

# CARTERS INC

## FORM DEF 14A (Proxy Statement (definitive))

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.            )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Carter's, Inc.**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(3) Filing Party:

(4) Date Filed:

# carter's, inc.

April 11, 2008

Dear Stockholder:

It is my pleasure to invite you to attend our 2008 Annual Meeting of Stockholders on May 9, 2008. The meeting will be held at our corporate offices at, The Proscenium, 1170 Peachtree Street NE, Atlanta, Georgia 30309, and will begin at 8:00 a.m.

The attached Notice of 2008 Annual Meeting of Stockholders and Proxy Statement describe the formal business to be transacted at the meeting. Whether or not you plan to attend the Annual Meeting, your shares can be represented if you promptly submit your voting instructions by telephone, by internet, or by completing, signing, dating, and returning your proxy card in the enclosed envelope.

On behalf of the Board of Directors and management of Carter's, Inc., thank you for your continued support.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred J. Rowan, II". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Frederick J. Rowan, II  
Chairman of the Board of Directors  
and Chief Executive Officer

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# carter's, inc.

The Proscenium  
1170 Peachtree Street NE, Suite 900  
Atlanta, Georgia 30309  
Tel: (404) 745-2700  
Fax: (404) 892-3079

## NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the 2008 Annual Meeting of Stockholders of Carter's, Inc. (the "Annual Meeting") will be held at 8:00 a.m. on May 9, 2008 at our corporate offices at, The Proscenium, 1170 Peachtree Street NE, Atlanta, Georgia 30309. At the Annual Meeting, we will address all business that may properly come before the meeting and vote on the following matters:

1. The election of three Class II Directors; and
2. The ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal 2008.

Stockholders of record at the close of business on March 29, 2008 are entitled to receive notice of, attend, and vote at the Annual Meeting. Your vote is very important. Whether or not you plan to attend the Annual Meeting, please complete, sign, date, and return the proxy card in the envelope provided or submit your voting instructions by telephone or through the internet so that your shares will be represented at the Annual Meeting.

If you plan to attend the Annual Meeting and are a registered stockholder, please bring the invitation attached to your proxy card. If your shares are registered in the name of a bank or your broker, please bring your bank or brokerage statement showing your beneficial ownership to the Annual Meeting or request an invitation by writing to our Vice President of Investor Relations at the address set forth above.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on  
May 9, 2008**

**The proxy materials and the Annual Report to Stockholders are available at [www.carters.com](http://www.carters.com).**

By order of the Board of Directors,



Brendan M. Gibbons  
Secretary of Carter's, Inc.  
Atlanta, Georgia  
April 11, 2008

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**PROXY STATEMENT**

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## GENERAL INFORMATION ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

### ***Why am I receiving this proxy statement?***

The Board of Directors of Carter's, Inc. ("we," "us," "our," "Carter's," or the "Company") is soliciting proxies for our May 9, 2008 Annual Meeting of Stockholders. This proxy statement and accompanying proxy card are being mailed to stockholders of record on or about April 11, 2008. You are receiving this proxy statement because you owned shares of Carter's common stock on the record date and are therefore entitled to vote at the Annual Meeting. By use of a proxy, you can vote regardless of whether or not you attend the Annual Meeting. This proxy statement provides information on the matter on which the Company's Board of Directors (the "Board") would like you to vote so that you can make an informed decision.

### ***What is the purpose of the Annual Meeting?***

The purpose of the Annual Meeting is for our stockholders to address all business that may properly come before the meeting and to vote on the following matters:

1. The election of three Class II Directors (see page 9); and
2. The ratification of the appointment of PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered public accounting firm for fiscal 2008 (see page 27).

### ***Who is asking for my vote?***

The Company is soliciting your proxy on behalf of the Board. The Company is paying for the costs of this solicitation and proxy statement.

### ***Who can attend the Annual Meeting?***

All stockholders of record, or their duly appointed proxies, at the close of business on March 29, 2008, the record date, may attend the Annual Meeting. As of the record date, there were 57,008,933 shares of common stock issued and outstanding.

### ***What are my voting rights?***

Each share of common stock is entitled to one vote on each matter submitted to stockholders at the Annual Meeting.

### ***What is the difference between holding shares as a stockholder of record and as a beneficial owner?***

If your shares are registered directly in your name with the Company's transfer agent, American Stock Transfer and Trust Company, you are considered the stockholder of record for these shares. As the stockholder of record, you have the right to grant your voting proxy directly to persons listed on your proxy card or vote in person at the Annual Meeting.

If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held "in street name." These proxy materials are being forwarded to you together with a voting instruction card. As a beneficial owner, you have the right to direct your broker, trustee, or nominee how to vote, and you are also invited to attend the Annual Meeting. Because you are a beneficial owner and not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you obtain a "legal proxy" from the broker, trustee, or nominee that holds your shares. Your broker, trustee, or nominee should have enclosed or provided directions for you to use to instruct the broker, trustee, or nominee how to vote your shares.

If the brokers do not receive timely instructions from the beneficial owner regarding how the beneficial owner wants the shares voted, brokers holding shares of record for a beneficial owner have discretionary authority to vote on Proposal Number One and Proposal Number Two.

***What are my choices when voting on the election of Class II Directors, and what vote is needed to elect the Director nominees?***

In voting on the election of Class II Directors (Proposal Number One), stockholders may:

1. vote for all nominees,
2. vote to withhold authority for all nominees, or
3. vote for all nominees, except specific nominees.

The three nominees for election as Class II Directors who receive the greatest number of votes will be elected as Class II Directors. Votes that are withheld will be counted toward a quorum, but will be excluded entirely from the tabulation of votes for each nominee, and, therefore, will not affect the outcome of the vote on this Proposal.

***What are my choices when voting on the ratification of the appointment of PwC as the Company's independent registered public accounting firm for fiscal 2008?***

In voting on the ratification of PwC (Proposal Number Two), stockholders may:

1. vote for ratifying PwC's appointment,
2. vote against ratifying PwC's appointment, or
3. abstain from voting on ratifying PwC's appointment.

The approval of Proposal Number Two requires the affirmative vote of the holders of a majority of the shares of common stock present or represented at the meeting and voted on the Proposal at the Annual Meeting. Votes to abstain will be counted toward a quorum, but will be excluded entirely from the tabulation of votes, and, therefore, will not affect the outcome of the vote on this Proposal.

***What constitutes a quorum?***

A quorum is the minimum number of shares required to be present to transact business at the Annual Meeting. Pursuant to the Company's by-laws, the presence at the Annual Meeting, in person, by proxy, or by remote communication, of the holders of at least a majority of the shares entitled to be voted will constitute a quorum. Broker non-votes will be counted as shares that are present at the meeting for purposes of determining a quorum. If a quorum is not present, the meeting may be adjourned until a quorum is obtained.

***How does the Board recommend that I vote?***

Unless you give instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board. The Board recommends a vote:

**FOR** the election of the nominees for Class II Directors (Proposal Number One); and

**FOR** the ratification of the appointment of PwC (Proposal Number Two).

***How do I vote?***

If you are a stockholder of record, you may vote in one of four ways. First, you may vote by mail by signing, dating, and mailing your proxy card in the enclosed envelope. Second, you may vote in person at the Annual Meeting. Third, you may vote through the internet by completing the voting instruction form found at [www.proxyvote.com](http://www.proxyvote.com). You will need your proxy card when voting through the internet. Fourth, you may vote by telephone by using a touch-tone telephone and calling 1-800-690-6903.

If your shares are held in a brokerage account or by another nominee, these proxy materials are being forwarded to you together with a voting instruction card. Follow the instructions on the voting instruction card in order to vote your shares by proxy or in person.

***Can I change my vote after I return my proxy card?***

Yes. Even after you have submitted your proxy card, you may change your vote at any time before your proxy votes your shares by submitting written notice of revocation to Brendan M. Gibbons, Vice President, General Counsel, and Secretary of Carter's, Inc., at the Company's address set forth in the Notice of the Annual Meeting, or by submitting another proxy card bearing a later date. Alternatively, if you have voted by telephone or through the internet, you may change your vote by calling 1-800-690-6903 and following the instructions. The powers of the proxy holders will be suspended if you attend the Annual Meeting in person and so request, although attendance at the Annual Meeting will not by itself revoke a previously granted proxy. If you hold your shares through a broker or other custodian and would like to change your voting instructions, please review the directions provided to you by that broker or custodian.

***May I vote confidentially?***

Yes. Our policy is to keep your individual votes confidential, except as appropriate to meet legal requirements, to allow for the tabulation and certification of votes, and to facilitate proxy solicitation.

***Who will count the votes?***

A representative of Broadridge Financial Solutions, Inc. will count the votes and act as the inspector of election for the Annual Meeting.

***What happens if additional matters are presented at the Annual Meeting?***

As of the date of this proxy statement, the Board knows of no matters other than those set forth herein that will be presented for determination at the Annual Meeting. If, however, any other matters properly come before the Annual Meeting and call for a vote of stockholders, the Board intends proxies to be voted in accordance with the judgment of the proxy holders.

***Where can I find the voting results of the Annual Meeting?***

We intend to announce preliminary voting results at the Annual Meeting and publish final results in the Company's quarterly report on Form 10-Q for the second quarter of fiscal 2008.

***How may I obtain information about the Company?***

A copy of our fiscal 2007 Annual Report accompanies this proxy statement and is available on our website at [www.carters.com](http://www.carters.com). Stockholders may also obtain a free copy of our Annual Report on Form 10-K by visiting our website or by sending a request in writing to Eric Martin, Vice President of Investor Relations, at the Company's address set forth in the Notice of the Annual Meeting.

***When are stockholder proposals due for consideration at next year's annual meeting?***

Any proposals to be considered for inclusion in next year's proxy statement must be submitted in writing to Brendan M. Gibbons, Vice President, General Counsel, and Secretary of Carter's, Inc., at the Company's address set forth in the Notice of the Annual Meeting, prior to the close of business on December 12, 2008. There are additional requirements under our by-laws and the proxy rules to present a proposal, including continuing to own a minimum number of shares of our stock until next year's annual meeting and appearing in person at the annual meeting to explain your proposal. Stockholders who wish to make a proposal to be considered at next year's annual meeting, other than proposals to be considered for inclusion in next year's proxy statement, must notify the Company in the same manner specified above no earlier than January 9, 2009 and no later than February 8, 2009.

***Who can help answer my questions?***

If you have any questions about the Annual Meeting or how to submit or revoke your proxy, or to request an invitation, contact Eric Martin, Vice President of Investor Relations, at the Company's address set forth in the Notice of the Annual Meeting.



## BOARD OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION

### *Board of Directors*

**Frederick J. Rowan, II** joined us in 1992 as President and Chief Executive Officer and became Chairman of the Board of Directors in October 1996. Prior to joining us, Mr. Rowan was Group Vice President of VF Corporation, a multi-division apparel company and, among other positions, served as President and Chief Executive Officer of both The HD Lee Company, Inc. and Bassett-Walker, Inc., divisions of VF Corporation. Mr. Rowan, who has been involved in the textile and apparel industries for over 40 years, has been in senior executive positions for nearly 30 of those years. Mr. Rowan began his career at the DuPont Corporation and later joined Aileen, Inc., a manufacturer of women's apparel, where he subsequently became President and Chief Operating Officer. On June 1, 2004, the Company named Joseph Pacifico, President of Carter's, Inc. Mr. Rowan continues to serve as our Chairman of the Board of Directors and Chief Executive Officer.

**Bradley M. Bloom** became a Director in August 2001. Mr. Bloom is a Managing Director of Berkshire Partners LLC, ("Berkshire Partners") which he co-founded in 1986. He is or has been a director of several of Berkshire Partners' consumer and retailing companies. Mr. Bloom is a current director of Bare Escentuals, Inc., Citizens of Humanity, LLC, and Gordon Brothers Group, and a former director of Acosta, Inc., Sterling, Inc., America's Best Contacts and Eyeglasses, L.P., and Miami Cruiseline Services Holdings I.B.V.

