

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 28, 2013 OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number:

001-31829

CARTER'S, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(state or other jurisdiction of
incorporation or organization)

13-3912933
(I.R.S. Employer Identification No.)

The Proscenium
1170 Peachtree Street NE, Suite 900
Atlanta, Georgia 30309
(Address of principal executive offices, including zip code)
(404) 745-2700
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ()

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes (X) No ()

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer, accelerated filer, and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer (X) Accelerated Filer () Non-Accelerated Filer () Smaller Reporting Company ()

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes () No (X)

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock

Common stock, par value \$0.01 per share

Outstanding Shares at October 18, 2013

54,525,894

CARTER'S, INC.
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PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CARTER'S, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except for share data)
(unaudited)

	September 28, 2013	December 29, 2012	September 29, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 201,819	\$ 382,236	\$ 254,321
Accounts receivable, net	245,610	168,046	200,156
Finished goods inventories, net	440,446	349,530	375,102
Prepaid expenses and other current assets	22,872	22,216	16,913
Deferred income taxes	33,456	35,675	29,984
Total current assets	944,203	957,703	876,476
Property, plant, and equipment, net	256,225	170,110	153,330
Goodwill	188,006	189,749	190,470
Tradenames and other intangibles, net	336,596	306,072	306,172
Deferred debt issuance costs, net	7,961	2,878	3,074
Other assets	4,566	3,597	3,268
Total assets	\$ 1,737,557	\$ 1,630,109	\$ 1,532,790
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 158,600	\$ 149,625	\$ 115,005
Other current liabilities	85,107	94,610	89,158
Total current liabilities	243,707	244,235	204,163
Long-term debt	586,000	186,000	186,000
Deferred income taxes	110,708	114,341	113,280
Other long-term liabilities	138,219	100,054	95,905
Total liabilities	\$ 1,078,634	\$ 644,630	\$ 599,348
Commitments and contingencies			
Stockholders' equity:			
Preferred stock; par value \$.01 per share; 100,000 shares authorized; none issued or outstanding at September 28, 2013, December 29, 2012, and September 29, 2012, respectively	—	—	—
Common stock, voting; par value \$.01 per share; 150,000,000 shares authorized; 54,542,594, 59,126,639, and 59,035,891 shares issued and outstanding at September 28, 2013, December 29, 2012, and September 29, 2012, respectively	545	591	590
Additional paid-in capital	—	250,276	244,861
Accumulated other comprehensive loss	(13,531)	(11,205)	(9,134)
Retained earnings	671,909	745,817	697,125
Total stockholders' equity	658,923	985,479	933,442
Total liabilities and stockholders' equity	\$ 1,737,557	\$ 1,630,109	\$ 1,532,790

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)
(unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net sales	\$ 760,173	\$ 668,657	\$ 1,869,056	\$ 1,692,481
Cost of goods sold	450,524	398,580	1,096,100	1,044,422
Gross profit	309,649	270,077	772,956	648,059
Selling, general, and administrative expenses	229,264	185,167	609,639	491,162
Royalty income	(10,691)	(10,482)	(27,440)	(26,722)
Operating income	91,076	95,392	190,757	183,619
Interest expense, net	3,995	1,657	6,158	5,279
Other (income) expense, net	(55)	(190)	1,049	(18)
Income before income taxes	87,136	93,925	183,550	178,358
Provision for income taxes	30,565	34,547	65,891	65,900
Net income	<u>\$ 56,571</u>	<u>\$ 59,378</u>	<u>\$ 117,659</u>	<u>\$ 112,458</u>
Basic net income per common share	\$ 0.98	\$ 1.01	\$ 2.00	\$ 1.91
Diluted net income per common share	\$ 0.97	\$ 0.99	\$ 1.98	\$ 1.88
Dividend declared and paid per common share	\$ 0.16	\$ —	\$ 0.32	\$ —

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)
(unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net income	\$ 56,571	\$ 59,378	\$ 117,659	\$ 112,458
Other comprehensive income (loss):				
Foreign currency translation adjustments	1,676	2,293	(2,326)	2,148
Comprehensive income	<u>\$ 58,247</u>	<u>\$ 61,671</u>	<u>\$ 115,333</u>	<u>\$ 114,606</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(amounts in thousands, except share amounts)
(unaudited)

	Common stock - shares	Common stock - \$	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total stockholders' equity
Balance at December 29, 2012	59,126,639	\$ 591	\$ 250,276	\$ (11,205)	\$ 745,817	\$ 985,479
Income tax benefit from stock-based compensation	—	—	10,775	—	—	10,775
Exercise of stock options	654,700	6	12,447	—	—	12,453
Withholdings from vesting of restricted stock	(102,249)	(1)	(4,990)	—	—	(4,991)
Restricted stock activity	274,231	3	(3)	—	—	—
Stock-based compensation expense	—	—	11,903	—	—	11,903
Issuance of common stock	16,173	—	1,080	—	—	1,080
Repurchase of common stock	(5,426,900)	(54)	(281,488)	—	(172,591)	(454,133)
Cash dividends declared and paid	—	—	—	—	(18,976)	(18,976)
Comprehensive income	—	—	—	(2,326)	117,659	115,333
Balance at September 28, 2013	54,542,594	\$ 545	\$ —	\$ (13,531)	\$ 671,909	\$ 658,923

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Three fiscal quarters ended	
	September 28, 2013	September 29, 2012
Cash flows from operating activities:		
Net income	\$ 117,659	\$ 112,458
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43,336	26,619
Accretion of contingent consideration	2,347	2,883
Amortization of debt issuance costs	677	681
Stock-based compensation expense	12,356	9,718
Income tax benefit from stock-based compensation	(10,775)	(2,387)
Loss on disposal of property, plant, and equipment	376	747
Deferred income taxes	(1,469)	(5,612)
Effect of changes in operating assets and liabilities:		
Accounts receivable	(77,751)	(42,209)
Inventories	(91,953)	(26,963)
Prepaid expenses and other assets	(1,061)	(332)
Accounts payable and other liabilities	69,724	53,612
Net cash provided by operating activities	<u>63,466</u>	<u>129,215</u>
Cash flows from investing activities:		
Capital expenditures	(129,628)	(59,816)
Acquisition of tradenames	(38,007)	—
Proceeds from sale of property, plant, and equipment	—	6
Net cash used in investing activities	<u>(167,635)</u>	<u>(59,810)</u>
Cash flows from financing activities:		
Proceeds from senior notes	400,000	—
Payment of debt issuance costs	(6,487)	(1,916)
Borrowings under revolving credit facility	—	2,500
Payments on revolving credit facility	—	(52,500)
Repurchase of common stock	(454,133)	—
Payment of contingent consideration	(14,721)	—
Dividends paid	(18,988)	—
Income tax benefit from stock-based compensation	10,775	2,387
Withholdings from vesting of restricted stock	(4,991)	(2,794)
Proceeds from exercise of stock options	12,424	3,650
Net cash used in financing activities	<u>(76,121)</u>	<u>(48,673)</u>
Effect of exchange rate changes on cash	(127)	95
Net (decrease) increase in cash and cash equivalents	<u>(180,417)</u>	<u>20,827</u>
Cash and cash equivalents, beginning of period	382,236	233,494
Cash and cash equivalents, end of period	<u>\$ 201,819</u>	<u>\$ 254,321</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – THE COMPANY

Carter's, Inc. and its wholly owned subsidiaries (collectively, the "Company" and "its") design, source, and market branded childrenswear under the *Carter's*, *Child of Mine*, *Just One You*, *Precious Firsts*, *OshKosh*, and other brands. The Company's products are sourced through contractual arrangements with manufacturers worldwide for wholesale distribution to major domestic and international retailers and for its 455 Carter's, 170 OshKosh, 96 Canadian and 16 Japanese retail stores that market its brand name merchandise and other licensed products manufactured by other companies.

NOTE 2 – BASIS OF PREPARATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Carter's, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

In the opinion of management, the Company's accompanying unaudited condensed consolidated financial statements contain all adjustments necessary for a fair statement of its financial position as of September 28, 2013, the results of operations and comprehensive income for the fiscal quarter and the three fiscal quarters ended September 28, 2013 and September 29, 2012, its cash flows for the three fiscal quarters ended September 28, 2013 and September 29, 2012, and its changes in stockholders' equity for the three fiscal quarters ended September 28, 2013. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the fiscal quarter and three fiscal quarters ended September 28, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending December 28, 2013.

The accompanying condensed consolidated balance sheet as of December 29, 2012 is derived from the Company's audited consolidated financial statements included in its most recently filed Annual Report on Form 10-K. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and the instructions to Form 10-Q. The accounting policies the Company follows are set forth in the Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

Certain prior year amounts have been reclassified to facilitate comparability with current year presentation.

NOTE 3 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss consisted of the following:

(dollars in thousands)	September 28, 2013	December 29, 2012	September 29, 2012
Cumulative foreign currency translation adjustments	\$ (4,392)	\$ (2,066)	\$ (976)
Pension and post-retirement liability adjustment	(9,139)	(9,139)	(8,158)
Total accumulated other comprehensive loss	<u>\$ (13,531)</u>	<u>\$ (11,205)</u>	<u>\$ (9,134)</u>

NOTE 4 – GOODWILL AND OTHER INTANGIBLE ASSETS

Acquisition of Tradenames

On June 13, 2013, the Company acquired worldwide rights to the *Carter's Watch the Wear* and *H.W. Carter & Sons* brands, including trademark registrations. The Company acquired these worldwide rights for defensive purposes to reduce brand confusion and facilitate expansion in certain key international markets. The total consideration paid was approximately \$38.0 million in cash and was accounted for as an asset acquisition. These tradenames are being amortized over three years, using an accelerated amortization method. The Company recorded approximately \$6.3 million and \$7.3 million in amortization expense during the fiscal quarter and three fiscal quarters ended September 28, 2013, respectively. The estimated future amortization expense for these assets is approximately \$6.3 million for the remainder of fiscal 2013, \$16.4 million for fiscal 2014, \$6.2 million for fiscal 2015, and \$1.7 million for fiscal 2016.

