 thousand to cost of sales, resulting from the sale of goods that had been written up to fair market value in purchase accounting.
- (2) Reflects an adjustment of approximately \$0.7 million to lower the prior officer salaries to the new salary amount pursuant to the Employment Agreements and a reduction of approximately \$0.2 million in officer expenses that will not be included in the operations of the new company. Also reflects approximately \$0.2 million increase in administrative cost as a result of management incentive expense pursuant to Delta Apparel management incentive programs.
- (3) Reflects an adjustment to interest expense to give effect to the purchase related borrowings under the revolving credit facility and the seller notes.

(4) Reflects an adjustment of the historical taxes and the tax effects of the pro forma adjustments to the statutory rate of 38.5%.

Unaudited Pro Forma Combined Balance Sheet as of July 2, 2005

- (5) Delta Apparel, Inc. acquired substantially all of the assets of Liquid Blaino Designs, Inc. d/b/a Junkfood Clothing. However, certain assets were not acquired, including cash, automobiles and debt. Adjustment to reflect \$27 thousand of cash, \$54 thousand of automobiles and \$86 thousand of lease payable related to the automobile that was not acquired in the acquisition.
- (6) The acquisition of Liquid Blaino Designs, Inc. d/b/a Junkfood Clothing will be accounted for by the purchase method of accounting, pursuant to which the acquisition consideration is allocated among the acquired tangible assets and assumed liabilities in accordance with their estimated fair values on the date of acquisition. The acquisition consideration and estimated allocation will result in an approximate \$0.2 million write-up of inventory and approximately \$19.9 million in goodwill and other intangibles as compared to Liquid Blaino Design's historical book value.
- (7) To reflect the elimination of Liquid Blaino Design's long-term debt of \$0.1 million, reflect \$2.5 million in new seller debt pursuant to the Employment Agreements, reflect \$20 million of borrowings under the amended revolving credit facility entered into simultaneously with the acquisition of Liquid Blaino Designs, Inc., reflect a reduction of selling price by approximately \$0.1 million pursuant to the net working capital adjustment, and reflect approximately \$0.6 million in transaction costs associated with the acquisition. In addition, reflects the reclassification of the Soffe revolving credit facility from current to non-current, pursuant to the amended revolving credit facility entered into simultaneously with the acquisition of Liquid Blaino Designs, Inc.
- (8) To eliminate Liquid Blaino Designs, Inc.'s common stock.
- (9) To eliminate Liquid Blaino Designs, Inc.'s stockholder draw.
- (10) To eliminate the retained earnings of Liquid Blaino Designs, Inc.