**A. Bruce Cleverly** became a Director in March 2008. Mr. Cleverly retired as President of Global Oral Care from Procter & Gamble Company/The Gillette Company in September 2007, a position he held since 2005. Mr. Cleverly joined The Gillette Company in 1975 as a Marketing Assistant and held positions of increasing responsibility in product management until 1985. From 1985 to 2001, Mr. Cleverly held various management positions before he became President of Gillette's worldwide Oral Care business. In October 2005, Mr. Cleverly was elected President of The Procter & Gamble Company's Global Oral Care division. Mr. Cleverly is a director of Rain Bird Corporation and a member of the Board of Fellows of the Harvard School of Dental Medicine.

**Paul Fulton** became a Director in May 2002. Mr. Fulton retired as President of Sara Lee Corporation in 1993 after spending 34 years with the company. He is currently non-Executive Chairman of the Board of Bassett Furniture Industries, Inc., where he has served since August 1993. Mr. Fulton was previously a director at Bank of America Corporation, where he served from 1993 to 2007; Lowe's Companies, Inc., where he served from 1996 to 2007; and Sonoco Products Company, Inc., where he served from 1989 to 2005.

**William J. Montgoris** became a Director in August 2007. Mr. Montgoris retired as Chief Operating Officer of The Bear Stearns Companies, Inc. in 1999, a position he held since August 1993. While at Bear Stearns, Mr. Montgoris also served as the company's Chief Financial Officer from April 1987 until October 1996. Mr. Montgoris is currently a director of Stage Stores, Inc. and Office Max Incorporated.

**David Pulver** became a Director in January 2002. Mr. Pulver has been a private investor for approximately 25 years and is the President of Cornerstone Capital, Inc. Mr. Pulver is a current director of Hearst-Argyle Television, Inc., where he has served since August of 1997. Mr. Pulver was a founder of The Children's Place, Inc., and served as its Chairman and Co-Chief Executive Officer until 1982.

**Elizabeth A. Smith** became a Director in November 2004. Ms. Smith is currently President of Avon Products, Inc. Prior to her promotion to President, Ms. Smith was Executive Vice President, President North American and Global Marketing. Ms. Smith was formerly the Group Vice President for Kraft Foods North America and President of Beverage and Grocery Sectors. From 1990 to 2004, she held various management positions at Kraft Foods, Inc. including President, Beverages, Desserts and Cereals where she had responsibility for managing many well-known brands.

**John R. Welch** became a Director in February 2003. Mr. Welch retired as President of Mast Industries (Far East) Ltd. in April 2002 after spending 18 years with the company. Mr. Welch also served as Executive Vice President of Operations at Warnaco Knitwear, a division of Warnaco, Inc. from August 1978 to December 1983. Mr. Welch is currently a director of Brandot International Ltd.

**Thomas E. Whiddon** became a Director in August 2003. Mr. Whiddon retired as Executive Vice President-Logistics and Technology of Lowe's Companies, Inc. in March 2003, a position he held since 2000. From 1996 to 2000, Mr. Whiddon served as Lowe's Chief Financial Officer. Since his retirement, Mr. Whiddon has worked as a consultant, serving various companies in executive capacities on an interim basis. Mr. Whiddon has over 30 years of accounting and financial experience. Mr. Whiddon is currently a director of Sonoco Products Company, Inc. and of Dollar Tree Stores, Inc. Mr. Whiddon has been an Advisory Director of Berkshire Partners since October 2005 and previously served as a director of Bare Escentuals, Inc.

## ***Board Meetings***

Our Corporate Governance Principles require Carter's to have at least four regularly scheduled Board meetings each year, and each Director is expected to attend each meeting. The Board met four times during fiscal 2007. In fiscal 2007, no Director (except Mr. Montgoris, who joined the Board in August 2007, and Mr. Cleverly, who joined the Board in March 2008) participated in less than 75% of the aggregate number of all of the Board and applicable committee meetings. The Company does not have a policy with regard to Director attendance at the Annual Meeting. Each Director (except for Mr. Montgoris and Mr. Cleverly) attended the Company's annual meetings in fiscal 2005 and 2007, and all but one of our Directors attended the 2006 annual meeting.

## ***Executive Sessions***

Executive sessions of non-management Directors are held at least four times a year, and executive sessions of independent, non-management Directors are held at least once a year. Any non-management Director can request that an additional executive session be scheduled. The Chairman of the Nominating and Corporate Governance Committee, currently Mr. Welch, has been chosen to be the presiding Director at the executive sessions of non-management Directors (the "Presiding Director").

## ***Board Committees***

Our Board has a standing Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. The Board may also establish other committees to assist in the discharge of its responsibilities.

The current members of each Board committee and the number of committee meetings held during fiscal 2007 are listed below.

<b><u>Name of Director</u></b>	<b><u>Audit Committee</u></b>	<b><u>Compensation Committee</u></b>	<b><u>Nominating and Corporate Governance Committee</u></b>
A. Bruce Cleverly		x	
Paul Fulton		x *	
William J. Montgoris	x		
David Pulver	x *		
Elizabeth A. Smith		x	x
John R. Welch		x	x *
Thomas E. Whiddon	x		x
<b>Number of Meetings in Fiscal 2007</b>	<b>8</b>	<b>4</b>	<b>4</b>

\*Chairman

## ***Audit Committee***

The primary responsibilities of the Audit Committee include:

- oversight of the quality and integrity of the consolidated financial statements, including the accounting, auditing, and reporting practices of the Company;
- oversight of the effectiveness of the Company's internal control over financial reporting;
- appointment of the independent registered public accounting firm and oversight of its performance, including its qualifications and independence;
- oversight of the Company's compliance with legal and regulatory requirements; and
- oversight of the performance of the Company's internal audit function.

The Audit Committee operates pursuant to a written charter that addresses the requirements of the New York Stock Exchange's ("NYSE") listing standards. The charter is available on our website at [www.carters.com](http://www.carters.com) or in print by contacting Eric Martin, Vice President of Investor Relations of Carter's, Inc., at the Company's address set forth in the Notice of the Annual Meeting. The Board has determined that each member of the Audit Committee is independent and meets the financial literacy requirements set forth in the NYSE's listing standards. The Board has also determined that each member of the Audit Committee is an "audit committee financial expert" as defined by the Securities

and Exchange Commission (“SEC”).

The Audit Committee Report is included in this proxy statement on page 26.

### ***Compensation Committee***

The primary responsibilities of the Compensation Committee include:

- establishing the Company's philosophy, policies, and strategy relative to executive compensation, including the mix of base salary and short-term and long-term incentive compensation within the context of stated guidelines for compensation relative to peer companies;
- evaluating the performance of the Chief Executive Officer and other executive officers relative to approved performance goals and objectives;
- setting the compensation of the Chief Executive Officer and other executive officers based upon an evaluation of their performance;
- assisting the Board in developing and evaluating candidates for key executive positions and ensuring a succession plan is in place for the Chief Executive Officer and other executive officers;
- evaluating compensation plans, policies, and programs with respect to the Chief Executive Officer, other executive officers, and non-management Directors;
- monitoring and evaluating benefit programs for the Company's Chief Executive Officer and other executive officers; and
- producing an annual report on executive compensation for inclusion in the Company's annual proxy statement. This year's Compensation Committee Report is included in this proxy statement on page 18.

The Compensation Committee operates pursuant to a written charter that addresses the requirements of the NYSE's listing standards. The charter is available on our website at [www.carters.com](http://www.carters.com) or in print by contacting Eric Martin, Vice President of Investor Relations of Carter's, Inc., at the Company's address set forth in the Notice of the Annual Meeting. The Board has determined that each member of the Compensation Committee is independent.

### ***Compensation Committee Interlocks and Insider Participation***

None of the members of our Compensation Committee serving during fiscal 2007 has been an officer or other employee of the Company. None of our executive officers has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or the Compensation Committee.

### ***Nominating and Corporate Governance Committee***

The primary responsibilities of the Nominating and Corporate Governance Committee include:

- identifying and recommending candidates qualified to become Board members;
- recommending Directors for appointment to Board Committees; and
- developing and recommending to the Board a set of corporate governance principles and monitoring the Company's compliance with and effectiveness of such principles.

The Nominating and Corporate Governance Committee operates pursuant to a written charter that addresses the requirements of the NYSE's listing standards. The charter is available on our website at [www.carters.com](http://www.carters.com) or in print by contacting Eric Martin, Vice President of Investor Relations of Carter's, Inc., at the Company's address set forth in the Notice of the Annual Meeting. The Board has determined that each member of the Nominating and Corporate Governance Committee is independent.

### ***Consideration of Director Nominees***

The Nominating and Corporate Governance Committee regularly assesses the appropriateness of the size of the Board of Directors. In the event that vacancies occur or are anticipated, the Committee will identify prospective nominees that come to its attention through current Board members, professional search firms, or stockholders who hold more than 1% of our common stock. The Board believes that it is appropriate to limit the group of stockholders who can propose nominees due to time constraints on the Nominating and Corporate Governance Committee. The Committee will consider persons recommended by stockholders who hold more than 1% of our common stock for inclusion as nominees for election to the Board if the names of such persons are submitted to Brendan M. Gibbons, Vice President, General Counsel, and Secretary of Carter's, Inc., at the Company's address set forth in the Notice of the Annual Meeting. This submission must be made in writing and in accordance with our by-laws, including mailing the submission in a timely manner and including the nominee's name, address, and qualifications for Board membership.

When evaluating a potential candidate for membership on the Board, the Committee considers each candidate's skills and experience and assesses the needs of the Board and its committees at that point in time. In connection with this assessment, the Committee will determine whether to interview prospective nominees, and if warranted, one or more members of the Committee, and others as appropriate, will interview prospective nominees in person or by telephone. Once this evaluation is completed, if warranted, the Committee recommends candidates to the Board for nomination, and the Board determines whether or not to select the nominees after considering the recommendation of the Committee.

### ***Interested Party Communications***

A stockholder or other interested party may submit a written communication to the Board, non-management Directors, or Presiding Director. The submission must be delivered to Brendan M. Gibbons, Vice President, General Counsel, and Secretary of Carter's, Inc., at the Company's address set forth in the Notice of the Annual Meeting.

The Board, non-management Directors, or Presiding Director may require the submitting stockholder to furnish such information as may be reasonably required or deemed necessary to sufficiently review and consider the submission of such stockholder.

Each submission will be forwarded, without editing or alteration, to the Board, non-management Directors, or Presiding Director, as appropriate, on or prior to the next scheduled meeting of the Board. The Board, non-management Directors, or Presiding Director, as appropriate, will determine, in their sole discretion, the method by which such submission will be reviewed and considered.

### ***Corporate Governance Principles and Code of Ethics***

Carter's is committed to conducting its business with the highest level of integrity and maintaining the highest standards of corporate governance. Our Corporate Governance Principles and our Code of Business Ethics and Professional Conduct provide the structure within which our Board and management operate the Company. The Company's Code of Business Ethics and Professional Conduct applies to all Directors and Company employees, including the Company's executive officers. Our Corporate Governance Principles and Code of Business Ethics and Professional Conduct are available on the Company's website at [www.carters.com](http://www.carters.com) or in print by contacting Eric Martin, Vice President of Investor Relations, at the Company's address set forth in the Notice of the Annual Meeting.