Balance Sheet Components

The Company's goodwill and other intangible assets were as follows:

(dollars in thousands)	Weighted-average useful life	September 28, 2013			December 29, 2012		
		Gross amount	Accumulated amortization	Net amount	Gross amount	Accumulated amortization	Net amount
Carter's goodwill	Indefinite	\$ 136,570	\$ —	\$ 136,570	\$ 136,570	\$ —	\$ 136,570
Bonnie Togs goodwill	Indefinite	\$ 51,436	\$ —	\$ 51,436	\$ 53,179	\$ —	\$ 53,179
Total goodwill		\$ 188,006	\$ —	\$ 188,006	\$ 189,749	\$ —	\$ 189,749
Carter's tradename	Indefinite	\$ 220,233	\$ —	\$ 220,233	\$ 220,233	\$ —	\$ 220,233
OshKosh tradename	Indefinite	\$ 85,500	\$ —	\$ 85,500	\$ 85,500	\$ —	\$ 85,500
Other tradenames	3 years	\$ 38,007	\$ 7,271	\$ 30,736	\$ —	\$ —	\$ —
Bonnie Togs tradename	2 years	\$ 584	\$ 584	\$ —	\$ 604	\$ 453	\$ 151
Total tradenames		\$ 344,324	\$ 7,855	\$ 336,469	\$ 306,337	\$ 453	\$ 305,884
Non-compete agreements	4 years	\$ 291	\$ 164	\$ 127	\$ 301	\$ 113	\$ 188
Total tradenames and other intangibles, net		\$ 344,615	\$ 8,019	\$ 336,596	\$ 306,638	\$ 566	\$ 306,072

(dollars in thousands)	Weighted-average useful life	September 29, 2012		
		Gross amount	Accumulated amortization	Net amount
Carter's goodwill	Indefinite	\$ 136,570	\$ —	\$ 136,570
Bonnie Togs goodwill	Indefinite	\$ 53,900	\$ —	\$ 53,900
Total goodwill		\$ 190,470	\$ —	\$ 190,470
Carter's tradename	Indefinite	\$ 220,233	\$ —	\$ 220,233
OshKosh tradename	Indefinite	\$ 85,500	\$ —	\$ 85,500
Bonnie Togs tradename	2 years	\$ 612	\$ 383	\$ 229
Total tradenames		\$ 306,345	\$ 383	\$ 305,962
Non-compete agreements	4 years	\$ 305	\$ 95	\$ 210
Total tradenames and other intangibles, net		\$ 306,650	\$ 478	\$ 306,172

NOTE 5 – COMMON STOCK:

Share Repurchases

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

In the second quarter of fiscal 2013, the Company's Board of Directors approved a \$300 million share repurchase authorization, including amounts remaining under the previous authorizations. On August 22, 2013, the Company's Board of Directors approved an additional \$400 million authorization for share repurchases.

In the first and second fiscal quarters of 2013, the Company repurchased shares on the open market. In the third fiscal quarter of 2013, the Company repurchased shares on the open market in addition to acquiring shares under an accelerated stock repurchase program.

The total remaining capacity under the repurchase authorizations as of September 28, 2013, was approximately \$267.2 million. The authorizations have no expiration date.

Open Market Purchases

During the three fiscal quarters ended September 28, 2013, the Company repurchased and retired shares, in open market transactions, in the following amounts:

	Number of shares repurchased	Aggregate cost of shares repurchased (in millions)	Average price per share
Shares repurchased and retired in Q1 2013	156,600	\$8.9	\$57.10
Shares repurchased and retired in Q2 2013	433,402	\$28.8	\$66.49
Shares repurchased and retired in Q3 2013	226,400	\$16.4	\$72.33
Shares repurchased and retired through September 28, 2013	816,402	\$54.1	\$66.31

The Company did not purchase any shares of its common stock during the three fiscal quarters ended September 29, 2012.

Accelerated Stock Repurchase Program

On August 29, 2013, the Company entered into a \$300 million fixed dollar uncollared accelerated stock repurchase agreement (the "Uncollared ASR Agreement") and a \$100 million fixed dollar collared accelerated stock repurchase agreement (the "Collared ASR Agreement"), each with JPMorgan Chase Bank, N. A. ("JPMorgan").

Under the Uncollared ASR Agreement, the Company paid \$300 million from cash on hand to JPMorgan to repurchase outstanding shares of the Company's common stock. Under the Collared ASR Agreement, the Company paid \$100 million from cash on hand to JPMorgan to repurchase outstanding shares of the Company's common stock. As of September 28, 2013, JPMorgan had delivered approximately 4.6 million shares to the Company with a fair market value, at trade date, of approximately \$328.4 million. The Company expects that JPMorgan will deliver additional shares to the Company as part of the final settlement of the ASR Agreements which expire in the second fiscal quarter of 2014. All shares received under the ASR Agreements were retired upon receipt.

The specific number of shares that the Company will ultimately repurchase will be determined at the completion of the term of the Agreements based, generally, on the daily volume-weighted average share price of the Company's common stock during a period of up to eight months, less an agreed discount. For shares repurchased under the Collared ASR Agreement, the amount of shares is subject to additional provisions that establish a minimum and maximum number of repurchased shares. Such minimum and maximum share numbers will be based, generally, on the daily volume-weighted average share price of the Company's common stock over the period during which JPMorgan established an initial hedge position.

The ASR agreements are being treated as equity classified forward contracts indexed to the Company's own stock. Upon final settlement of the Agreements, the Company may be entitled to receive additional shares of common stock, or under certain circumstances, be required to remit a settlement amount to JPMorgan, payable, at the Company's option, in cash or common stock. The Company expects that it will receive additional shares upon final settlement of the Agreements.

As of September 28, 2013, the amount of additional shares that the Company would have received under the ASR agreements, if settled on that date, was approximately 0.8 million shares.

Dividend

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

In the second and third fiscal quarters of 2013, the Company's Board of Directors authorized quarterly cash dividends of \$0.16 per share paid on June 14, 2013, for shareholders of record at the close of business on May 31, 2013, and paid on September 13, 2013, for shareholders of record at the close of business on September 3, 2013. Future declarations of quarterly dividends and the establishment of future record and payment dates are at the discretion of the Company's Board of Directors based on a number of factors, including the Company's future financial performance and other investment priorities.

Provisions in the Company's secured revolving credit facility and indenture governing its senior notes could have the effect of restricting the Company's ability to pay future cash dividends or make future repurchases of its common stock.

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

(dollars in thousands)	September 28, 2013	December 29, 2012	September 29, 2012
Senior notes due 2021	\$ 400,000	\$ —	\$ —
Revolving credit facility	\$ 186,000	\$ 186,000	\$ 186,000
Total long-term debt	\$ 586,000	\$ 186,000	\$ 186,000

Senior Notes

On August 12, 2013, the Company's 100% owned subsidiary, The William Carter Company ("TWCC") issued \$400 million principal amount of senior notes (the "senior notes") at par, bearing interest at a rate of 5.25% per annum, and maturing on August 15, 2021, all of which were outstanding as of September 28, 2013. TWCC received net proceeds from the offering of the senior notes of approximately \$394.2 million, after deducting bank fees. Approximately \$7.1 million, including both bank fees and other third party expenses, has been capitalized in connection with the issuance and is being amortized over the term of the senior notes.

The senior notes are unsecured and are fully and unconditionally guaranteed by Carter's, Inc. and certain subsidiaries of TWCC.

At any time prior to August 15, 2017, TWCC may redeem all or part of the senior notes at 100% of the principal amount redeemed plus an applicable premium and accrued and unpaid interest. On and after August 15, 2017, TWCC may redeem all or part of the senior notes at the redemption prices (expressed as percentages of principal amount of the senior notes to be redeemed) set forth below, plus accrued and unpaid interest. The redemption price applicable where the redemption occurs during the twelve-month period beginning on August 15 of each of the years indicated is as follows:

Year	Percentage
2017	102.625%
2018	101.313%
2019 and thereafter	100.000%

In addition, until August 15, 2016, TWCC may, at its option, redeem up to 35% of the aggregate principal amount of the senior notes at a redemption price equal to 105.250% of the aggregate principal amount, plus accrued and unpaid interest, subject to certain terms, with the proceeds of certain equity offerings.

Upon the occurrence of specific kinds of changes of control, unless a redemption notice with respect to all the outstanding senior notes has previously or concurrently been mailed or delivered, TWCC will be required to make an offer to purchase the senior notes at 101% of their principal amount. In addition, if TWCC or any of its restricted subsidiaries engages in certain asset sales, under certain circumstances TWCC will be required to use the net proceeds to make an offer to purchase the senior notes at 100% of their principal amount.

The indenture governing the senior notes includes a number of covenants, that, among other things and subject to certain exceptions, restrict TWCC's ability and the ability of certain of its subsidiaries to: (a) incur, assume or guarantee additional indebtedness; (b) issue disqualified stock and preferred stock; (c) pay dividends or make distributions or other restricted payments; (d) prepay, redeem or repurchase certain debt; (e) make loans and investments (including joint ventures); (f) incur liens; (g) create restrictions on the payment of dividends or other amounts from restricted subsidiaries that are not guarantors of the notes; (h) sell

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

or otherwise dispose of assets, including capital stock of subsidiaries; (i) consolidate or merge with or into, or sell substantially all of TWCC's assets to, another person; (j) designate subsidiaries as unrestricted subsidiaries; and (k) enter into transactions with affiliates. Additionally, the terms of the notes contain customary affirmative covenants and provide for events of default which, if certain of them occur, would permit the trustee or the holders of at least 25% in principal amount of the then total outstanding senior notes to declare all amounts owing under the notes to be due and payable. Carter's, Inc. is not subject to these covenants.

If TWCC fails to timely complete a required registered exchange offer, the Company will be required to pay additional interest on the senior notes.

Secured Revolving Credit Facility

As of September 28, 2013, the Company had approximately \$186.0 million in borrowings under its secured revolving credit facility, exclusive of \$12.3 million of outstanding letters of credit. Amounts outstanding under the revolving credit facility currently accrue interest at a LIBOR rate plus 1.50%, which, as of September 28, 2013, was 1.68%. As of September 28, 2013, there was approximately \$176.7 million available for future borrowing.

As of September 28, 2013, the Company was in compliance with its financial debt covenants under the revolving credit facility.

NOTE 7 – STOCK-BASED COMPENSATION

The Company recorded stock-based compensation cost as follows:

	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
(dollars in thousands)				
Stock options	\$ 1,136	\$ 1,038	\$ 3,644	\$ 3,081
<u>Restricted stock:</u>				
Time-based awards	1,666	1,398	5,148	3,990
Performance-based awards	1,129	662	3,111	1,732
Stock awards	—	270	453	915
Total	\$ 3,931	\$ 3,368	\$ 12,356	\$ 9,718

All of the cost of stock-based compensation was reflected as a component of selling, general, and administrative expenses.