### ***Director Independence***

The Company's Corporate Governance Principles require a majority of the Company's Directors to be independent. For a Director to be considered independent, the Board must determine that the Director has no direct or indirect material relationship with Carter's. The Board considers all relevant information provided by each Director regarding any relationships each Director may have with Carter's or management. To assist it in making such independence determinations, the Board has established the following independence tests, which address all the specific independence tests of the NYSE's listing standards. A Director will not be considered independent if:

- the Director is, or within the last three years has been, employed by the Company; or an immediate family member of the Director is, or within the last three years has been, employed as an executive officer of the Company;
- the Director, or an immediate family member of the Director, has received, during any twelve-month period within the last three years, direct compensation from the Company exceeding \$100,000, other than Director or committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- (a) the Director, or an immediate family member of the Director, is a current partner of a firm that is the Company's internal auditor or independent registered public accounting firm; (b) the Director is a current employee of such a firm; (c) the Director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance, or tax compliance (but not tax planning) practice; or (d) the Director, or an immediate family member of the Director, was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;

- the Director, or an immediate family member of the Director, is, or within the last three years has been, employed as an executive officer of another company where any of the Company's present executive officers serve or served on that company's compensation committee;
- the Director is a current employee, or has an immediate family member who is an executive officer, of another company that has made payments to, or receives payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1.0 million, or 2%, of such other company's consolidated gross revenues;
- the Director, or an immediate family member of the Director, is, or within the last three years has been, employed by a company that has a director who is an officer of the Company;
- the Director serves as an officer, director, or trustee, or as a member of a fund raising organization or committee of a not-for-profit entity to which the Company made contributions in excess of \$50,000; or
- the Director is, or within the last three years has been, an executive officer of another company that is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other exceeds 1% of the total consolidated assets of such company.

Applying these standards, the Board has determined that seven of our eight non-management Directors are independent: Ms. Smith and Messrs. Cleverly, Fulton, Montgoris, Pulver, Welch, and Whiddon. In the course of making these determinations, the Board considered the following:

- Mr. Bloom's status as a managing director and an employee of Berkshire Partners. In July 2005, the Company paid Berkshire Partners a transaction fee of \$1.5 million for its services as our financial advisor in connection with our acquisition of OshKosh B'Gosh, Inc. Because of these payments to Berkshire Partners, Mr. Bloom failed to meet the independence tests listed above.
- Mr. Whiddon's status as an Advisory Director at Berkshire Partners in light of the payments made to Berkshire Partners described above. Mr. Whiddon is not an employee of Berkshire Partners, and, therefore, the Board determined that he does not fail to meet the independence tests listed above, and does not otherwise have a material relationship with the Company.
- Mr. Fulton's status as a former director at Bank of America Corporation. Bank of America is the administrative agent and a party to our senior credit facility. Mr. Fulton was not an employee of Bank of America, and, therefore, the Board determined that he does not fail to meet the independence tests listed above, and does not otherwise have a material relationship with the Company.

**PROPOSAL NUMBER ONE**

**ELECTION OF CLASS II DIRECTORS**

The Board proposes that the three Class II Director nominees be re-elected to the Board to serve until 2011. The Company's Board is divided into three classes with each Director serving a three-year term or until his or her earlier resignation, death, or removal. In addition to the three Class II nominees, the Company's current Class I and Class III Directors are listed below. Each nominee currently serves as a Class II Director.

**Class II Nominees — Terms Expiring at the Annual Meeting**

<u>Name</u>	<u>Age</u>
Bradley M. Bloom	55
A. Bruce Cleverly	62
Frederick J. Rowan, II	68

The individuals who will continue to serve as Class I and Class III Directors after the Annual Meeting are:

**Class I Directors — Terms Expiring in 2010**

<u>Name</u>	<u>Age</u>
William J. Montgoris	61
David Pulver	66
Elizabeth A. Smith	44

**Class III Directors — Terms Expiring in 2009**

<u>Name</u>	<u>Age</u>
Paul Fulton	73
John R. Welch	76
Thomas E. Whiddon	55

**The Board recommends a vote FOR the election of Bradley M. Bloom, A. Bruce Cleverly, and Frederick J. Rowan, II as Class II Directors.**

**Vote Required**

The three nominees for election as Class II Directors who receive the greatest number of votes will be elected as Class II Directors. Votes may be cast in favor of all nominees, withheld for all nominees, or for all nominees, except specific nominees. Votes that are withheld will be counted toward a quorum, but will be excluded entirely from the tabulation of votes for each nominee, and, therefore, will not affect the outcome of the vote on this Proposal. Proxies that are granted without providing voting instructions will be voted **FOR** the election of the three Class II Director nominees.

## COMPENSATION OF DIRECTORS

Each of our non-management Directors receives an annual retainer and meeting fees, and each committee Chairman receives a separate retainer. In fiscal 2007, each Director's annual retainer was comprised of a \$20,000 cash payment and a grant of our common stock valued at approximately \$90,000. Each Director also received meeting fees of \$2,500 for each regularly scheduled Board meeting, \$1,000 for each special Board meeting, and \$1,000 for each regularly scheduled and special committee meeting. The Chairman of our Audit Committee received a \$20,000 retainer, and the Chairmen of our Compensation and Nominating and Corporate Governance Committees each received \$10,000 retainers. In addition, our new non-management Directors were granted a one-time grant of restricted common stock valued at approximately \$100,000. This restricted stock "cliff vests" after three years following the date of grant.

We reimburse Directors for travel expenses incurred in connection with attending Board and committee meetings and the Annual Meeting and for other expenses incurred while conducting Company business. We pay no additional remuneration to Mr. Rowan for serving as a Director. There are no family relationships among any of the Directors or our executive officers.

The following table provides information concerning the compensation of our non-management Directors for fiscal 2007.

### FISCAL 2007 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash (b)	Stock Awards (\$) (c)	Option Awards (\$) (g)	Total (\$) (h)
Bradley M. Bloom (a)	\$ 30,000	\$ 90,000	\$ --	\$ 120,000
Paul Fulton	\$ 50,000	\$ 90,000	\$ 1,348 (f)	\$ 141,348
William J. Montgoris (d)	\$ 18,000	\$ 57,858	\$ --	\$ 75,858
David Pulver.	\$ 58,000	\$ 90,000	\$ 50 (g)	\$ 148,050
Elizabeth A. Smith	\$ 38,000	\$ 118,220 (e)	\$ --	\$ 156,220
John R. Welch	\$ 48,000	\$ 90,000	\$ 4,915 (h)	\$ 142,915
Thomas E. Whiddon	\$ 42,000	\$ 90,000	\$ 15,549 (i)	\$ 147,549

(a) All compensation earned by Mr. Bloom was paid to Berkshire Partners.

(b) This column reports the amount of cash compensation earned in fiscal 2007 through annual cash retainers and meeting fees.

(c) On May 11, 2007, we issued each of our non-management Directors (except Mr. Montgoris) 3,570 shares of common stock. The fair market value of the common stock issuances was \$25.21 per share, the closing market price on the date of issuance.

(d) Upon joining the Board in August 2007, the Company made a cash payment to Mr. Montgoris representing a pro-rated share of his annual cash retainer. In addition, the Company issued Mr. Montgoris 2,062 shares of common stock representing a pro-rated share of his annual grant of our common stock. The fair market value of the common stock was \$21.82 per share, the closing market price on the date of issuance. Mr. Montgoris was also issued 4,583 shares of restricted stock which vest in August 2010. These shares had a grant date fair value of \$21.82 per share. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), we assume these shares will vest in August 2010 and record the related expense ratably over the vesting period.

(e) Upon joining the Board in November 2004, the Company issued Ms. Smith 6,070 shares of restricted stock, which cliff vested in November 2007. These shares had a grant date fair value of \$16.48 per share. In accordance with SFAS 123R, we recorded the related expense ratably over the vesting period.

(f) On May 15, 2002, Mr. Fulton was granted 16,000 stock options with an exercise price of \$3.08, which was \$0.85 lower than the fair market value of the stock on the date of grant. The amount disclosed in this column equals the Company's expense for such stock options, which equals the difference between the exercise price and fair market value of the stock on the date of grant recorded ratably over the vesting period through May 2007.

(g) On January 9, 2002, Mr. Pulver was granted 16,000 stock options with an exercise price of \$3.08, which was \$0.36 lower than the fair market value of the stock on the date of grant. The amount disclosed in this column equals the Company's expense for such stock options, which equals the difference between the exercise price and fair market value of the stock on the date of grant recorded ratably over the vesting period through January 2007.

(h) On April 5, 2003, Mr. Welch was granted 16,000 stock options with an exercise price of \$4.94 and a Black-Scholes fair value of \$1.54. The amount disclosed in this column equals the Company's expense for such stock options in accordance with SFAS 123R recorded ratably over the vesting period through April 2008.





(i) On September 17, 2003, Mr. Whiddon was granted 16,000 stock options with an exercise price of \$6.98 and a Black-Scholes fair value of \$4.88. The amount disclosed in this column equals the Company's expense for such stock options in accordance with SFAS 123R recorded ratably over the vesting period through September 2008.

For stock options, the SFAS 123R fair value is calculated based on assumptions summarized in Note 6 to our audited consolidated financial statements which are included in our Annual Report on Form 10-K. For complete beneficial ownership information of our common stock for each of our Directors, see heading "Securities Ownership of Beneficial Owners, Directors, and Executive Officers" on page 24.

## EXECUTIVE OFFICERS' BIOGRAPHICAL INFORMATION AND EXPERIENCE

The following table sets forth the name, age, and position of each of our executive officers as of the date of this proxy statement.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Frederick J. Rowan, II	68	Chairman of the Board of Directors and Chief Executive Officer
Joseph Pacifico	58	President
David A. Brown	50	Executive Vice President and Chief Operations Officer
Michael D. Casey	47	Executive Vice President and Chief Financial Officer
James C. Petty	49	President of Retail Stores
Charles E. Whetzel, Jr.	57	Executive Vice President and Chief Sourcing Officer

**Frederick J. Rowan, II** joined us in 1992 as President and Chief Executive Officer and became Chairman of the Board of Directors in October 1996. Prior to joining us, Mr. Rowan was Group Vice President of VF Corporation, a multi-division apparel company and, among other positions, served as President and Chief Executive Officer of both The HD Lee Company, Inc. and Bassett-Walker, Inc., divisions of VF Corporation. Mr. Rowan, who has been involved in the textile and apparel industries for over 40 years, has been in senior executive positions for nearly 30 of those years. Mr. Rowan began his career at the DuPont Corporation and later joined Aileen, Inc., a manufacturer of women's apparel, where he subsequently became President and Chief Operating Officer. On June 1, 2004, the Company named Joseph Pacifico, President of Carter's, Inc. Mr. Rowan continues to serve as our Chairman of the Board of Directors and Chief Executive Officer.

**Joseph Pacifico** joined us in 1992 as Executive Vice President-Sales and Marketing and was named President of Marketing in 1997. On June 1, 2004, Mr. Pacifico was named President of Carter's, Inc. Mr. Pacifico began his career with VF Corporation in 1981 as a sales representative for The HD Lee Company, Inc. and was promoted to the position of Vice President of Marketing in 1989, a position he held until 1992.

**David A. Brown** joined us in 1992 as Senior Vice President-Business Planning and Administration. In 1997, Mr. Brown was named Executive Vice President-Operations, and in 2005 was named Executive Vice President and Chief Operations Officer. Prior to 1992, Mr. Brown held various positions at VF Corporation including Vice President-Human Resources for both The HD Lee Company, Inc. and Bassett-Walker, Inc. Mr. Brown also held human resource positions with Blue Bell, Inc. and Milliken & Company earlier in his career.

**Michael D. Casey** joined us in 1993 as Vice President-Finance and was named Senior Vice President-Finance in 1997. In 1998, Mr. Casey was named Senior Vice President and Chief Financial Officer. In March 2003, Mr. Casey was named Executive Vice President and Chief Financial Officer. Prior to joining us, Mr. Casey was a Senior Manager with Price Waterhouse LLP, predecessor to PricewaterhouseCoopers LLP.

**James C. Petty** joined us in 2007 as President of Retail Stores. Prior to joining us, Mr. Petty served as President and Chief Executive Officer of PureBeauty, Inc. from 2005 to 2006. From 1997 to 2004, Mr. Petty held various positions at Tween Brands, Inc., formerly Too, Inc., including President, General Manager – Limited Too Division, Executive Vice President, Stores and Real Estate; Senior Vice President, Stores; and Vice President, Stores, Limited Too Division. Prior to 1997, Mr. Petty held various positions at Gap, Inc.

**Charles E. Whetzel, Jr.** joined us in 1992 as Executive Vice President-Operations and was named Executive Vice President-Manufacturing in 1997. In 2000, Mr. Whetzel was named Executive Vice President-Global Sourcing, and in 2005 he was named Executive Vice President and Chief Sourcing Officer. Mr. Whetzel began his career at Aileen, Inc. in 1971 in the Quality function and was later promoted to Vice President of Apparel. Following Aileen, Inc., Mr. Whetzel held positions of increased responsibility with Health-Tex, Inc., Mast Industries, Inc., and Wellmade Industries, Inc. In 1988, Mr. Whetzel joined Bassett-Walker, Inc. and was later promoted to Vice President of Manufacturing for The HD Lee Company, Inc.

## COMPENSATION DISCUSSION AND ANALYSIS

### *Overview*

This Compensation Discussion and Analysis, or CD&A, is intended to provide information regarding the Company's executive compensation program and practices. This CD&A covers a variety of topics, including: the Company's compensation philosophy regarding executive compensation, the role of our Compensation Committee in setting the compensation of our named executive officers, and our executive compensation decisions for fiscal 2007.

### *Compensation Philosophy*

The Company is committed to achieving long-term, sustainable growth and increasing stockholder value. The Company's compensation program for our named executive officers is designed to support these objectives and encourage strong financial performance on an annual and long-term basis by linking a significant portion of our named executive officers' total compensation to Company performance in the form of incentive compensation. The principal elements of our executive compensation structure are base salary, annual performance bonus, and long-term equity incentives. Together, we refer to these three elements as total direct compensation. In addition, the Company offers perquisites and other personal benefits to our named executive officers. Our named executive officers may also receive special bonuses, in recognition of special circumstances or superior performance.

The Company's compensation philosophy is to set our named executive officers' compensation at levels that will attract, motivate, and retain superior executive talent in a highly competitive environment. To be consistent with this philosophy, our Compensation Committee aims to set our named executive officers' total direct compensation between the fiftieth and seventy-fifth percentile of compensation paid to similar executive positions at companies in our peer group, with maximum total direct compensation targeted in the top quartile if superior performance is achieved.

Our peer group is comprised of 14 companies in the retail or wholesale industries that primarily conduct business in apparel or related accessories, have revenues between \$800 million and \$3.3 billion, and whom we consider to be high-performing companies, generally with three years of growth in revenue and net income. In fiscal 2007, our peer group was comprised of Abercrombie & Fitch, Aeropostale, American Eagle Outfitters, Chico's, The Children's Place, Coach, Coldwater Creek, Gymboree, J. Crew, Oxford Industries, Pacific Sunwear, Quicksilver, Timberland, and Tween Brands.

### *Role of the Compensation Committee*

Our Compensation Committee sets the total direct compensation of our named executive officers. Our Compensation Committee also sets the financial performance targets for our named executive officers' annual performance bonuses and the performance vesting terms for applicable equity awards. Our Compensation Committee has engaged a compensation consultant, the Hay Group, to advise it on executive compensation matters and provide the Committee with data to benchmark the base salary, annual performance bonus, and long-term equity incentive compensation of our named executive officers. The Hay Group serves at the direction of the Compensation Committee, and meets privately with the Compensation Committee and with its Chairman.

To maintain the effectiveness of our executive compensation program, and to keep it consistent with our compensation philosophy, our Compensation Committee regularly reviews the reasonableness of our named executive officers' compensation. In addition to using proxy data of companies in our peer group, our Compensation Committee references the compensation data provided by the Hay Group's Retail Industry Total Remuneration Survey (the "Retail Survey"), which is comprised of approximately 100 companies in the retail and wholesale industry and provides comparable compensation information by controlling for differences in companies' revenue size and the differences in the scopes of responsibility of different executives.

In making compensation determinations for our named executive officers, our Compensation Committee principally takes into account the nature and scope of each officer's responsibilities, the Company's performance, and the comparative compensation data of companies in our peer group and the Hay Group's Retail Survey. Our Compensation Committee also considers the recommendations of our Chief Executive Officer regarding the base salary, annual performance bonus, and long-term equity incentives of our named executive officers, other than himself. In addition, our Chief Executive Officer and Chief Financial Officer make recommendations to the Compensation Committee regarding the structure of our executive compensation program generally.

### ***Total Direct Compensation***

In setting a total direct compensation target for each named executive officer, our Compensation Committee considers both objective and subjective factors, such as the scope of each officer's responsibilities, Company performance, prior equity awards, potential future earnings from equity awards, retention needs, and comparative compensation data of companies in our peer group and the Hay Group's Retail Survey. The Company's general goal is to set total direct compensation for each of our named executive officers between the fiftieth and seventy-fifth percentile of similar executive positions at companies in our peer group, and to award our named executive officers total direct compensation in the top quartile if superior performance is achieved.

In fiscal 2007, as set forth in more detail in the Fiscal 2007 Summary Compensation Table, the total direct compensation of each of our named executive officers was as follows: Chief Executive Officer \$1,138,666; Chief Financial Officer \$869,503; President \$861,446; Chief Sourcing Officer \$724,492; and Chief Operations Officer \$724,492.

### ***Base Salary***

The Company's goal is to set our named executive officers' base salaries at approximately the fiftieth percentile of the base salaries paid to similar executive positions in our peer group, while making adjustments in light of the objective and subjective factors discussed above.

In fiscal 2007, we provided our Chief Executive Officer, President, and remaining named executive officers with base salaries of \$812,000, \$600,000, and \$375,000, respectively. In fiscal 2008, the base salary of our Chief Executive Officer is \$850,000; the base salary of our President is \$650,000; the base salary of our Chief Financial Officer is \$450,000; and the base salaries of our Chief Operations Officer and Chief Sourcing Officer are \$425,000. Our named executive officers have employment agreements that provide them with minimum base salary levels that can be increased to account for cost of living adjustments and other adjustments our Compensation Committee deems appropriate. Except for our Chief Executive Officer, each of our named executive officers had base salaries in fiscal 2007 in excess of the minimum base salary levels set forth in their employment agreements. These employment agreements were entered into in August 2001, prior to the promotions of each of Messrs. Pacifico, Brown, Casey, and Whetzel, and prior to the significant increase in the scope of each of their responsibilities.

### ***Annual Performance Bonus***

The Company makes annual cash performance bonuses a significant component of our named executive officers' total compensation, while maintaining the Company's compensation philosophy and its general goal to target total direct compensation between the fiftieth and seventy-fifth percentile of similar executive positions in our peer group, and in the top quartile when superior performance is achieved. We believe this design aligns the interests of our named executive officers with the interests of our stockholders.

Our Compensation Committee approves a target bonus for each named executive officer that is based on a percentage of their base salaries. In establishing these bonus targets, the Compensation Committee considers our named executive officers' potential total direct compensation in light of the Company's compensation philosophy and comparative compensation data. The named executive officers can earn their target bonuses based upon the Company's achievement of pre-determined financial performance targets. Our Compensation Committee has the discretion not to award performance bonuses, even if the Company achieves its financial performance targets.

In accordance with our Amended and Restated Annual Incentive Compensation Plan (the "Incentive Compensation Plan"), for fiscal 2007, the Compensation Committee selected earnings per share, as adjusted for unusual or non-recurring items, as the financial performance metric used to determine the amount, if any, of annual performance bonuses to be paid to our named executive officers. Our Compensation Committee selected earnings per share because it believes it is closely aligned with the interests of our stockholders.

For fiscal 2008, our Compensation Committee has chosen to use three financial performance metrics - earnings per share (weighted at 50%), net sales (weighted at 25%), and earnings before interest and taxes ("EBIT") (weighted at 25%) - to determine the amount of annual performance bonuses to be paid under our Incentive Compensation Plan. The Compensation Committee determined to add net sales and EBIT as performance metrics as they are key financial measures that are aligned with the interests of our stockholders and help to measure the quality of our earnings.

Our named executive officers can earn from 0% to 200% of their target performance bonus based upon the Company's achievement of pre-determined financial targets established by the Compensation Committee. In fiscal 2007, the Company's adjusted earnings per share had to be at least \$1.48 per share, representing approximately 4% growth in earnings per share, before any annual performance bonus could be earned. At an adjusted earnings per share of \$1.48, our named executive officers' annual performance bonus would have been 10% of their target bonuses. To earn 100% of their target bonus, the Company's adjusted earnings per share had to be at least \$1.65 per share, representing approximately 16% growth in earnings per share; and for our named executive officers to earn a maximum bonus, the Company's adjusted earnings per share had to be at least \$1.72 per share, representing approximately 21% growth in earnings per share. Based on the Company's adjusted earnings per share in fiscal 2007 of \$1.37, performance bonus targets were not achieved. Accordingly, no annual performance bonuses were paid to our named executive officers for fiscal 2007.

In accordance with the terms of our Chief Executive Officer's employment agreement, his annual performance bonus target must be at least 150% of his base salary. In fiscal 2007, we set our Chief Executive Officer's performance bonus target at 150% of his base salary. In accordance with the terms of our President's employment agreement, his annual performance bonus target must be no less than 65% of his base salary. Mr. Pacifico entered into this employment agreement in August 2001, prior to being promoted to President in June 2004. In recognition of an increase in the scope of his responsibilities resulting from his promotion to President, and taking into consideration comparative compensation data, the Compensation Committee set Mr. Pacifico's fiscal 2007 performance bonus target at 100% of his base salary. In accordance with the terms of our remaining named executive officers' employment agreements, their annual performance bonus target must be no less than 65% of their base salaries. Our remaining named executive officers entered into their employment agreements in August 2001, prior to each officer's promotion and an increase in the scope of the responsibilities of their respective positions. In recognition of this, and taking into consideration comparative compensation data, the Compensation Committee sets each of our remaining named executive officer's performance bonus targets at 87.5% of their base salaries.

### ***Internal Revenue Code Section 162(m)***

Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to a company's principal executive officer and the company's three most highly compensated executive officers other than its principal financial officer. This limitation generally does not apply to performance-based compensation that is awarded under a plan that is approved by the stockholders of a company and that also meets certain other technical requirements. Our compensation program for our named executive officers generally operates within the deductibility requirements under Section 162(m). However, the Compensation Committee realizes that exceptions may occur.

### ***Equity Incentives***

Our Amended and Restated 2003 Equity Incentive Plan ("Equity Incentive Plan") allows for various types of equity awards, including stock options, restricted stock, stock appreciation rights, and deferred stock. Awards under our Equity Incentive Plan are granted to recruit, motivate, and retain employees and are granted in connection with promotions or increases in responsibility. These awards have been limited to time and performance-based stock options and time and performance-based restricted stock, although our Compensation Committee could use other forms of equity awards in the future.

All awards under our Equity Incentive Plan must be approved by our Compensation Committee. Our Compensation Committee determines the type, timing, and amount of equity awards granted to each of our named executive officers after considering their previous equity awards, base salary, and target annual performance bonus in light of the Company's compensation philosophy. Our Compensation Committee also considers the comparative compensation data of our peer group and the Hay Group's Retail Survey, and our desire to retain and motivate our named executive officers and to align their goals with the long-term goals of our stockholders.

Our Compensation Committee's practice is to approve grants of stock options and restricted stock at regularly scheduled meetings. Our Compensation Committee may also make equity grants at special meetings or by unanimous written consent. Our Compensation Committee sets the exercise prices of equity awards at the closing price of our common stock on the NYSE on the date of grant.