STOCK OPTIONS

The following table summarizes the Company's stock option activity for the three fiscal quarters ended September 28, 2013:

	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual terms (years)	Aggregate intrinsic value (in thousands)
Outstanding, December 29, 2012	2,078,433	\$ 26.14		
Granted	345,200	\$ 59.67		
Exercised	(654,700)	\$ 18.98		
Forfeited	(66,625)	\$ 36.49		
Expired	—	\$ —		
Outstanding, September 28, 2013	<u>1,702,308</u>	\$ 35.29	7.16	\$ 69,346
Vested and Expected to Vest, September 28, 2013	1,641,727	\$ 34.91	7.12	\$ 67,516
Exercisable, September 28, 2013	843,854	\$ 25.20	5.87	\$ 42,894

The intrinsic value of stock options exercised during the three fiscal quarters ended September 28, 2013 and September 29, 2012 was approximately \$29.4 million and \$4.7 million, respectively. At September 28, 2013, there was approximately \$10.1 million of unrecognized compensation cost (net of estimated forfeitures) related to stock options which is expected to be recognized over a weighted-average period of approximately 2.8 years.

The table below presents the assumptions used to calculate the fair value of options granted:

	Three fiscal quarters ended	
	September 28, 2013	September 29, 2012
Expected volatility	33.15%	34.80%
Risk-free interest rate	1.14%	1.37%
Expected term (years)	6.0	5.9
Dividend yield	0.91%	—%
Weighted average fair value of options granted	\$ 20.18	\$ 15.16

RESTRICTED STOCK AWARDS

The following table summarizes activity related to all restricted stock awards during the three fiscal quarters ended September 28, 2013:

	Restricted stock awards	Weighted-average grant-date fair value
Outstanding, December 29, 2012	766,929	\$ 33.97
Granted	317,073	\$ 59.87
Vested	(234,305)	\$ 31.22
Forfeited	(44,575)	\$ 36.89
Outstanding, September 28, 2013	805,122	\$ 44.81

Time-based Restricted Stock Awards

At September 28, 2013, there was approximately \$15.1 million of unrecognized compensation cost (net of estimated forfeitures) related to restricted stock which is expected to be recognized over a weighted-average period of approximately 2.8 years.

Performance-based Restricted Stock Awards

During the first fiscal quarter of 2012, the Company granted its executive officers an aggregate of 152,000 performance-based restricted shares at a fair market value of \$42.61 per share. During the first fiscal quarter of 2013, the Company granted its executive officers an aggregate of 118,200 performance-based restricted shares at a fair market value of \$59.27 per share.

Vesting of these shares is contingent upon meeting specific performance targets through 2014 (in the case of the fiscal 2012 awards) or 2015 (in the case of the fiscal 2013 awards). Currently, the Company believes that the respective targets will be achieved and has recorded compensation expense based on the proration of the total ultimate expected value of the award.

At September 28, 2013, there was approximately \$9.7 million of unrecognized compensation cost (net of estimated forfeitures) related to performance-based restricted stock awards which is expected to be recognized over a weighted-average period of approximately 2.2 years.

NOTE 8 – EMPLOYEE BENEFIT PLANS

OSHKOSH B'GOSH PENSION PLAN

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The net periodic pension cost included in the statement of operations was comprised of:

(dollars in thousands)	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Interest cost	\$ 584	\$ 597	\$ 1,752	\$ 1,791
Expected return on plan assets	(764)	(713)	(2,292)	(2,139)
Recognized actuarial loss	208	178	624	533
Net periodic pension cost	\$ 28	\$ 62	\$ 84	\$ 185

POST-RETIREMENT LIFE AND MEDICAL PLAN

The components of post-retirement benefit expense charged to the statement of operations are as follows:

(dollars in thousands)	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Service cost – benefits attributed to service during the period	\$ 40	\$ 17	\$ 120	\$ 51
Interest cost on accumulated post-retirement benefit obligation	58	53	174	159
Amortization net actuarial gain	(34)	(18)	(102)	(54)
Total net periodic post-retirement benefit cost	\$ 64	\$ 52	\$ 192	\$ 156

NOTE 9 – INCOME TAXES

As of September 28, 2013, the Company had gross unrecognized tax benefits of approximately \$10.6 million, of which \$7.5 million, if ultimately recognized, will affect the Company's effective tax rate in the period settled. The Company has recorded tax positions for which the ultimate deductibility is more likely than not, but for which there is uncertainty about the timing of such deductions. Because of deferred tax accounting, changes in the timing of these deductions would not affect the annual effective tax rate, but could accelerate the payment of cash to the taxing authorities.

Included in the reserves for unrecognized tax benefits are approximately \$1.6 million of reserves for which the statute of limitations is expected to expire within the next fiscal year. If these tax benefits are ultimately recognized, such recognition, net of federal income taxes, may affect the annual effective tax rate for fiscal 2013 or fiscal 2014 and the effective tax rate in the quarter in which the benefits are recognized.

During the third quarter of fiscal 2013 and 2012, the Company reversed approximately \$1.0 million and \$0.8 million, respectively, of reserves due to the expiration of applicable statutes of limitations or audit settlements during the quarter.

The Company recognizes interest related to unrecognized tax benefits as a component of interest expense and penalties related to unrecognized tax benefits as a component of income tax expense. During the fiscal quarter and the three fiscal quarters ended September 28, 2013 and September 29, 2012, interest expense recorded on uncertain tax positions was not significant. The Company had approximately \$0.8 million, \$0.7 million, and \$0.7 million of interest accrued on uncertain tax positions as of September 28, 2013, December 29, 2012, and September 29, 2012, respectively.

NOTE 10 – FAIR VALUE MEASUREMENTS

INVESTMENTS

In fiscal 2012, the Company began investing in marketable securities, principally equity based mutual funds, to mitigate the risk associated with the investment return on employee deferrals of compensation. The Company had approximately \$4.5 million and \$3.2 million of such Level 1 investments as of September 28, 2013 and December 29, 2012, respectively. There were no such investments as of September 29, 2012.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

All of the marketable securities purchased were included in other assets in the accompanying unaudited condensed consolidated balance sheets. During the fiscal quarter and the three fiscal quarters ended September 28, 2013, gains on the investments in marketable securities were not significant.

CONTINGENT CONSIDERATION

The following table summarizes the changes in the contingent consideration liability related to the Company's acquisition of Bonnie Togs on June 30, 2011:

(dollars in thousands)	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Balance at beginning of period	\$ 29,950	\$ 27,305	\$ 29,704	\$ 25,566
Payments made	\$ (14,721)	\$ —	\$ (14,721)	\$ —
Accretion expense	480	1,100	2,347	2,881
Foreign currency translation adjustment	791	989	(830)	947
Balance at end of period	\$ 16,500	\$ 29,394	\$ 16,500	\$ 29,394

The contingent consideration liability is a Level 3 fair value measurement. As of September 28, 2013, the Company determined the fair value of contingent consideration based upon a probability-weighted discounted cash flow analysis, reflecting a high probability that the earnings targets will be met and at a discount rate of 18%.

BORROWINGS

As of September 28, 2013, the fair value of the Company's \$186.0 million in borrowings under its secured revolving credit facility and its \$400.0 million in senior notes outstanding both approximated carrying value.

OTHER

As of September 29, 2012, the Company had contracts for the purchase of \$8.0 million of U.S. dollars at fixed rates. The Level 1 fair value of these forward contracts was a liability of \$0.1 million. During the fiscal quarter and three fiscal quarters ended September 29, 2012, the Company recorded a loss on the mark-to-market of foreign currency exchange contracts of approximately \$0.4 million and a loss of approximately \$0.8 million, respectively, on these contracts.

The Company did not enter into any foreign exchange forward contracts during the three fiscal quarters ended September 28, 2013 and there were no such contracts outstanding at September 28, 2013.

NOTE 11 – EARNINGS PER SHARE

The following is a reconciliation of basic common shares outstanding to diluted common and common equivalent shares outstanding:

	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Weighted-average number of common and common equivalent shares outstanding:				
Basic number of common shares outstanding	56,908,631	58,267,398	57,982,401	58,175,125
Dilutive effect of equity awards	531,514	882,729	614,045	843,565
Diluted number of common and common equivalent shares outstanding	57,440,145	59,150,127	58,596,446	59,018,690
Basic net income per common share:				
Net income	\$ 56,571,000	\$ 59,378,000	\$ 117,659,000	\$ 112,458,000
Income allocated to participating securities	(759,297)	(775,127)	(1,566,258)	(1,470,338)
Net income available to common shareholders	\$ 55,811,703	\$ 58,602,873	\$ 116,092,742	\$ 110,987,662
Basic net income per common share	\$ 0.98	\$ 1.01	\$ 2.00	\$ 1.91
Diluted net income per common share:				
Net income	\$ 56,571,000	\$ 59,378,000	\$ 117,659,000	\$ 112,458,000
Income allocated to participating securities	(753,449)	(766,127)	(1,552,539)	(1,453,966)
Net income available to common shareholders	\$ 55,817,551	\$ 58,611,873	\$ 116,106,461	\$ 111,004,034
Diluted net income per common share	\$ 0.97	\$ 0.99	\$ 1.98	\$ 1.88
Anti-dilutive shares excluded from dilutive earnings per share computation	339,400	573,550	355,700	598,250

In connection with the ASR Agreements discussed in the common stock footnote, the Company received a total of approximately 4.6 million shares as of September 28, 2013. The shares were retired upon receipt and, accordingly, reduced the Company's weighted average shares outstanding for purposes of the calculation of earnings per share.

The Company evaluated the ASR Agreements for their potential dilution of earnings per share and has determined that, based on calculations under the ASR Agreements, as of September 28, 2013, it would not be required to deliver additional shares to JPMorgan. Further, based on the volume-weighted average price calculated as of September 28, 2013, the Company would have received approximately 0.8 million shares had the ASR Agreements been settled on that date. The Company has determined that these shares would have had an anti-dilutive effect and has excluded these shares from the diluted earnings per share calculation for the fiscal quarter and three fiscal quarters ended September 28, 2013.

The amount of shares to be received upon final settlement may increase or decrease depending upon the volume-weighted average price of the Company's common stock during the remaining term of the ASR Agreements. The ASR Program will be completed no later than the second quarter of fiscal 2014 and is expected to result in a decrease to the Company's issued and outstanding shares upon completion.