In considering the value of equity awards, we calculate the value of equity awards by using the Black-Scholes valuation method. In addition, our Compensation Committee regularly reviews the equity ownership of our executives compared to the Company's minimum ownership guidelines. These minimum ownership guidelines require our Chief Executive Officer and President to own at least ten times their base salary in Company stock (or the intrinsic value of options to purchase Company stock that were granted prior to the Company's 2001 acquisition). The minimum ownership guidelines require our remaining named executive officers to each own five times their base salary in Company stock. Each of our named executive officers is in compliance with their ownership guidelines.

In May 2005, our Compensation Committee granted our Chief Executive Officer 400,000 performance-based stock options. These options vest in varying percentages in February 2009 based upon Mr. Rowan's continued employment with the Company, the Company's achievement of specified levels of fiscal 2008 adjusted net income ranging from \$75 million to \$100 million, and an individual performance criterion. In fiscal 2007, we made assumptions that these performance criteria will be partially met and that 40% of these shares will vest. Mr. Rowan has not received any additional equity awards since 2005, as that grant was a multi-year grant.

In March 2004, our Compensation Committee granted our President 200,000 time-based stock options that vest in five equal, annual installments based on Mr. Pacifico's continued employment with the Company. In November 2005, we granted our President 200,000 performance-based stock options. These options vest in February 2010 based upon Mr. Pacifico's continued employment with the Company, the Company's achievement of fiscal 2009 adjusted net income of at least \$116 million, and an individual performance criterion. In fiscal 2007, we made assumptions that these performance criteria will not be met and that these shares will not vest. Mr. Pacifico has not received any additional equity awards since 2005, as that grant was a multi-year grant.

In March 2004, our Compensation Committee granted our Chief Financial Officer 200,000 time-based stock options that vest in five equal, annual installments based on Mr. Casey's continued employment with the Company. In each of February 2006 and February 2007, our Compensation Committee granted our Chief Financial Officer 12,000 stock options and 12,000 shares of restricted stock, each of which vest in four equal, annual installments based on Mr. Casey's continued employment with the Company.

In May 2005, our Compensation Committee granted our Chief Operations Officer and Chief Sourcing Officer each 60,000 stock options that vest in four equal, annual installments based on each's continued employment with the Company. In May 2005, our Compensation Committee also granted our Chief Operations Officer and Chief Sourcing Officer each 40,000 shares of restricted stock that cliff vest in May 2009 based on each's continued employment with the Company. Neither Mr. Brown nor Mr. Whetzel has received any equity awards since 2005, as these grants were multi-year grants.

#### ***Perquisites and Other Benefits***

The Company provides perquisites and other benefits to our named executive officers. In fiscal 2007, the Compensation Committee established a perquisite allowance from which each named executive officer was reimbursed for certain perquisites, including automobile allowances, financial and tax planning, health club dues, and related tax gross-up payments. Amounts from the perquisite allowance that remain unused at the end of the fiscal year are forfeited.

The fiscal 2007 perquisite allowances for our named executive officers were: \$60,000 for our Chief Executive Officer, \$45,000 for our President, and \$30,000 for each of our remaining named executive officers. In addition to the perquisite allowances, our Chief Executive Officer, President, and Chief Operations Officer are each provided a country club membership. Additional information on named executive officer perquisites can be found in the footnotes to the Fiscal 2007 Summary Compensation Table in this proxy statement.

Pursuant to the Company's 401(k) plan, the Company provides its executives the same level of matching contributions available to all eligible employees, which is equal to 100% of each named executive officer's first 3% of pre-tax contributions and 50% of each executive officer's next 2% of pre-tax contributions each year, subject to Internal Revenue Service limitations. In fiscal 2007, each of our named executive officers received \$9,000 in matching contributions.

The Company also made premium payments on behalf of our named executive officers, other than our Chief Executive Officer, on their personally owned insurance policies. In fiscal 2007, including the associated tax gross-ups, the Company made payments of \$192,876 on behalf of our President, \$59,079 on behalf of our Chief Operations Officer, \$69,505 on behalf of our Chief Financial Officer, and \$99,044 on behalf of our Chief Sourcing Officer.

The Company also provides our named executive officers with an excess supplementary health insurance policy that reimburses our executives for certain qualified health expenses not covered under the Company's ERISA medical plan.

## ***Retirement Benefits***

As part of Mr. Rowan's employment agreement, the Company provides him with a supplemental executive retirement defined benefit according to a formula based on his final average annual salary during the highest 36 consecutive months of his last 60 months of employment, offset by other external retirement benefits and Social Security benefits to which he is entitled. This benefit is subject to an overall annual maximum payment of \$385,000. Based on the estimated value of his other retirement and Social Security benefits, Mr. Rowan's annual payment is projected to be \$330,520 upon retirement. The plan is fully funded through two insurance policies, and the Company was not required to make any premium payments in fiscal 2007. No additional premiums are expected to be required in the future to provide Mr. Rowan with this benefit as this plan is fully funded.

Pursuant to his employment agreement, the Company also provides Mr. Rowan with life insurance equal to 250% of his annual base salary. This life insurance benefit is provided through two split-dollar life insurance policies. The premium and gross-up payment for fiscal 2007 was \$48,106, which was included in Mr. Rowan's compensation. Upon Mr. Rowan's retirement, the split-dollar arrangement will be terminated. A portion of the cash value of the policies will be used to reimburse the Company for premium payments made prior to fiscal 2003. A portion of this reimbursement will be used to provide Mr. Rowan with a gross-up payment for taxes that Mr. Rowan will incur upon termination of the split-dollar arrangement.

## ***Potential Payments Upon a Termination or Change in Control***

### ***Termination***

In the event that any of our named executive officers is terminated by the Company for "cause," retires, becomes disabled, or dies, the executive or his estate will be provided his base salary and fringe, medical, and dental benefits through the termination of his employment. If any of our named executive officers is terminated "without cause," or if any of our named executive officers terminates his employment for "good reason," the named executive officer shall receive his base salary and medical and dental benefits for 24 months (36 months in the case of our Chief Executive Officer) following the date of his termination, provided the named executive officer complies with confidentiality, intellectual property assignment, non-competition, and non-solicitation obligations, which generally last for a period of one to two years. The named executive officers have the option of receiving these payments in one lump sum equal to the net present value of the total payments.

The named executive officers shall also receive the annual performance bonus that he would have earned as if he had been employed at the end of the year in which his employment was terminated. The determination of whether an annual performance bonus is payable to the named executive officer may take into account whether the Company achieved its performance targets, but may not take into account whether personal performance targets for the named executive officer were achieved. The vesting of equity incentives for our named executive officers is not required to be accelerated in the event of a termination of employment.

In determining whether a termination occurred with or without "cause," "cause" is deemed to exist when the named executive officer has: been convicted of a felony (or the entering of a plea of guilty or no contest to a felony); committed an act of fraud involving an act of dishonesty for personal gain which is materially injurious to the Company; willfully breached his obligations of confidentiality, intellectual property assignment, non-competition, or non-solicitation against the Company; willfully engaged in gross misconduct which is materially injurious to the Company; or, after a cure period, willfully refused to perform his duties.

In determining whether a named executive officer has "good reason" to terminate his employment, "good reason" is generally deemed to exist when the Company has: materially reduced a named executive officer's duties, responsibilities, or status; assigned to the executive a material amount of additional duties that are significantly inconsistent with his previous duties; required the executive to relocate or imposed a material amount of increased travel obligations; or materially breached his employment agreement.

Based upon a hypothetical termination “without cause” or for “good reason” as of December 29, 2007, the severance and other benefits each named executive officer would have been entitled to are as follows:

	<b>Chief Executive Officer</b>	<b>President</b>	<b>Executive Vice President</b>
Base Salary	\$ 2,436,000	\$ 1,200,000	\$ 750,000
Performance Bonus	--	--	--
Health and Other Benefits	47,895	31,930	31,930
Total	<u>\$ 2,483,895</u>	<u>\$ 1,231,930</u>	<u>\$ 781,930</u>

In addition, our named executive officers are entitled to receive any benefits that they would have been entitled to under our 401(k) plan and supplemental retirement plans. These severance benefits are provided under the terms of each of our executive’s employment agreements.

*Change in Control*

In the event of a change in control of the Company, all unvested stock options shall vest. The closing price on the NYSE of the Company’s common stock on the last trading day of fiscal 2007 was \$19.90 per share. Based upon a hypothetical change in control of the Company on December 29, 2007, the intrinsic value of accelerated option vesting for our named executive officers would have been as follows:

	<b>Chief Executive Officer</b>	<b>Chief Financial Officer</b>	<b>President</b>	<b>Chief Sourcing Officer</b>	<b>Chief Operations Officer</b>
Option Value	\$ --	\$ 407,600	\$ 407,600	\$ --	\$ --

In the event of a change in control of the Company, the Compensation Committee also has the ability to remove the vesting restrictions on all unvested shares of restricted stock. Based upon a hypothetical change in control of the Company on December 29, 2007, the intrinsic value of accelerated option vesting and the value of accelerated vesting of restricted shares for our named executive officers would have been as follows:

	<b>Chief Executive Officer</b>	<b>Chief Financial Officer</b>	<b>President</b>	<b>Chief Sourcing Officer</b>	<b>Chief Operations Officer</b>
Option and Restricted Stock Value	\$ --	\$ 825,500	\$ 407,600	\$ 796,000	\$ 796,000



## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Board has reviewed and discussed with Company management the Compensation Discussion and Analysis included in this proxy statement. Based on such review and discussions, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

**Compensation Committee**

**Submitted by the**

Mr. Paul Fulton, Chairman  
Mr. A. Bruce Cleverly  
Ms. Elizabeth A. Smith  
Mr. John R. Welch

## FISCAL 2007 SUMMARY COMPENSATION TABLE

The table below provides information concerning the compensation of our named executive officers.

In the "Salary" column, we disclose the base salary paid to each of our named executive officers during fiscal 2007 and 2006.

In the "Bonus" column, we disclose the cash bonuses earned during fiscal 2007 and 2006, other than amounts earned pursuant to the Company's Incentive Compensation Plan.

In the "Stock Awards" and "Option Awards" columns, we disclose the fiscal 2007 and 2006 compensation expense the Company recorded in accordance with SFAS 123R relating to awards of stock or options, without a reduction for assumed forfeitures. For restricted stock, the SFAS 123R fair value is calculated using the closing price on the NYSE of our stock on the date of grant and the related expense is recorded ratably over the vesting period. For time-based and performance-based stock options, the SFAS 123R fair value is calculated based on assumptions summarized in Note 6 to our audited consolidated financial statements, which are included in our fiscal 2007 Annual Report on Form 10-K. For time-based stock options, we recognize the related expense ratably over the vesting period. For performance-based stock options and restricted stock awards that cliff vest, we have assumed the performance criteria will be met and restricted stock awards will cliff vest, and in accordance with SFAS 123R, we record the related expense ratably over the vesting period.

In the column "Non-Equity Incentive Plan Compensation," we disclose the dollar value of all compensation earned in fiscal 2007 and 2006 pursuant to the Company's Incentive Compensation Plan.

In the column "Nonqualified Deferred Compensation Earnings," we disclose the dollar value of any earnings from an aggregate change in the actuarial present value of the named executive officers accumulated benefit under all defined benefit and pension plans.

In the column "All Other Compensation," we disclose the dollar value of all other compensation that could not properly be reported in other columns of the Fiscal 2007 Summary Compensation Table, including perquisites, amounts reimbursed for the payment of taxes, and insurance premiums paid by the Company for the benefit of our named executive officers.

<u>Name and Principal Position</u>	<u>Fiscal Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$) (b)</u>	<u>Option Awards (\$) (c)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Nonqualified Deferred Compensation Earnings (\$) (d)</u>	<u>All Other Compensation (\$) (e)</u>	<u>Total (\$)</u>
Frederick J. Rowan, II Chairman of the Board and Chief Executive Officer	2007	\$812,000	\$ --	\$ --	\$326,666	\$ --	\$ 0	\$ 150,432	\$1,289,098
	2006	\$812,000	\$1,000,000 (a)	\$ --	\$849,172	\$ 1,218,000	\$ --	\$ 143,603	\$4,022,775
Michael D. Casey Executive Vice President and Chief Financial Officer	2007	\$375,000	\$ --	\$160,369	\$334,134	\$ --	\$ --	\$ 124,459	\$ 993,962
	2006	\$375,000	\$ --	\$ 89,689	\$302,069	\$ 328,125	\$ --	\$ 119,036	\$1,213,919
Joseph Pacifico President	2007	\$600,000	\$ --	\$ --	\$261,446	\$ --	\$ --	\$ 264,148	\$1,125,594
	2006	\$600,000	\$ --	\$ --	\$880,962	\$ 600,000	\$ --	\$ 284,210	\$2,365,172
Charles E. Whetzel, Jr. Executive Vice President and Chief Sourcing Officer	2007	\$375,000	\$ --	\$219,297	\$130,195	\$ --	\$ --	\$ 159,390	\$ 883,882
	2006	\$375,000	\$ --	\$219,297	\$130,193	\$ 328,125	\$ --	\$ 153,105	\$1,205,720
David A. Brown Executive Vice President and Chief Operations Officer	2007	\$375,000	\$ --	\$219,297	\$130,195	\$ --	\$ --	\$ 120,766	\$ 845,258
	2006	\$375,000	\$ --	\$219,297	\$130,193	\$ 328,125	\$ --	\$ 110,956	\$1,163,571



(a) Bonus award earned in fiscal 2006 based on the Company's achievement of performance criteria related to the integration of OshKosh. This award was paid in fiscal 2007.

(b) The amounts disclosed in this column for Mr. Casey, Mr. Whetzel, and Mr. Brown reflect the expense we recorded in accordance with SFAS 123R for the following grants, without a reduction for assumed forfeitures:

(i) Mr. Casey was granted 12,000 shares of restricted stock on February 16, 2006 with a grant date fair value of \$34.32 per share, the closing price of the Company's common stock on the date of grant. Mr. Casey was also granted 12,000 shares of restricted stock on February 15, 2007 with a grant date fair value of \$22.19 per share, the closing price of the Company's common stock on the date of grant. Both grants vest in four equal, annual installments following the date of grant. In accordance with SFAS 123R, we record expense for these grants ratably over the four-year vesting period.

(ii) Mr. Whetzel and Mr. Brown were each granted 40,000 shares of restricted stock on May 13, 2005 with a grant date fair value of \$22.01 per share, the closing price of the Company's common stock on the date of grant. These shares cliff vest on May 13, 2009. We have assumed these shares will vest on May 13, 2009, and in accordance with SFAS 123R, we record expense for these grants ratably over the four-year vesting period.

(c) The amounts disclosed in this column represent the expense we recorded in accordance with SFAS 123R for the following grants, without a reduction for assumed forfeitures.

(i) Mr. Rowan was granted 400,000 performance-based stock options on May 13, 2005 with a Black-Scholes fair value of \$7.76 per share and an exercise price of \$22.01 per share, the closing price of the Company's common stock on the date of grant. Subject to the achievement of individual and Company performance targets, these stock options vest in February 2009. In fiscal 2007, we made assumptions that these performance criteria will be partially met and that 40% of these shares will vest. Prior to fiscal 2007, we assumed that 100% of these shares would vest. In accordance with SFAS 123R, we record performance option expense based upon the probability of performance target achievement, and we adjust any previously recorded expense if assumptions regarding the achievement of performance targets change.

(ii) Mr. Casey was granted 200,000 time-based stock options on March 22, 2004 with a Black-Scholes fair value of \$6.56 per share and an exercise price of \$14.81 per share, the closing price of the Company's common stock on the date of grant. These shares vest in five equal, annual installments following the date of grant. In accordance with SFAS 123R, we record expense for this grant ratably over the five-year vesting period. Mr. Casey was also granted 12,000 time-based stock options on February 16, 2006 with a Black-Scholes fair value of \$15.59 per share and an exercise price of \$34.32 per share, the closing price of the Company's common stock on the date of grant, and was granted 12,000 time-based stock options on February 15, 2007 with a Black-Scholes fair value of \$10.01 per share and an exercise price of \$22.19 per share, the closing price of the Company's common stock on the date of grant. The stock options granted to Mr. Casey in fiscal 2006 and 2007 vest in four equal, annual installments following the date of grant. In accordance with SFAS 123R, we record expense for these grants ratably over the four-year vesting period.

(iii) Mr. Pacifico was granted 200,000 time-based stock options on March 22, 2004 with a Black-Scholes fair value of \$6.56 per share and an exercise price of \$14.81 per share, the closing price of the Company's common stock on the date of grant. These shares vest in five equal, annual installments following the date of grant. In accordance with SFAS 123R, we record expense for this grant ratably over the five-year vesting period. Mr. Pacifico was also granted 200,000 performance-based stock options on November 10, 2005 with a Black-Scholes fair value of \$12.68 and an exercise price of \$31.18 per share, the closing price of the Company's common stock on the date of grant. Subject to the achievement of individual and Company performance targets, these stock options vest in February 2010. In fiscal 2007, we made assumptions that these performance criteria will not be met and that these shares will not vest. Prior to fiscal 2007, we assumed that 100% of these shares would vest. In accordance with SFAS 123R, we record performance option expense based upon the probability of performance target achievement, and we adjust any previously recorded expense if assumptions regarding the achievement of performance targets change.

(iv) Mr. Whetzel and Mr. Brown were each granted 60,000 stock options on May 13, 2005 with a Black-Scholes fair value of \$8.71 per share and an exercise price of \$22.01 per share, the closing price of the Company's common stock on the date of grant. These stock options vest in four equal, annual installments following the date of grant. In accordance with SFAS 123R, we record expense for these grants ratably over the four-year vesting period.

(d) There was no increase in the present value of Mr. Rowan's supplemental executive retirement plan benefit from the end of fiscal 2006 to the end of fiscal 2007.

(e) The amounts shown as "All Other Compensation" consist of the following:

<b>Name</b>	<b>Insurance Premium Payments (i)</b>	<b>Excess Personal Liability Insurance Premiums</b>	<b>Medical Reimbursements (ii)</b>	<b>401(k) Company Match</b>	<b>Perquisites (iii)</b>	<b>Tax Gross-Ups (iv)</b>	<b>Total</b>
Frederick J. Rowan, II	\$ 27,685	\$ 3,529	\$ 7,269	\$ 9,000	\$ 61,202	\$ 41,747	\$ 150,432

Michael D. Casey	\$ 40,000	\$ 3,529	\$ 9,081	\$ 9,000	\$ 29,107	\$ 33,742	\$ 124,459
Joseph Pacifico	\$ 111,000	\$ 3,529	\$ 4,783	\$ 9,000	\$ 45,198	\$ 90,638	\$ 264,148
Charles E. Whetzel, Jr.	\$ 57,000	\$ 3,529	\$ 13,170	\$ 9,000	\$ 29,012	\$ 47,679	\$ 159,390
David A. Brown	\$ 34,000	\$ 3,529	\$ 12,438	\$ 9,000	\$ 28,559	\$ 33,240	\$ 120,766

(i) Amount for Mr. Rowan relates to split-dollar life insurance premiums paid by the Company, and payments to Messrs. Casey, Pacifico, Whetzel, and Brown relate to contributions made to individual whole-life insurance policies.

(ii) Amounts relate to medical reimbursements and related costs pursuant to a supplemental executive medical reimbursement plan.

(iii) Mr. Rowan's perquisites are comprised of \$39,053 for financial planning, \$7,643 for fundraising activities, \$4,971 for country club dues, \$4,542 for automobile-related costs, \$4,243 for family travel, and \$750 for a service award; Mr. Casey's perquisites are comprised of \$27,507 for automobile-related costs and \$1,600 for a health club membership; Mr. Pacifico's perquisites are comprised of \$26,970 for automobile-related costs, \$4,971 for country club dues, \$4,590 for a health club membership, \$3,998 for home office costs, \$3,919 for financial planning, and \$750 for a service award; Mr. Whetzel's perquisites are comprised of \$22,112 for automobile-related costs, \$3,750 for financial planning, \$2,400 for a health club membership, and \$750 for a service award; and Mr. Brown's perquisites are comprised of \$23,786 for automobile-related costs, \$2,073 for country club dues, \$1,950 for financial planning, and \$750 for a service award.

(iv) Mr. Rowan's gross-ups are comprised of \$20,421 for insurance premium payments, \$11,745 for financial planning, \$3,667 for country club dues, \$3,344 for excess personal liability insurance, \$1,950 for fundraising activities, and \$620 for automobile-related costs; Mr. Casey's gross-ups are comprised of \$29,505 for insurance premium payments, \$3,344 for excess personal liability insurance, \$870 for automobile-related costs, and \$23 for a health club membership; Mr. Pacifico's gross-ups are comprised of \$81,876 for insurance premium payments, \$3,667 for county club dues, \$3,344 for excess personal liability insurance, and \$1,751 for automobile-related costs; Mr. Whetzel's gross-ups are comprised of \$42,044 for insurance premium payments, \$3,344 for excess personal liability insurance, and \$2,291 for automobile-related costs; and Mr. Brown's gross-ups are comprised of \$25,079 for insurance premium payments, \$3,344 for excess personal liability insurance, \$3,379 for automobile-related costs, and \$1,438 for financial planning.

## FISCAL 2007 GRANTS OF PLAN-BASED AWARDS

The following table provides information concerning each grant of plan-based awards made to a named executive officer in fiscal 2007. This includes incentive compensation awards granted under our Incentive Compensation Plan and stock option and restricted stock awards granted under our Equity Incentive Plan. The threshold, target, and maximum columns reflect the range of estimated payouts under these plans for fiscal 2007. The exercise price disclosed is equal to the closing market price of our common stock on the date of grant. The last column reports the aggregate SFAS 123R value of all awards made in fiscal 2007 as if they were fully vested on the grant date.

Name	Award Type	Equity Award Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
			Threshold (\$)	Target (\$)(a)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Frederick J. Rowan, II	Cash Bonus	--	\$ --	\$ 1,218,000	\$ 2,436,000	--	--	--	\$ --	\$ --
	Shares	--	\$ --	\$ --	\$ --	--	--	--	\$ --	\$ --
	Options	--	\$ --	\$ --	\$ --	--	--	--	\$ --	\$ --
Michael D. Casey	Cash Bonus	--	\$ --	\$ 328,125	\$ 656,250	--	--	--	\$ --	\$ --
	Shares (b) 2/15/2007	--	\$ --	\$ --	\$ --	--	12,000	12,000	\$ --	\$ 266,280
	Options (c) 2/15/2007	--	\$ --	\$ --	\$ --	--	12,000	12,000	\$ 22.19	\$ 120,138
Joseph Pacifico	Cash Bonus	--	\$ --	\$ 600,000	\$ 1,200,000	--	--	--	\$ --	\$ --
	Shares	--	\$ --	\$ --	\$ --	--	--	--	\$ --	\$ --
	Options	--	\$ --	\$ --	\$ --	--	--	--	\$ --	\$ --
Charles E. Whetzel, Jr.	Cash Bonus	--	\$ --	\$ 328,125	\$ 656,250	--	--	--	\$ --	\$ --
	Shares	--	\$ --	\$ --	\$ --	--	--	--	\$ --	\$ --
	Options	--	\$ --	\$ --	\$ --	--	--	--	\$ --	\$ --
David A. Brown	Cash Bonus	--	\$ --	\$ 328,125	\$ 656,250	--	--	--	\$ --	\$ --
	Shares	--	\$ --	\$ --	\$ --	--	--	--	\$ --	\$ --
	Options	--	\$ --	\$ --	\$ --	--	--	--	\$ --	\$ --

(a) No executive officer was paid an annual performance bonus in fiscal 2007.