NOTE 12 – OTHER CURRENT AND LONG-TERM LIABILITIES

Other current liabilities consisted of the following:

(dollars in thousands)	September 28, 2013	December 29, 2012	September 29, 2012
Accrued bonuses and incentive compensation	\$ 13,799	\$ 30,541	\$ 14,292
Contingent consideration	9,706	14,442	15,000
Income taxes payable	1,600	1,476	18,757
Accrued workers' compensation	6,152	5,446	5,630
Accrued sales and use taxes	7,256	5,402	6,059
Accrued salaries and wages	6,224	5,517	2,495
Accrued gift certificates	6,409	6,011	4,870
Accrued 401(k) contributions	5,985	6,200	4,114
Accrued closure costs	8,210	4,274	1,840
Other current liabilities	19,766	15,301	16,101
Total	\$ 85,107	\$ 94,610	\$ 89,158

Other long-term liabilities consisted of the following:

(dollars in thousands)	September 28, 2013	December 29, 2012	September 29, 2012
Deferred lease incentives	\$ 67,988	\$ 29,913	\$ 29,352
Accrued rent	26,525	20,485	18,877
Contingent consideration	6,794	15,262	14,394
OshKosh pension plan	13,638	13,557	11,642
Unrecognized tax benefits	11,468	10,479	10,784
Post-retirement medical plan	6,201	6,201	6,660
Deferred compensation	5,445	3,996	3,495
Other	160	161	701
Total	\$ 138,219	\$ 100,054	\$ 95,905

NOTE 13 – SEGMENT INFORMATION

The table below presents certain segment information for the periods indicated:

(dollars in thousands)	Fiscal quarter ended				Three fiscal quarters ended			
	September 28, 2013	% of Total	September 29, 2012	% of Total	September 28, 2013	% of Total	September 29, 2012	% of Total
Net sales:								
Carter's Wholesale	\$ 318,607	41.9 %	\$ 275,577	41.2 %	\$ 763,518	40.9 %	\$ 719,585	42.5 %
Carter's Retail (a)	251,028	33.0 %	217,299	32.5 %	658,827	35.2 %	563,764	33.3 %
Total Carter's	569,635	74.9 %	492,876	73.7 %	1,422,345	76.1 %	1,283,349	75.8 %
OshKosh Retail (a)	81,894	10.8 %	78,070	11.7 %	193,662	10.4 %	194,359	11.5 %
OshKosh Wholesale	24,583	3.2 %	28,276	4.2 %	54,070	2.9 %	61,339	3.6 %
Total OshKosh	106,477	14.0 %	106,346	15.9 %	247,732	13.4 %	255,698	15.1 %
International (b)	84,061	11.1 %	69,435	10.4 %	198,979	10.5 %	153,434	9.1 %
Total net sales	\$ 760,173	100.0 %	\$ 668,657	100.0 %	\$ 1,869,056	100.0 %	\$ 1,692,481	100.0 %
Operating income:								
		% of segment net sales		% of segment net sales		% of segment net sales		% of segment net sales
Carter's Wholesale	\$ 56,703	17.8 %	\$ 53,425	19.4 %	\$ 138,186	18.1 %	\$ 129,123	17.9 %
Carter's Retail (a)	47,601	19.0 %	43,050	19.8 %	120,641	18.3 %	93,539	16.6 %
Total Carter's	104,304	18.3 %	96,475	19.6 %	258,827	18.2 %	222,662	17.4 %
OshKosh Retail (a)	5,649	6.9 %	3,397	4.4 %	(5,520)	(2.9)%	(13,285)	(6.8)%
OshKosh Wholesale	4,445	18.1 %	2,445	8.6 %	7,929	14.7 %	3,131	5.1 %
Total OshKosh	10,094	9.5 %	5,842	5.5 %	2,409	1.0 %	(10,154)	(4.0)%
International (b) (c)	15,129	18.0 %	15,984	23.0 %	27,478	13.8 %	28,985	18.9 %
Total segment operating income	129,527	17.0 %	118,301	17.7 %	288,714	15.4 %	241,493	14.3 %
Corporate expenses (d) (e)	(38,451)	(5.1)%	(22,909)	(3.4)%	(97,957)	(5.2)%	(57,874)	(3.4)%
Total operating income	\$ 91,076	12.0 %	\$ 95,392	14.3 %	\$ 190,757	10.2 %	\$ 183,619	10.8 %

- (a) Includes eCommerce results.
- (b) Net sales include international retail, eCommerce, and wholesale sales. Operating income includes international licensing income.
- (c) Includes charges associated with the revaluation of the Company's contingent consideration of \$0.5 million and \$2.3 million for the fiscal quarter and three fiscal quarters ended September 28, 2013, respectively, and \$1.1 million and \$2.9 million for the quarter and three fiscal quarters ended September 29, 2012, respectively.
- (d) Corporate expenses include expenses related to incentive compensation, stock-based compensation, executive management, severance and relocation, finance, building occupancy, information technology, certain legal fees, consulting, and audit fees.
- (e) Includes the following charges:

(dollars in millions)	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Closure of distribution facility in Hogansville, GA	\$ 0.4	\$ 0.8	\$ 1.0	\$ 2.6
Office consolidation costs	\$ 5.9	\$ —	\$ 24.1	\$ —
Amortization of H.W. Carter and Sons tradenames	\$ 6.3	\$ —	\$ 7.3	\$ —

NOTE 14 – FACILITY CLOSURE

HOGANSVILLE DISTRIBUTION FACILITY

In conjunction with the plan to close the Hogansville distribution facility, the Company recorded expense of approximately \$0.4 million and \$1.0 million in closing-related costs during the fiscal quarter and three fiscal quarters ended September 28, 2013.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company recorded approximately \$0.8 million and \$2.6 million in closing-related costs during the fiscal quarter and three fiscal quarters ended September 29, 2012, respectively.

The total amount of charges consisted of the following components:

(dollars in millions)	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Severance	\$ 0.3	\$ 0.3	\$ 0.5	\$ 1.7
Accelerated depreciation	0.1	0.4	0.4	0.8
Other closure costs	—	0.1	—	0.1
Total	\$ 0.4	\$ 0.8	\$ 1.0	\$ 2.6

The following table summarizes restructuring reserves related to the closure of the Hogansville facility which are included in other current liabilities in the accompanying unaudited condensed consolidated balance sheet as of September 28, 2013:

(dollars in thousands)	Severance	Other closure costs	Total
Balance at December 29, 2012	\$ 2,039	\$ —	\$ 2,039
Provision	433	9	442
Payments	—	—	—
Balance at March 30, 2013	\$ 2,472	\$ 9	\$ 2,481
Provision	(179)	9	(170)
Payments	—	—	—
Balance at June 29, 2013	\$ 2,293	\$ 18	\$ 2,311
Provision	261	6	267
Payments	—	(2)	(2)
Balance at September 28, 2013	\$ 2,554	\$ 22	\$ 2,576

As of September 29, 2012 restructuring reserves were approximately \$1.8 million.

In conjunction with the plan to close the Hogansville, Georgia distribution facility, the Company expects to incur, in total for fiscal 2013, closure-related charges of approximately \$2.5 million, comprising \$1.0 million for one-time termination benefits, \$0.5 million in accelerated depreciation, and other closure costs of \$1.0 million.

OFFICE CONSOLIDATION

In connection with the plan to consolidate its Shelton, Connecticut and Atlanta, Georgia offices, as well as certain functions from its other offices, into a new headquarters facility in Atlanta, Georgia, the Company recorded approximately \$5.9 million and \$24.1 million in closing-related costs in the fiscal quarter and three fiscal quarters ended September 28, 2013, respectively.

The total amount of charges consisted of the following:

(dollars in millions)	Fiscal quarter ended	Three fiscal quarters ended
	September 28, 2013	September 28, 2013
Recruiting, relocation and other closure costs	\$ 4.7	\$ 16.1
Severance and other benefits	0.6	4.7
Accelerated depreciation	0.6	3.2
Total	\$ 5.9	\$ 24.1

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes restructuring reserves related to the office consolidation which are included in other current liabilities in the accompanying unaudited condensed consolidated balance sheet as of September 28, 2013:

(dollars in thousands)	Severance	Other closure costs	Total
Balance at December 29, 2012	\$ 2,235	\$ —	\$ 2,235
Provision	1,806	4,900	6,706
Payments	—	(4,900)	(4,900)
Balance at March 30, 2013	\$ 4,041	\$ —	\$ 4,041
Provision	2,700	6,200	8,900
Payments	—	(5,988)	(5,988)
Balance at June 29, 2013	\$ 6,741	\$ 212	\$ 6,953
Provision	600	4,700	5,300
Payments	(1,919)	(4,700)	(6,619)
Balance at September 28, 2013	\$ 5,422	\$ 212	\$ 5,634

The Company expects to substantially complete this consolidation by the end of fiscal 2013. The Company anticipates pre-tax consolidation-related expenses for the full year of fiscal 2013 to be approximately \$38 - \$42 million. Included in the total are cash charges of approximately \$36 million, comprising \$16 million of recruiting and relocation expenses, \$6 million of employee severance and other benefit costs, \$7 million of lease-related charges, and \$7 million of other closure costs. The Company also expects approximately \$4 million in non-cash accelerated depreciation expense.

NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the Financial Accounting Standards Board issued guidance finalizing the reporting of amounts reclassified out of accumulated other comprehensive income. The new standard requires disclosure, either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. The guidance is effective for annual reporting periods and interim periods within those years, beginning after December 15, 2012. In the first fiscal quarter of 2013, the Company adopted the guidance and determined that there were no significant amounts reclassified in the period that would require enhanced disclosure.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

The following is a discussion of our results of operations and current financial condition. This should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes and our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

Our Business

We are the largest branded marketer in the United States of apparel exclusively for babies and young children. We own two of the most highly recognized and most trusted brand names in the children's apparel industry, *Carter's* and *OshKosh B'gosh* ("OshKosh"). Established in 1865, our *Carter's* brand is recognized and trusted by consumers for high-quality apparel for children sizes newborn to seven. Established in 1895, *OshKosh* is a well-known brand, trusted by consumers for its line of apparel for children sizes newborn to 12. We have extensive experience in the young children's apparel market and focus on delivering products that satisfy our consumers' needs. Our strategy is to market high-quality, essential core products at prices that deliver an attractive value proposition for consumers.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, (i) selected statement of operations data expressed as a percentage of net sales, and (ii) the number of retail stores open at the end of each period:

	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net sales				
Carter's Wholesale	41.9 %	41.2 %	40.9 %	42.5 %
Carter's Retail	33.0 %	32.5 %	35.2 %	33.3 %
Total Carter's	74.9 %	73.7 %	76.1 %	75.8 %
OshKosh Retail	10.8 %	11.7 %	10.4 %	11.5 %
OshKosh Wholesale	3.2 %	4.2 %	2.9 %	3.6 %
Total OshKosh	14.0 %	15.9 %	13.4 %	15.1 %
International	11.1 %	10.4 %	10.5 %	9.1 %
Consolidated net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	59.3 %	59.6 %	58.6 %	61.7 %
Gross profit	40.7 %	40.4 %	41.4 %	38.3 %
Selling, general, and administrative expenses	30.2 %	27.7 %	32.6 %	29.0 %
Royalty income	(1.4)%	(1.6)%	(1.5)%	(1.6)%
Operating income	12.0 %	14.3 %	10.2 %	10.8 %
Interest expense, net	0.5 %	0.2 %	0.3 %	0.3 %
Other expense (income), net	— %	— %	0.1 %	— %
Income before income taxes	11.5 %	14.0 %	9.8 %	10.5 %
Provision for income taxes	4.0 %	5.2 %	3.5 %	3.9 %
Net income	7.4 %	8.9 %	6.3 %	6.6 %
Number of retail stores at end of period:				
Carter's - U.S.			455	398
OshKosh - U.S.			170	167
International:				
Canada			96	79
Japan			16	—
Total retail stores			737	644

Note: Results may not be additive due to rounding.