(b) Shares of restricted stock granted to Mr. Casey on February 15, 2007 pursuant to the Company's Equity Incentive Plan. These restricted shares vest ratably in four equal, annual installments following the date of grant. In accordance with SFAS 123R, we record expense related to this grant ratably over the vesting period.

(c) Time-based stock options granted to Mr. Casey on February 15, 2007 pursuant to the Company's Equity Incentive Plan. These stock options vest ratably in four equal, annual installments following the date of grant. In accordance with SFAS 123R, we record expense related to this grant ratably over the vesting period.

## OPTION EXERCISES AND STOCK VESTED IN FISCAL 2007

The following table provides information concerning our named executive officers' exercises of stock options and vesting of restricted stock during fiscal 2007. The table reports, on an aggregate basis, the number of securities acquired upon exercise of stock options, the dollar value realized upon exercise of stock options, the number of shares of restricted stock that have vested, and the dollar value realized upon the vesting of restricted stock.

Option Awards

Stock Awards

<b>Name</b>	<b>Number of Shares Acquired on Exercise (#)</b>	<b>Value Realized on Exercise (\$) (a)</b>	<b>Number of Shares Acquired on Vesting (#)</b>	<b>Value Realized on Vesting (\$) (b)</b>
Frederick J. Rowan, II	410,000	\$10,568,667	--	\$ --
Michael D. Casey	146,200	\$ 3,449,791	3,000	\$ 66,570 (b)

Aggregate dollar amount was calculated by multiplying the number of shares acquired by the difference between the market price of the underlying securities at the time of exercise and the exercise price of the stock options.

(a)

Aggregate dollar amount was calculated by multiplying the number of shares acquired on vesting by the market price of the Company's stock on the date of vesting.

(b)

## OUTSTANDING EQUITY AWARDS AT FISCAL 2007 YEAR-END

The following table provides information regarding unexercised stock options, stock that has not yet vested, and equity incentive plan awards for each named executive officer outstanding as of the end of fiscal 2007. Each outstanding award is represented by a separate row that indicates the number of securities underlying the award.

Name	Option Awards					Stock Awards	
	Number of Securities Underlying Unexercised Options (#) (Exercisable)	Number of Securities Underlying Unexercised Options (#) (a) (Unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (b)	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#) (c)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (d)
Frederick J. Rowan, II	548,356	--	--	\$ 0.75	8/15/2011	--	\$ --
	1,060,710	--	--	\$ 3.08	8/15/2011	--	\$ --
	--	--	400,000	\$ 22.01	5/13/2015	--	\$ --
Michael D. Casey	243,488	--	--	\$ 3.08	8/15/2011	--	\$ --
	120,000	80,000	--	\$ 14.81	3/22/2014	--	\$ --
	3,000	9,000	--	\$ 34.32	2/16/2016	--	\$ --
	--	12,000	--	\$ 22.19	2/15/2017	--	\$ --
	--	--	--	\$ --	--	21,000	\$ 417,900
Joseph Pacifico	389,688	--	--	\$ 3.08	8/15/2011	--	\$ --
	120,000	80,000	--	\$ 14.81	3/22/2014	--	\$ --
	--	--	200,000	\$ 31.18	11/10/2015	--	\$ --
Charles E. Whetzel, Jr.	389,688	--	--	\$ 3.08	8/15/2011	--	\$ --
	30,000	30,000	--	\$ 22.01	5/13/2015	--	\$ --
	--	--	--	\$ --	--	40,000	\$ 796,000
David A. Brown	389,688	--	--	\$ 3.08	8/15/2011	--	\$ --
	30,000	30,000	--	\$ 22.01	5/13/2015	--	\$ --
	--	--	--	\$ --	--	40,000	\$ 796,000

(a) Unexercised options relate to the following awards:

(i) Mr. Casey was granted 200,000 time-based stock options on March 22, 2004 with a Black-Scholes fair value of \$6.56 per share and an exercise price of \$14.81 per share, the closing price of the Company's common stock on the date of grant. These stock options vest in five equal, annual installments following the date of grant. Mr. Casey was also granted 12,000 time-based stock options on February 16, 2006 with a Black-Scholes fair value of \$15.59 per share and an exercise price of \$34.32 per share, the closing price of the Company's common stock on the date of grant. In addition, Mr. Casey was granted 12,000 time-based stock options on February 15, 2007 with a Black-Scholes fair value of \$10.01 per share and an exercise price of \$22.19 per share, the closing price of the Company's common stock on the date of grant. The stock options granted to Mr. Casey in fiscal 2006 and 2007 vest in four equal, annual installments following the date of grant. In accordance with SFAS 123R, we record option expense ratably over the applicable vesting period.

(ii) Mr. Pacifico was granted 200,000 time-based stock options on March 22, 2004 with a Black-Scholes fair value of \$6.56 per share and an exercise price of \$14.81 per share, the closing price of the Company's common stock on the date of grant. These stock options vest in five equal, annual installments following the date of grant. In accordance with SFAS 123R, we record the related expense ratably over the five-year vesting period.

(iii) Mr. Whetzel and Mr. Brown were each granted 60,000 time-based stock options on May 13, 2005 with a Black-Scholes fair



value of \$8.71 per share and an exercise price of \$22.01 per share, the closing price of the Company's common stock on the date of grant. These stock options vest in four equal, annual installments following the date of grant. In accordance with SFAS 123R, we record the related expense ratably over the four-year vesting period.

(b) Unexercised, unearned stock options relate to the following awards:

(i) Mr. Rowan was granted 400,000 performance-based stock options on May 13, 2005 with a Black-Scholes fair value of \$7.76 per share and an exercise price of \$22.01 per share, the closing price of the Company's common stock on the date of grant. Subject to the achievement of individual and Company performance target, these stock options vest in February 2009. In fiscal 2007, we made assumptions that these performance criteria will be partially met and that 40% of these shares will vest. Prior to fiscal 2007, we assumed that 100% of these shares would vest. In accordance with SFAS 123R, we record performance option expense based upon the probability of performance target achievement, and we adjust any previously recorded expense if assumptions regarding the achievement of performance targets change.

(ii) Mr. Pacifico was granted 200,000 performance-based stock options on November 10, 2005 with a Black-Scholes fair value of \$12.68 and an exercise price of \$31.18 per share, the closing price of the Company's common stock on the date of grant. Subject to the achievement of individual and Company performance targets, these stock options vest in February 2010. In fiscal 2007, we made assumptions that these performance criteria will not be met and that these shares will not vest. Prior to fiscal 2007, we assumed that 100% of these shares would vest. In accordance with SFAS 123R, we record performance option expense based upon the probability of performance target achievement, and we adjust any previously recorded expense if assumptions regarding the achievement of performance targets change.

(c) Equity Incentive Plan awards relate to the following grants:

(i) Mr. Casey was granted 12,000 shares of restricted stock on February 16, 2006 with a grant date fair value of \$34.32 per share, the closing price of the Company's common stock on the date of grant. Mr. Casey was also granted 12,000 shares of restricted stock on February 15, 2007 with a grant date fair value of \$22.19, the closing price of the Company's common stock on the date of grant. Both grants vest in four equal, annual installments following the date of grant. In accordance with SFAS 123R, we record the related expense ratably over the four-year vesting period.

(ii) Mr. Whetzel and Mr. Brown were each granted 40,000 shares of restricted stock on May 13, 2005 with a grant date fair value of \$22.01 per share, the closing price of the Company's common stock on the date of grant. These shares cliff vest on May 13, 2009. We have assumed these shares will vest on May 13, 2009 and in accordance with SFAS 123R, we record the related expense for these grants ratably over the four-year vesting period.

(d) Amount based on the closing market price per share of the Company's common stock on Friday, December 28, 2007 of \$19.90.

#### **FISCAL 2007 PENSION BENEFITS TABLE**

The following table provides information with respect to Mr. Rowan's SERP. Mr. Rowan's SERP provides him with a defined benefit according to a formula based on his final average annual salary during the highest 36 consecutive months of his last 60 months of employment, offset by other external retirement benefits and Social Security benefits to which he is entitled. This benefit is subject to an overall annual maximum payment of \$385,000. Based on the estimated value of his other retirement and Social Security benefits, Mr. Rowan's annual payment is projected to be \$330,520 upon retirement. The plan is fully funded through two insurance policies, and the Company was not required to make any premium payments in fiscal 2007 to meet the plan's benefit obligation. In addition, no other premiums are expected to be required in the future to meet the plan's benefit obligation.

The amounts below reflect the actuarial present value of Mr. Rowan's accumulated benefit under the plan, computed as of December 29, 2007.

<u>Name</u>	<u>Plan Name</u>	<u>Number of Years Credited Service (#)</u>	<u>Present Value of Accumulated Benefit (\$)</u>	<u>Payments During Last Fiscal Year (\$)</u>
Frederick J. Rowan, II	SERP	--	\$ 3,131,033	\$ --

**SECURITIES OWNERSHIP OF BENEFICIAL OWNERS,  
DIRECTORS, AND EXECUTIVE OFFICERS**

The following table sets forth the number of shares of the Company's common stock owned by each of the following parties as of March 29, 2008, or as of such other date as indicated: (a) each person known by the Company to own beneficially more than five percent of the outstanding common stock; (b) the Company's named executive officers; (c) each Director; and (d) all Directors and named executive officers as a group. Unless otherwise indicated below, the holders address is The Proscenium, 1170 Peachtree Street NE, 9th Floor, Atlanta, Georgia 30309.

<u>Name of Beneficial Owner</u>	<u>Beneficial Ownership</u>	
	<u>Shares</u>	<u>Percent</u>
Wellington Management Company, LLP (1)	6,158,057	10.8%
The Guardian Life Insurance Company of America (2)	6,061,758	10.6%
Baron Capital Group, Inc. (3)	5,095,311	8.9%
Snow Capital Management, L.P. (4)	4,795,519	8.4%
Frederick J. Rowan, II (5)	1,609,066	2.7%
Joseph Pacifico (6)	829,776	1.4%
David A. Brown (7)	816,272	1.4%
Michael D. Casey (8)	612,800	1.1%
Charles E. Whetzel, Jr. (7)	767,908	1.3%
Bradley M. Bloom (9)	205,680	*
A. Bruce Cleverly (10)	6,481	*
Paul Fulton (11)	191,524	*
William J. Montgoris (12)	6,645	*
David Pulver (13)	242,236	*
Elizabeth A. Smith (14)	15,124	*
John R. Welch (15)	45,296	*
Thomas E. Whiddon (16)	93,564	*
All directors and executive officers as a group (17)	5,442,372	9.0%

\*Indicates less than 1% of our common stock.

(1) This information is based on a Schedule 13G filed with the SEC on February 11, 2008. Wellington Management Company, LLP has shared voting power covering 4,042,967 shares of our common stock and shared dispositive power covering 6,158,057 shares of our common stock. The address for Wellington Management Company, LLP is 75 State Street, Boston, Massachusetts 02109.

(2) This information is based on information provided on a Schedule 13G/A filed with the SEC on February 8, 2008. The Guardian Life Insurance Company of America shares voting and dispositive power covering 6,061,758 shares of our common stock. The Guardian Life Insurance Company of America is the parent company of Guardian Investor Services LLC and RS Investment Management Co . LLC. The address for The Guardian Life Insurance Company of America is 388 Market Street, Suite 1700, San Francisco, California 94111. Guardian Investor Services LLC shares voting and dispositive power covering 6,061,758 shares of our common stock. RS Investment Management Co. LLC shares voting and dispositive power covering 6,061,758 shares of our common stock. RS Partners Fund shares voting and dispositive power covering 3,903,440 shares of our common stock.