THIRD QUARTER AND THREE FISCAL QUARTERS ENDED SEPTEMBER 28, 2013 COMPARED WITH THIRD QUARTER AND THREE FISCAL QUARTERS ENDED SEPTEMBER 29, 2012

CONSOLIDATED NET SALES

In the third fiscal quarter of 2013, consolidated net sales increased \$91.5 million, or 13.7%, to \$760.2 million. For the first three fiscal quarters of 2013, consolidated net sales increased \$176.6 million, or 10.4%, to \$1,869.1 million. For the third fiscal quarter of 2013, the growth reflects higher sales in both of the Carter's segments, the international segment, and the OshKosh retail segment. For the first three fiscal quarters of 2013, the growth reflects higher sales in the Carter's and international segments, partially offset by lower sales in the other segments.

(dollars in thousands)	Fiscal quarter ended				Three fiscal quarters ended			
	September 28, 2013	% of Total	September 29, 2012	% of Total	September 28, 2013	% of Total	September 29, 2012	% of Total
Net sales:								
Carter's Wholesale	\$ 318,607	41.9%	\$ 275,577	41.2%	\$ 763,518	40.9%	\$ 719,585	42.5%
Carter's Retail	251,028	33.0%	217,299	32.5%	658,827	35.2%	563,764	33.3%
Total Carter's	569,635	74.9%	492,876	73.7%	1,422,345	76.1%	1,283,349	75.8%
OshKosh Retail	\$ 81,894	10.8%	\$ 78,070	11.7%	\$ 193,662	10.4%	\$ 194,359	11.5%
OshKosh Wholesale	24,583	3.2%	28,276	4.2%	54,070	2.9%	61,339	3.6%
Total OshKosh	106,477	14.0%	106,346	15.9%	247,732	13.4%	255,698	15.1%
International	84,061	11.1%	69,435	10.4%	198,979	10.5%	153,434	9.1%
Total net sales	\$ 760,173	100.0%	\$ 668,657	100.0%	\$ 1,869,056	100.0%	\$ 1,692,481	100.0%

CARTER'S WHOLESALE SALES

Carter's wholesale sales increased \$43.0 million, or 15.6%, in the third fiscal quarter of 2013 to \$318.6 million. This increase was primarily due to a 15.1% increase in units shipped as compared to the third fiscal quarter of 2012.

Carter's wholesale sales increased \$43.9 million, or 6.1%, in the first three fiscal quarters of 2013 to \$763.5 million. This increase was primarily due to an increase in units shipped as compared to the first three fiscal quarters of 2012.

CARTER'S RETAIL SALES

Carter's retail sales increased \$33.7 million, or 15.5%, in the third fiscal quarter of 2013 to \$251.0 million. The increase was driven by incremental sales of \$19.2 million generated by new store openings, \$14.7 million generated by incremental eCommerce sales, and a comparable store sales increase of \$0.8 million, or 0.5%, partially offset by the impact of store closings of \$1.0 million.

Carter's retail sales increased \$95.1 million, or 16.9%, in the first three fiscal quarters of 2013 to \$658.8 million. The increase was driven by incremental sales of \$56.6 million generated by new store openings, \$35.9 million generated by incremental eCommerce sales, and a comparable store sales increase of \$7.3 million, or 1.5%, partially offset by the impact of store closings of \$4.8 million. The increase in comparable store sales was primarily due to an increase in the average transaction value as compared to the first three fiscal quarters of 2012.

During the third fiscal quarter of 2013, we opened 17 Carter's stores. During the first three fiscal quarters of fiscal 2013, we opened 44 Carter's stores and closed two stores. There were a total of 455 Carter's retail stores as of September 28, 2013. In total, we plan to open approximately 66 Carter's retail stores and close two stores during fiscal 2013.

OSHKOSH RETAIL SALES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

OshKosh retail sales increased \$3.8 million, or 4.9%, in the third fiscal quarter of 2013 to \$81.9 million. The increase was driven by an incremental eCommerce sales increase of \$3.1 million, incremental sales of \$2.8 million from new store openings, and a comparable store sales increase of \$0.7 million, or 1.0%, partially offset by the impact of store closings of \$2.8 million.

OshKosh retail sales decreased \$0.7 million, or 0.4%, in the first three fiscal quarters of 2013 to \$193.7 million. The decline was driven by store closings of \$7.8 million and a comparable store sales decrease of \$6.5 million, or 3.9%, partially offset by incremental sales of \$7.3 million generated by incremental eCommerce sales and \$6.3 million from new store openings. On a comparable store basis, the number of transactions decreased 5.6% and the average transaction value increased 1.7% driven by an increase in average unit retail price.

During the third fiscal quarter of 2013, we opened seven OshKosh retail stores and closed one store. During the first three fiscal quarters of 2013, we opened seven stores and closed five. There were a total of 170 OshKosh retail stores as of September 28, 2013. In total, we plan to open approximately 18 and close five OshKosh retail stores during fiscal 2013.

OSHKOSH WHOLESALE SALES

OshKosh wholesale sales decreased \$3.7 million, or 13.1%, in the third fiscal quarter of 2013 to \$24.6 million. This decrease was primarily due to a 13.5% decline in units shipped, partially offset by a slight increase in average price per unit as compared to the third fiscal quarter of 2012.

OshKosh wholesale sales decreased \$7.3 million, or 11.9%, in the first three fiscal quarters of 2013 to \$54.1 million. This decrease was primarily due to a 15.0% decline in units shipped, partially offset by an increase in average price per unit of 3.7% as compared to the first three fiscal quarters of 2012.

INTERNATIONAL SALES

International sales increased \$14.6 million, or 21.1%, in the third fiscal quarter of 2013 to \$84.1 million. Our international retail sales increased \$8.8 million, or 22.7%, to \$47.6 million, driven by incremental Canadian sales of \$4.6 million (primarily from new store openings), sales by our Japanese operations, which we began in the first fiscal quarter of 2013, of \$3.9 million, and \$0.3 million of incremental eCommerce sales. Comparable store sales in Canada declined \$1.3 million, or 3.6%. In addition, international wholesale sales increased \$5.8 million, or 19.0%, to \$36.5 million.

International sales increased \$45.5 million, or 29.7%, in the first three fiscal quarters of 2013 to \$199.0 million. Our international retail sales increased \$28.7 million, or 31.9%, to \$118.4 million, driven by incremental Canadian sales of \$14.1 million (primarily from new store openings), sales by our Japanese operations of \$12.1 million, and \$2.5 million of incremental eCommerce sales. Comparable store sales in Canada declined \$2.5 million, or 2.9%. In addition, international wholesale sales increased \$16.9 million, or 26.5%, to \$80.5 million.

During the third fiscal quarter of 2013, we opened 5 retail stores in Canada. During the first three fiscal quarters of 2013, we opened 15 retail stores in Canada and closed one store. There were a total of 96 retail stores in Canada as of September 28, 2013. In fiscal 2013, we plan to open a total of approximately 21 retail stores in Canada and close two.

GROSS PROFIT

Our gross profit increased \$39.6 million, or 14.7%, to \$309.6 million in the third fiscal quarter of 2013. Gross margin increased from 40.4% in the third fiscal quarter of 2012 to 40.7% in the third fiscal quarter of 2013.

Our gross profit increased \$124.9 million, or 19.3%, to \$773.0 million in the first three fiscal quarters of 2013. Gross margin increased from 38.3% in the first three fiscal quarters of 2012 to 41.4% in the first three fiscal quarters of 2013.

Gross margin in the third quarter and first three fiscal quarters of 2013 was favorably affected by lower product costs and higher mix of direct-to-consumer business.

We include distribution costs in selling, general, and administrative expenses. Accordingly, our gross profit may not be comparable to other companies.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Selling, general, and administrative expenses in the third fiscal quarter of 2013 increased \$44.1 million, or 23.8%, to \$229.3 million. As a percentage of net sales, selling, general, and administrative expenses increased from 27.7% to 30.2% in the third fiscal quarter of 2013.

The increase in selling, general, and administrative expenses as a percentage of net sales reflects:

- \$12.7 million in higher domestic and Canada retail store expenses;
- \$6.3 million in amortization of the H.W. Carter tradename;
- \$5.9 million in costs associated with the office consolidation;
- \$4.8 million in incremental distribution and freight costs;
- \$4.7 million in costs associated with our Japan business that commenced operations in the first fiscal quarter of 2013;
- \$3.7 million in incremental marketing expenses.

Selling, general, and administrative expenses in the first three fiscal quarters of 2013 increased \$118.5 million, or 24.1%, to \$609.6 million. As a percentage of net sales, selling, general, and administrative expenses increased from 29.0% to 32.6% in the first three fiscal quarters of 2013.

The increase in selling, general, and administrative expenses as a percentage of net sales reflects:

- \$34.1 million in higher domestic and Canada retail store expenses;
- \$24.1 million in costs associated with the office consolidation;
- \$14.2 million in incremental distribution and freight costs;
- \$12.8 million in costs associated with the commencement and operation of our Japan business that commenced operations in the first fiscal quarter of 2013;
- \$7.3 million in amortization of the H.W. Carter tradename; and
- \$6.7 million in incremental operating expenses associated with the growth of the eCommerce business.

ROYALTY INCOME

We license the use of our *Carter's*, *Just One You*, *Child of Mine*, *OshKosh B'gosh*, *OshKosh*, *Genuine Kids from OshKosh*, and *Precious Firsts* brand names. Royalty income from these brands in the third fiscal quarter of 2013 was approximately \$10.7 million (including \$1.5 million of international royalty income), an increase of 2.0%, as compared to the third fiscal quarter of 2012.

Royalty income from these brands in the first three fiscal quarters of 2013 was approximately \$27.4 million (including \$3.9 million of international royalty income), an increase of 2.7%, as compared to the first three fiscal quarters of 2012. The increase reflects growth in domestic royalties, partially offset by lower international royalties.

OPERATING INCOME

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating income decreased \$4.3 million, or 4.5%, to \$91.1 million in the third fiscal quarter of 2013 as compared to the third fiscal quarter of 2012. Operating income increased \$7.1 million, or 3.9%, to \$190.8 million in the first three fiscal quarters of 2013 as compared to the first three fiscal quarters of 2012.

INTEREST EXPENSE, NET

Interest expense, net, in the third fiscal quarter of 2013 increased \$2.3 million to \$4.0 million, compared to the third fiscal quarter of 2012. Weighted-average borrowings for the third fiscal quarter of 2013 were \$397.0 million at an effective interest rate of 4.19%, as compared to weighted-average borrowings for the third fiscal quarter of 2012 of \$186.0 million at an effective interest rate of 3.70%. The effective interest rate in the third fiscal quarter of 2013 was higher than the comparable period of 2012 as a result of the issuance of the senior notes in the third fiscal quarter of 2013, partially offset by the impact of the refinancing of the revolver in the third fiscal quarter of 2012.

Interest expense, net, in the first three fiscal quarters of 2013 increased \$0.9 million, or 16.7%, to \$6.2 million, compared to the first three fiscal quarters of 2012. Weighted-average borrowings for the first three fiscal quarters of 2013 were \$256.3 million at an effective interest rate of 3.46%, as compared to weighted-average borrowings for the first three fiscal quarters of 2012 of \$218.5 million at an effective interest rate of 3.35%. The effective interest rate in the first three quarters of 2013 was slightly higher than the comparable period of 2012 as a result of the issuance of the senior notes, in the third fiscal quarter of 2013, that was largely offset by the lower interest rates as a result of the refinancing of the revolving credit facility in the third fiscal quarter of 2012.

Effective interest rates include the effect of the amortization of debt issuance costs.

OTHER EXPENSE (INCOME), NET

During the third fiscal quarter and first three fiscal quarters of 2013, we recorded a foreign currency gain of less than \$0.1 million and a foreign currency loss of approximately \$1.0 million, respectively. During the third fiscal quarter and first three fiscal quarters of 2012, we recorded a foreign currency gains of approximately \$0.2 million for both periods.

INCOME TAXES

Our effective tax rate for the third fiscal quarter of 2013 was 35.1% as compared to 36.8% for the third fiscal quarter of 2012. Our effective tax rate for the first three fiscal quarters of 2013 was 35.9% as compared to 36.9% for the first three fiscal quarters of fiscal 2012. The decrease in our effective rate for the fiscal quarter and the first three fiscal quarters of 2013, as compared to the prior year comparable periods, is primarily attributable to the expansion of our international operations, which are taxed at slightly lower effective tax rates, and the effect of federal tax legislation enacted during the first fiscal quarter of 2013 that retroactively reinstated certain federal tax credits for fiscal 2012.

NET INCOME

Our net income for the third fiscal quarter of 2013 decreased \$2.8 million, or 4.7%, to \$56.6 million as compared to \$59.4 million in the third fiscal quarter of 2012. Our net income for the first three fiscal quarters of 2013 increased \$5.2 million, or 4.6%, to \$117.7 million as compared to \$112.5 million in the first three fiscal quarters of 2012.

FINANCIAL CONDITION, CAPITAL RESOURCES, AND LIQUIDITY

Our primary cash needs are working capital and capital expenditures. We expect our primary source of liquidity will continue to be cash and cash equivalents on hand, cash flow from operations, and borrowings under our revolving credit facility, and we expect that these sources will fund our ongoing cash requirements for the foreseeable future, although no assurance can be given in this regard.

Net accounts receivable at September 28, 2013 were \$245.6 million compared to \$200.2 million at September 29, 2012 and \$168.0 million at December 29, 2012. The increase of \$45.5 million, or 22.7%, as compared to September 29, 2012, reflects growth in the business along with an increase in other receivables related to tenant improvement allowances for the new headquarters facility. Due to the seasonal nature of our operations, the net accounts receivable balance at September 28, 2013 is not comparable to the net accounts receivable balance at December 29, 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Net inventories at September 28, 2013 were \$440.4 million compared to \$375.1 million at September 29, 2012 and \$349.5 million at December 29, 2012. The increase of \$65.3 million, or 17.4%, as compared to September 29, 2012, reflects an increase in inventory levels to support planned sales and store openings. Due to the seasonal nature of our operations, the net inventories balance at September 28, 2013 is not comparable to the net inventories balance at December 29, 2012.

Net cash provided by operating activities for the first three fiscal quarters of 2013 was \$63.5 million compared to net cash provided by operating activities of \$129.2 million in the first three fiscal quarters of 2012. The decrease in operating cash flow primarily reflects changes in net working capital, principally increases in inventory and accounts receivables.

Our capital expenditures were \$129.6 million in the first three fiscal quarters of 2013 compared to \$59.8 million in the first three fiscal quarters of 2012, primarily reflecting expenditures of approximately \$50.3 million for the Braselton, Georgia distribution facility, \$35.9 million for our U.S. and international retail store openings and remodelings, \$23.8 million for information technology initiatives, and \$9.6 million for the new headquarters facility.

On June 13, 2013, we acquired worldwide rights to the *Carter's Watch the Wear* and *H.W. Carter & Sons* tradenames. We believe that the acquisition reduces brand confusion and facilitates expansion in certain key international markets. The total cash consideration paid for these assets was approximately \$38.0 million.

For the first three fiscal quarters of 2013, cash used in financing activities was \$76.1 million, as compared to \$48.7 million for the first three fiscal quarters of 2012. The amount for 2013 reflects the repurchase of shares, the payment of dividends, contingent consideration, and debt issue costs, partially offset by proceeds from the issuance of the senior notes. The amount for 2012 primarily reflects the repayment of a portion of our revolving credit facility.

We plan to invest approximately \$180 - \$200 million in capital expenditures in fiscal 2013, primarily for U.S. and international retail store openings and remodelings, the expansion of our distribution capacity with the addition of the Braselton, Georgia facility, and expenditures related to the new corporate headquarters in Atlanta.

Secured Revolving Credit Facility

The aggregate principal amount of the secured revolving credit facility as of September 28, 2013, was \$375 million, consisting of a \$340 million U.S. dollar revolving credit facility and a \$35 million multicurrency revolving credit facility. The sub-limit for U.S. dollar letters of credit is \$175 million. The revolving credit facility expires August 31, 2017. Amounts outstanding under the revolving credit facility currently accrue interest at a LIBOR rate plus 1.50%, which, as of September 28, 2013, was 1.68%.

At September 28, 2013, we had \$186.0 million in borrowings under the revolving credit facility, exclusive of \$12.3 million of outstanding letters of credit, leaving approximately \$176.7 million available for future borrowings.

As of September 28, 2013, we were in compliance with our financial debt covenants.

Senior Notes

On August 12, 2013, our 100% owned subsidiary, The William Carter Company ("TWCC") issued \$400 million principal amount of senior notes (the "senior notes") at par, bearing interest at a rate of 5.25% per annum, and maturing on August 15, 2021, all of which were outstanding as of September 28, 2013. TWCC received net proceeds from the offering of the senior notes of approximately \$394.2 million, after deducting bank fees. Approximately \$7.1 million, including both bank fees and other third party expenses, has been capitalized in connection with the issuance and is being amortized over the term of the senior notes.

The senior notes are unsecured and are fully and unconditionally guaranteed by Carter's Inc. and certain subsidiaries of TWCC.

At any time prior to August 15, 2017, TWCC may redeem all or part of the senior notes at 100% of the principal amount redeemed plus an applicable premium and accrued and unpaid interest. On and after August 15, 2017, TWCC may redeem all or part of the senior notes at the redemption prices (expressed as percentages of principal amount of the senior notes to be redeemed) set forth below, plus accrued and unpaid interest. The redemption price applicable where the redemption occurs during the twelve-month period beginning on August 15 of each of the years indicated is as follows:

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Year	Percentage
2017	102.625%
2018	101.313%
2019 and thereafter	100.000%

In addition, until August 15, 2016, we may, at our option, redeem up to 35% of the aggregate principal amount of the senior notes at a redemption price equal to 105.250% of the aggregate principal amount, plus accrued and unpaid interest, subject to certain terms, with the proceeds of certain equity offerings.

Upon the occurrence of specific kinds of changes of control, unless a redemption notice with respect to all the outstanding senior notes has previously or concurrently been mailed or delivered, we will be required to make an offer to purchase the senior notes at 101% of their principal amount. In addition, if we or any of our restricted subsidiaries engages in certain asset sales, under certain circumstances we will be required to use the net proceeds to make an offer to purchase the senior notes at 100% of their principal amount.

The indenture governing the senior notes includes a number of covenants, that, among other things and subject to certain exceptions, restrict our ability and the ability of certain of our subsidiaries to: (a) incur, assume or guarantee additional indebtedness; (b) issue disqualified stock and preferred stock; (c) pay dividends or make distributions or other restricted payments; (d) prepay, redeem or repurchase certain debt; (e) make loans and investments (including joint ventures); (f) incur liens; (g) create restrictions on the payment of dividends or other amounts from restricted subsidiaries that are not guarantors of the notes; (h) sell or otherwise dispose of assets, including capital stock of subsidiaries; (i) consolidate or merge with or into, or sell substantially all of TWCC's assets to, another person; (j) designate subsidiaries as unrestricted subsidiaries; and (k) enter into transactions with affiliates. Additionally, the terms of the notes contain customary affirmative covenants and provide for events of default which, if certain of them occur, would permit the trustee or the holders of at least 25% in principal amount of the then total outstanding senior notes to declare all amounts owing under the notes to be due and payable. Carter's Inc. is not subject to these covenants.

If TWCC fails to complete the registered exchange offer, we will be required to pay additional interest on the senior notes.

FACILITY CLOSURES

In conjunction with the plan to close the Hogansville, Georgia distribution facility, we expect to incur, in fiscal 2013, closure-related charges of approximately \$2.5 million, comprising \$1.0 million for one-time termination benefits, \$0.5 million in accelerated depreciation, and other closure costs of \$1.0 million.

In conjunction with our plan to consolidate our Shelton, Connecticut and Atlanta, Georgia offices, as well as certain functions from our other offices, into a new headquarters facility in Atlanta, Georgia, we anticipate pre-tax consolidation-related expenses for the full year of fiscal 2013 to be approximately \$38 - \$42 million. Included in the total are cash charges of approximately \$36 million, comprising \$16 million of recruiting and relocation expenses, \$6 million of employee severance and other benefit costs, \$7 million of lease-related charges, and \$7 million of other closure costs. We also expect approximately \$4 million in non-cash accelerated depreciation expense. We expect to substantially complete this consolidation by the end of fiscal 2013.