(3) This information is based on a Schedule 13G/A filed with the SEC on February 14, 2008. Baron Capital Group, Inc. has shared voting power covering 4,641,311 shares and shared dispositive power covering 5,095,311 shares of our common stock. Baron Capital Group, Inc. and Ronald Baron are the parent of BAMCO, Baron Capital Management, and Baron Growth Fund. The address for Baron Capital Group, Inc. is 767 Fifth Avenue, New York, New York 10153. BAMCO, Inc. has shared voting power covering 4,387,000 shares and shared dispositive power covering 4,829,000 shares of our common stock. Baron Capital Management, Inc. has shared voting power covering 254,311 shares and shared dispositive power covering 266,311 shares of our common stock. Ronald Baron has shared voting power covering 4,641,311 shares and shared dispositive power covering 5,095,311 shares of our common stock.

(4) This information is based on information provided on a Schedule 13G filed with the SEC on January 22, 2008. Snow Capital Management, L.P. is an investment adviser and has sole voting power covering 4,757,449 shares of our common stock and dispositive power covering 4,795,519 shares of our common stock. The address for Snow Capital Management, L.P. is 2100 Georgetown Drive, Suite 400, Sewickley, Pennsylvania 15143.

(5) Represents 1,609,066 shares subject to exercisable stock options.

(6) Includes 549,688 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days after March 29, 2008.



(7) Includes 434,688 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days after March 29, 2008 and 40,000 restricted shares.

(8) Includes 412,488 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days after March 29, 2008 and 15,000 restricted shares.

(9) Includes 11,676 shares held by Berkshire Partners, of which Mr. Bloom is a member, and as to which Mr. Bloom disclaims beneficial ownership except to the extent of his pecuniary interest therein. Also includes 44,000 shares held by a charitable foundation as to which Mr. Bloom shares voting and investment control with certain family members, but in which he has no pecuniary interest. Mr. Bloom's address is c/o Berkshire Partners, One Boston Place, Suite 3300, Boston, Massachusetts 02108.

(10) The total shown next to Mr. Cleverly's name includes 6,481 shares of restricted common stock.

(11) Mr. Fulton's address is c/o Bassett Furniture Industries, Inc., 380 Knollwood Street, Suite 610, Winston-Salem, North Carolina 27103. The total shown next to Mr. Fulton's name includes 16,000 shares subject to exercisable stock options.

(12) The total shown next to Mr. Montgoris's name includes 4,583 shares of restricted common stock.

(13) Mr. Pulver is the sole stockholder of Cornerstone Capital, Inc., which is the record holder of 226,236 of the shares set forth next to Mr. Pulver's name above. The total shown next to Mr. Pulver's name includes 16,000 shares subject to exercisable stock options.

(14) Ms. Smith's address is c/o Avon Products, Inc., 1345 Avenue of the Americas, New York, New York 10105.

(15) The total shown next to Mr. Welch's name includes 16,000 shares subject to exercisable stock options.

(16) The total shown next to Mr. Whiddon's name includes 12,800 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days following March 29, 2008.

(17) Includes 3,501,418 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days following March 29, 2008.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Company's executive officers and directors, and persons who beneficially own more than ten percent (10%) of the Company's common stock, file initial reports of ownership and changes in ownership with the SEC and the NYSE. Based on a review of the copies of such forms furnished to the Company, the Company believes that all forms were filed in a timely manner during fiscal 2007.

#### **EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information about the Company's equity compensation plan as of the end of its last fiscal year:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants, and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants, and rights</b>	<b>Number of securities remaining available for future issuance under the equity compensation plans (excluding securities reflected in first column)</b>
Equity compensation plans approved by security holders (1)	5,597,559	\$ 9.46	1,725,019
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>5,597,559</b>	<b>\$ 9.46</b>	<b>1,725,019</b>

(1) Represents stock options that are outstanding or that are available for future issuance pursuant to the Company's Equity Incentive Plan.

#### **TRANSACTIONS WITH RELATED PERSONS, PROMOTERS, AND CERTAIN CONTROL PERSONS**

The Company has a written policy that requires all transactions with related persons be reviewed by our Chief Financial Officer, and all such transactions involving more than \$10,000 be reviewed with and approved by our Audit Committee. Our Chief Financial Officer annually reviews all transactions with related persons with our Audit Committee.

There were no such transactions during the fiscal year ended December 29, 2007.

## AUDIT COMMITTEE REPORT

The Audit Committee reviews the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for establishing and maintaining adequate internal financial controls, for preparing the financial statements, and for the public reporting process. PwC, the Company's independent registered public accounting firm, is responsible for expressing opinions on the conformity of the Company's audited consolidated financial statements with accounting principles generally accepted in the United States of America and on the Company's internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed with management and PwC the audited consolidated financial statements for the fiscal year ended December 29, 2007 and PwC's evaluation of the Company's internal control over financial reporting. The Audit Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as adopted by the Public Company Accounting Oversight Board. PwC has provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board, and the Audit Committee has discussed with PwC that firm's independence. The Audit Committee has concluded that PwC's provision of audit and non-audit services to the Company and its affiliates are compatible with PwC independence.

Based on the considerations and discussions referred to above, the Audit Committee recommended to our Board of Directors that the audited consolidated financial statements for the fiscal year ended December 29, 2007 be included in our Annual Report on Form 10-K for fiscal 2007 for filing with the SEC.

### Committee

Chairman

### Submitted by the Audit

Mr. David Pulver,

Mr. William J. Montgoris

Mr. Thomas E. Whiddon

## PROPOSAL NUMBER TWO

### RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed PwC to serve as our independent registered public accounting firm for fiscal 2008. The Board is submitting the appointment of PwC as our independent registered public accounting firm for stockholder ratification and recommends that stockholders ratify this appointment at the Annual Meeting. A representative of PwC is expected to attend the Annual Meeting and will be available to respond to appropriate questions. For additional information regarding the Company's relationship with PwC, please refer to the Audit Committee Report above.

The Audit Committee has also adopted policies and procedures for pre-approving all non-audit work performed by PwC. The Audit Committee has pre-approved the use of PwC for specific types of services that fall within categories of non-audit services, including various tax services. The Audit Committee receives regular updates as to the fees associated with the services that are subject to pre-approval. Services that do not fall within a pre-approved category require specific consideration and pre-approval by the Audit Committee.

The aggregate fees that the Company incurred for professional services rendered by PwC for the fiscal years ended December 29, 2007 and December 30, 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Audit Fees	\$ 966,284	\$ 970,876
Audit-Related Fees	73,649	69,995
Tax Fees	147,000	44,525
Software License Fees	6,250	15,990
Total Fees	<u>\$1,193,183</u>	<u>\$1,101,386</u>

- *Audit Fees* for the fiscal years ended December 29, 2007 and December 30, 2006 were for professional services rendered for the integrated audit of the consolidated financial statements and internal control over financial reporting of the Company, other auditing procedures related to the adoption of new accounting pronouncements and review of other significant transactions, and related out-of-pocket expenses.
- *Audit-Related Fees* for the fiscal years ended December 29, 2007 and December 30, 2006 were for assurance services related to employee benefit plan audits and related out-of-pocket expenses.
- *Tax Fees* for the fiscal years ended December 29, 2007 and December 30, 2006 were for services related to tax consultation and compliance, special projects, and related out-of-pocket expenses.

**The Board recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm.**

#### Vote Required

The approval of Proposal Number Two requires the affirmative vote of the holders of a majority of the shares of common stock present or represented at the meeting and entitled to vote on such Proposal. Votes may be cast in favor of or against Proposal Number Two. Stockholders may also abstain from voting on Proposal Number Two. Votes to abstain will be counted toward a quorum, but will be excluded entirely from the tabulation of votes, and, therefore, will have the effect of votes "against" this Proposal. Proxies that are granted without providing voting instructions will be voted **FOR** the approval of Proposal Number Two.

#### OTHER MATTERS

As of the date of this proxy statement, we know of no business that will be presented for consideration at the Annual Meeting, other than the items referred to above. If any other matter is properly brought before the Annual Meeting for action by stockholders, proxies in the enclosed form returned to the Company will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.



**Invitation to Carter's, Inc.**

**2008 Annual Meeting of Stockholders**

Carter's, Inc. will conduct its Annual Meeting of Stockholders on Friday, May 9, 2008, at 8:00 a.m. The meeting will be held at the Company's corporate offices at, The Proscenium, 1170 Peachtree Street NE, Atlanta, Georgia 30309.

You are cordially invited to join us for refreshments prior to the Annual Meeting, beginning at 7:30 a.m. The meeting will convene promptly at 8:00 a.m.

In order to expedite your entrance into the meeting, please present this invitation at the registration desk. Invitations or proof of stock ownership as of the record date of March 29, 2008 will be required to enter the meeting. Photo identification is also required for admission.

We look forward to your participation.

**Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:**

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**PROXY  
CARTER'S, INC.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF CARTER'S, INC.  
ANNUAL MEETING OF STOCKHOLDERS - MAY 9, 2008**

The undersigned hereby appoints Frederick J. Rowan, II and Michael D. Casey as proxies (each with the power to act alone and with full power of substitution) to vote, as designated herein, all shares the undersigned is entitled to vote at the Annual Meeting of Stockholders of Carter's, Inc. to be held on May 9, 2008, and at any and all adjournments thereof. The proxies are authorized to vote in their discretion upon such other business as may properly come before the meeting and any and all adjournments thereof.

Your vote on the election of Class II Directors and ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal 2008 may be specified on the reverse side. The nominees for Class II Directors are: Bradley M. Bloom, A. Bruce Cleverly, and Frederick J. Rowan, II.

**IF PROPERLY SIGNED, DATED, AND RETURNED, THIS PROXY WILL BE VOTED AS SPECIFIED ON THE REVERSE SIDE, OR, IF NO CHOICE IS SPECIFIED, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL DIRECTOR NOMINEES IN PROPOSAL 1 AND "FOR" THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2008 IN PROPOSAL 2.**

**(Continued and to be signed on the reverse side)**

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1170 PEACHTREE STREET NE  
 SUITE 900  
 ATLANTA, GEORGIA 30309

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the website and then follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by Carter's, Inc. in mailing proxy materials you can consent to receive all future proxy statements, proxy cards, and annual reports electronically via e-mail or the internet. To sign up for electronic delivery, please follow the instructions above to vote using the internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign, and date your proxy card and return it in the postage-paid envelope we have provided or return it to Carter's, Inc., c/o Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: ☒

CARTER'S  
 YOUR RECORDS

KEEP THIS PORTION FOR

-----  
 DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**CARTER'S, INC.**

**Vote On Directors**

1. Election of Class II Directors:

**Nominees:**

- 01) Bradley M. Bloom
- 02) A. Bruce Cleverly
- 03) Frederick J. Rowan, II

<b>For All</b>	<b>Withhold For All</b>	<b>For All Except</b>
--------------------	-----------------------------	---------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and write the number(s) of the nominee(s) on the line below.

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The Board of Directors recommends a vote **FOR** the election of the Class II Nominees.

**Vote On Ratification**

2. Ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for fiscal 2008

<b>For</b>	<b>Against</b>	<b>Abstain</b>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Board of Directors recommends a vote **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as independent registered accounting firm.

**PLEASE SIGN, DATE, AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.**

Note: Please sign exactly as your name or names appear(s) on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee, or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in

partnership name by authorized person.

Please indicate if you plan to attend this meeting.

**Yes** **No**

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Signature [PLEASE SIGN WITHIN  
BOX] Date

---

Signature (Joint Date  
Owners)

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