BONNIE TOGS ACQUISITION

During the fiscal quarter ended September 28, 2013, we paid approximately \$14.7 million in contingent consideration related to the 2011 purchase of Bonnie Togs. As of September 28, 2013, a discounted contingent consideration liability of approximately \$16.5 million remains. The liability is based upon the high probability that Bonnie Togs will attain its earnings targets. Approximately \$9.7 million of the total liability is included in other current liabilities and the remainder is included in other long-term liabilities on the accompanying unaudited condensed consolidated balance sheet.

SHARE REPURCHASES

On May 9, 2013, our Board of Directors authorized the Company to repurchase shares of its common stock in an amount up to \$300 million, inclusive of amounts remaining under previous authorizations. On August 22, 2013, our Board of Directors approved a new \$400 million share repurchase authorization. Such purchases may be made in the open market or in privately negotiated transactions, with the level and timing of activity being at the discretion of the Company's management depending

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

on market conditions, stock price, other investment priorities, and other factors. The total remaining capacity under the repurchase authorizations as of September 28, 2013, was approximately \$267.2 million. These share repurchase authorizations have no expiration date.

Open Market Purchases

During the first three fiscal quarters of 2013, we repurchased and retired 816,402 shares in open market transactions, or approximately \$54.1 million, at an average price of \$66.31 per share.

Accelerated Stock Repurchase Program

On August 29, 2013, we entered into a \$300 million fixed dollar uncollared accelerated stock repurchase agreement (the "Uncollared ASR Agreement") and a \$100 million fixed dollar collared accelerated stock repurchase agreement (the "Collared ASR Agreement"), each with JPMorgan Chase Bank, N. A. ("JPMorgan").

Under the Uncollared ASR Agreement, we paid \$300 million from cash on hand to JPMorgan to repurchase outstanding shares of our common stock. Under the Collared ASR Agreement, we paid \$100 million from cash on hand to JPMorgan to repurchase outstanding shares of our common stock. As of September 28, 2013, JPMorgan had delivered approximately 4.6 million shares to us with a fair market value, at trade date, of approximately \$328.4 million. We expect that JPMorgan will deliver additional shares to us as part of the final settlement of the ASR Agreements which expire in the second fiscal quarter of 2014. All shares received under the ASR Agreements were retired upon receipt.

The specific number of shares that we will ultimately repurchase will be determined at the completion of the term of the Agreements based, generally, on the daily volume-weighted average share price of our common stock during a period of up to eight months, less an agreed discount. For shares repurchased under the Collared ASR Agreement, the amount of shares is subject to additional provisions that establish a minimum and maximum number of repurchased shares. Such minimum and maximum share numbers will be based, generally, on the daily volume-weighted average share price of our common stock over the period during which JPMorgan established an initial hedge position.

As of September 28, 2013, the amount of additional shares that we would have received under the ASR Agreements, if settled on that date, was approximately 0.8 million shares.

DIVIDENDS

We paid dividends of \$0.16 per share to holders of record as of May 31, 2013 and September 3, 2013. Provisions in our senior credit facility and the indenture governing our senior notes could have the effect of restricting our ability to pay future cash dividends on or make future repurchases of our common stock. Additionally, future declarations of quarterly dividends and the establishment of future record and payment dates are at the discretion of our Board of Directors based on a number of factors, including future financial performance and our investment priorities.

EFFECTS OF INFLATION AND DEFLATION

In recent years, we have experienced cost increases in cotton, labor, fuel, and transportation, and have also had higher costs for foreign sourced products as a result of the devaluation of the U.S. dollar relative to certain foreign currencies.

SEASONALITY

We experience seasonal fluctuations in our sales and profitability due to the timing of certain holidays and key retail shopping periods, generally resulting in lower sales and gross profit in the first half of our fiscal year. Accordingly, our results of operations during the first half of the year may not be indicative of the results we expect for the full year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)**

believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in Note 2 to our audited consolidated financial statements for fiscal 2012, filed on Form 10-K. Our critical accounting policies and estimates, which are those policies that require management's most difficult and subjective judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies and estimates include: revenue recognition, inventory, goodwill and tradename, accrued expenses, loss contingencies, accounting for income taxes, foreign currency, employee benefit plans and stock-based compensation arrangements. There have been no significant changes in the application of these policies since December 29, 2012.

FORWARD-LOOKING STATEMENTS

Statements contained herein that relate to our future performance, including, without limitation, statements with respect to our anticipated results of operations or level of business for fiscal 2013 or any other future period, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on current expectations only and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Our risks are described herein under Item 1A of Part II.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

CURRENCY AND INTEREST RATE RISKS

In the operation of our business, we have market risk exposures including those related to foreign currency risk and interest rates. These risks and our strategies to manage our exposure to them are discussed below.

We contract for production with third parties primarily in Asia. While these contracts are stated in United States dollars, there can be no assurance that the cost for the future production of our products will not be affected by exchange rate fluctuations between the United States dollar and the local currencies of these contractors. Due to the number of currencies involved, we cannot quantify the potential impact of future currency fluctuations on net income (loss) in future years. To date, such exchange fluctuations have not had a material impact on our financial condition or results of operations.

Transactions by our foreign subsidiaries may be denominated in a currency other than the entity's functional currency. Fluctuations in exchange rates primarily between the United States dollar and the Canadian dollar and the United States dollar and the Japanese Yen may affect our results of operations, financial position, and cash flows. From time to time, we employ foreign exchange contracts to hedge foreign currency exchange rate risk associated with the procurement of United States dollar denominated finished goods destined for the Canadian market. These foreign exchange contracts are marked to market at the end of each reporting period, which could result in earnings volatility. As of September 28, 2013, there are no outstanding foreign exchange contracts.

Our operating results are subject to risk from interest rate fluctuations on our revolving credit facility, which carries variable interest rates. As of September 28, 2013, our outstanding variable rate debt aggregated approximately \$186.0 million. An increase or decrease of 1% in the effective interest rate would increase or decrease our annual interest cost on that amount by \$1.9 million.

OTHER RISKS

We enter into various purchase order commitments with our suppliers. We can cancel these arrangements, although in some instances, we may be subject to a termination charge reflecting a percentage of work performed prior to cancellation.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of September 28, 2013.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the third fiscal quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to various claims and pending or threatened lawsuits in the normal course of our business. The Company is not currently a party to any legal proceedings that it believes would have a material adverse effect on its financial position, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risk factors as well as the other information contained in this Quarterly Report on Form 10-Q and other filings with the SEC in evaluating our business. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impact our business operations. If any of the following risks actually occur, our operating results may be affected.

Risks Relating to Our Business

The loss of one or more of our major customers could result in a material loss of revenues.

We derived approximately 22% of our consolidated net sales from our top four customers for the three fiscal quarters ended September 28, 2013. We do not enter into long-term sales contracts with our major customers, relying instead on product performance, long-standing relationships, and on our position in the marketplace. As a result, we face the risk that one or more of these or other customers may significantly decrease their business with us, face difficulties in meeting their obligations to us, or terminate their relationship with us. Any of the foregoing could result in a material decrease in our sales or operating results.

The acceptance of our products in the marketplace is affected by consumers' tastes and preferences, along with fashion trends.

We believe that continued success depends on our ability to provide a compelling value proposition for our consumers in the Company's distribution channels. There can be no assurance that the demand for our products will not decline, or that we will be able to successfully and timely evaluate and adapt our products to changes in consumers' tastes and preferences or fashion trends. If consumers' tastes and preferences are not aligned with our product offerings, demand for our products may decline, promotional pricing may be required to move seasonal merchandise, and our gross margins and results of operations could be adversely affected.

The value of our brand, and our sales, could be diminished if we are associated with negative publicity, including due to actions by our vendors, independent manufacturers and licensees, over whom we have limited control.

Although we maintain policies with our vendors, independent manufacturers and licensees that promote ethical business practices and our employees, agents, and third-party compliance auditors periodically visit and monitor the operations of our vendors, independent manufacturers, and licensees, we do not control these vendors, independent manufacturers, licensees, or their labor practices. A violation of our vendor policies, licensee agreements, labor laws, or other laws by these vendors, independent manufacturers, or licensees could damage our brand image. As a result, negative publicity regarding our Company, brands or products, including licensed products, could adversely affect our reputation and sales. Further, while the Company takes steps to ensure the reputation of its brand is maintained through its license agreements, there can be no guarantee that the Company's brand image will not be negatively impacted through its association with products or actions of licensees. In addition, we are subject to certain rules as a public company, such as the conflict minerals rules promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, that require disclosure of certain activities notwithstanding their compliance with the substantive provisions of applicable law. If we are required to make such disclosures, it is possible that our reputation could be harmed.

Our failure to protect our intellectual property rights could diminish the value of our brand, weaken our competitive position, and adversely affect our results.

We currently rely on a combination of trademark, unfair competition and copyright laws, as well as licensing arrangements, to establish and protect our intellectual property rights. The steps taken by us or by our licensees to protect our proprietary rights may not be adequate to prevent infringement of our trademarks or proprietary rights by others. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our proprietary rights and where third parties may have rights to conflicting marks, and it may be more difficult for us to successfully challenge the use of our proprietary rights by other parties in those countries. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished and our competitive position may suffer. Further, third parties may assert intellectual property claims against us, particularly as we expand our business geographically, and any such claim could be expensive and time consuming to defend, regardless of its merit. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products, which could have an adverse effect on our results.

We may incur substantial costs as a result of investigations or other proceedings related to previously disclosed investigations.

As previously reported, beginning in the fourth quarter of fiscal 2009, the SEC and the United States Attorney's Office began conducting investigations, with which the Company cooperated, related to customer margin support provided by the Company, including undisclosed margin support commitments and related matters. In December 2010, the Company and the SEC entered into a non-prosecution agreement pursuant to which the SEC agreed not to charge the Company with any violations of the federal securities laws, commence any enforcement action against the Company, or require the Company to pay any financial penalties in connection with the SEC's investigation of customer margin support provided by the Company, conditioned upon the Company's continued cooperation with the SEC's investigation and with any related proceedings. The Company may continue to incur substantial expenses for legal services due to the SEC and United States Attorney's Office investigations and any related proceedings. These matters may continue to divert management's time and attention away from operations. The Company also expects to bear additional costs pursuant to its advancement and indemnification obligations to directors and officers under our organizational documents in connection with proceedings related to these matters. Our insurance may not provide coverage to offset such costs.

The Company's and its vendors' databases containing personal information of our retail and eCommerce customers could be breached, which could subject us to adverse publicity, litigation, and expenses. In addition, if we are unable to comply with security standards created by the banks and payment card industry, our operations could be adversely affected.

We rely on the security of our networks and databases and, in certain circumstances, those of third parties, such as vendors, to protect our proprietary information and information about our customers. If unauthorized parties gain access to these networks or databases, they may be able to steal, publish, delete, or modify our private and sensitive third-party information. In such circumstances, we could be held liable to our customers or other parties or be subject to regulatory or other actions for breaching privacy law or failing to adequately protect such information. This could result in costly investigations and litigation, civil or criminal penalties, operational changes, and negative publicity that could adversely affect our financial condition, results of operations, and reputation. Further, if we are unable to comply with the security standards, established by banks and payment card industry, we may be subject to fines, restrictions, and expulsion from card acceptance programs, which could adversely affect our retail operations.

Increases in production costs and deflationary pressures on our selling prices may adversely affect our results.

The Company's product costs are subject to fluctuations in costs such as manufacturing, cotton, labor, fuel, and transportation. In recent years, we have experienced increased costs of cotton, labor, fuel, and transportation, and have also had higher costs for foreign sourced products as a result of the devaluation of the U.S. dollar relative to certain foreign currencies. We also anticipate increased product costs due to higher labor costs for our foreign manufacturers. While we raised our selling prices on many of our products over the past two years, we have been unable to fully absorb the cost increases and our profitability has been adversely impacted. In recent years, the Company experienced deflationary pressure on its selling prices, in part driven by intense price competition in the young children's apparel industry. If future product cost increases are more than anticipated, or if we are unable to offset such cost increases through selling price increases or otherwise, our profitability could be adversely affected. Future deflationary pressures on our selling prices could also adversely affect our profitability.

Our business is sensitive to overall levels of consumer spending, particularly in the young children's apparel segment.

Consumers' demand for young children's apparel, specifically brand name apparel products, is impacted by the overall level of consumer spending. Discretionary consumer spending is impacted by employment levels, gasoline and utility costs, business conditions, availability of consumer credit, tax rates, interest rates, levels of consumer indebtedness, and overall levels of consumer confidence. Recent and further reductions, or lower-than-expected growth, in the level of discretionary spending may have a material adverse effect on the Company's sales and results of operations.

We source substantially all of our products through foreign production arrangements. Our dependence on foreign supply sources could result in disruptions to our operations in the event of political instability, unfavorable economic conditions, international events, or new foreign regulations, and such disruptions may increase our cost of goods sold and decrease gross profit.

We source substantially all of our products through a network of vendors primarily in Asia, principally, coordinated by our sourcing agents and directly through our Hong Kong sourcing office. The following could disrupt our foreign supply chain, increase our cost of goods sold, decrease our gross profit, or impact our ability to get products to our customers:

- financial instability of one or more of our major vendors;
- political instability or other international events resulting in the disruption of trade in foreign countries from which we source our products;
- interruptions in the supply of raw materials, including cotton, fabric, and trim items;
- increases in the cost of labor in our sourcing locations;
- the imposition of new regulations relating to imports, duties, taxes, and other charges on imports;
- the occurrence of a natural disaster, unusual weather conditions, or an epidemic in foreign countries from which we source our products;
- changes in the United States customs procedures concerning the importation of apparel products;
- unforeseen delays in customs clearance of any goods;
- disruptions in the global transportation network such as a port strike, capacity withholding, world trade restrictions, or war;
- the application of foreign intellectual property laws;
- the ability of our vendors to secure sufficient credit to finance the manufacturing process including the acquisition of raw materials;
- potential social compliance concerns resulting from our use of international vendors, independent manufacturers and licensees, over whom we have limited control;
- compliance with disclosure rules regarding the identification and reporting on the use of "conflict minerals" sourced from the Democratic Republic of the Congo in our products;
- exchange rate fluctuations between the Company's and/or its subsidiaries' functional currency and the currencies paid to foreign contractors; and
- other events beyond our control that could interrupt our supply chain and delay receipt of our products into the United States.

We currently source most of our products through a single port. Labor disruptions at that port or otherwise along our supply chain may adversely affect our relationships with customers, reputation with consumers, and results of operations.

Our business depends on our ability to source and distribute products in a timely manner. Labor disputes at independent factories where our goods are produced, the shipping port we use, or our transportation carriers create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes, or other disruptions during our peak manufacturing and importing times. This may have a material adverse effect on our relationships with our customers and our business, potentially resulting in canceled orders by customers, unanticipated inventory accumulation, and reduced revenues and earnings.

We source substantially all of our products through a network of vendors. We have limited control over these vendors and we may experience delays, product recalls, or loss of revenues if our products do not meet our quality standards.

Our vendors may not continue to provide products that are consistent with our standards. We have occasionally received, and may in the future continue to receive, shipments of product that fail to conform to our quality control standards. A failure in our quality control program may result in diminished product quality, which may result in increased order cancellations and returns, decreased consumer demand for our products, or product recalls, any of which may have a material adverse effect on our results of operations and financial condition. Because we do not control our vendors, products that fail to meet our standards, or other unauthorized products, could end up in the marketplace without our knowledge. This could materially harm our brand and our reputation in the marketplace.

We may experience delays, product recalls, or loss of revenues if our products do not meet regulatory requirements.

Our products are subject to regulation of and regulatory standards set by various governmental authorities including the Consumer Product Safety Commission, with respect to quality and safety. These regulations and standards may change from time to time. Our inability, or that of our vendors, to comply on a timely basis with regulatory requirements could result in significant fines or penalties, which could adversely affect our reputation and sales. Issues with the compliance of merchandise we sell with these regulations and standards, regardless of our culpability, or customer concerns about such issues, could result in damage to our reputation, lost sales, uninsured product liability claims or losses, merchandise recalls, and increased costs.

Any significant disruption to our eCommerce business, including order acceptance and processing, order fulfillment, web-hosting, warehousing, and call center operations, could result in lost sales and could harm our brand and our reputation in the marketplace.

The operation of our eCommerce business depends on the ability to maintain the efficient and uninterrupted operation of online order-taking and fulfillment operations. We currently rely on a third party to host our eCommerce website, process and manage web orders, and operate a call center supporting our eCommerce business. Over the course of fiscal 2012, we transitioned fulfillment services in house and expect to transition additional services through 2013. Any significant disruption in the operations of our eCommerce business or in our ability to transition third party services effectively could result in lost sales and could harm our brand and our reputation in the marketplace.

The loss of a sourcing agent could negatively impact our ability to timely deliver our inventory supply and disrupt our business, which may adversely affect our operating results.

One sourcing agent managed approximately 77% of our inventory purchases as of September 28, 2013. Although we believe that other buying agents could be retained, or we could procure some of the inventory directly, the loss of this buying agent could delay our ability to timely receive inventory supply and disrupt our business, which could result in a material adverse effect on our operating results. In addition, we have recently increased the amount of our inventory that we source directly and plan to continue to further increase such amounts. We have limited experience in directly sourcing inventory purchases from foreign vendors and we may experience difficulty in the transition, which could disrupt our business, increase our costs, and have a material adverse effect on our operating results.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of market share and, as a result, a decrease in revenue and gross profit.

The baby and young children's apparel market is highly competitive. Both branded and private label manufacturers compete in the baby and young children's apparel market. Our primary competitors in our wholesale businesses include private label product offerings and Disney and Gerber. Our primary competitors in the retail store channel include Disney, Gymboree, Old Navy, The Children's Place, and The Gap. Because of the fragmented nature of the industry, we also compete with many other

manufacturers and retailers. Some of our competitors have greater financial resources and larger customer bases than we have. As a result, these competitors may be able to:

- adapt to changes in customer requirements more quickly;
- take advantage of acquisition and other opportunities more readily;
- devote greater resources to the marketing and sale of their products; and
- adopt more aggressive pricing strategies than we can.

The Company's retail success and future growth is dependent upon identifying locations and negotiating appropriate lease terms for retail stores.

The Company's retail stores are located in leased retail locations across the United States and Canada, as well as in Japan. Successful operation of a retail store depends, in part, on the overall ability of the retail location to attract a consumer base sufficient to make store sales volume profitable. If the Company is unable to identify new retail locations with consumer traffic sufficient to support a profitable sales level, retail growth may be limited. Further, if existing stores do not maintain a sufficient customer base that provides a reasonable sales volume or the Company is unable to negotiate appropriate lease terms for the retail stores, there could be a material adverse impact on the Company's sales, gross margin, and results of operations.

Profitability and our reputation and relationships could be negatively impacted if we do not adequately forecast the demand for our products and, as a result, create significant levels of excess inventory or insufficient levels of inventory.

If the Company does not adequately forecast demand for its products and purchases inventory to support an inaccurate forecast, the Company could experience increased costs and lower selling prices due to the need to dispose of excess inventory. In addition, if we forecast demand for our products that is lower than actual demand, we may experience insufficient levels of inventory, which could result in damage to our relationships with customers and our reputation with consumers.

We may not achieve sales growth plans, cost savings, and other assumptions that support the carrying value of our intangible assets.

As of September 28, 2013, the Company had goodwill of \$136.6 million for Carter's and goodwill of \$51.4 million for Bonnie Togs, and tradename assets of \$220.2 million for the Carter's brand, and \$85.5 million for the OshKosh brand on its consolidated balance sheet. The carrying value of these assets is subject to annual impairment reviews as of the last day of each fiscal year or more frequently, if deemed necessary, due to any significant events or changes in circumstances. Estimated future cash flows used in these impairment reviews could be negatively impacted if we do not achieve our sales plans, planned cost savings, and other assumptions that support the carrying value of these intangible assets, which could result in impairment of the remaining asset values. Any impairment would adversely affect our results of operations.

We have substantial debt, which could adversely affect our financial health and our ability to obtain financing in the future and to react to changes in our business.

As of September 28, 2013, we had approximately \$586 million aggregate principal amount of debt outstanding (excluding approximately \$12.3 million of outstanding letters of credit), and approximately \$176.7 million of undrawn availability under our senior secured revolving credit facility after giving effect to \$12.3 million of letters of credit issued under our senior secured revolving credit facility.

Our substantial debt could have important consequences. Because of our substantial debt:

- our ability to satisfy our obligations with respect to our debt, including the notes, may be adversely affected;
- we may be more vulnerable to adverse economic and general industry conditions, including interest rate fluctuations, because a portion of TWCC's borrowings are at variable rates of interest;
- we may be unable to make strategic acquisitions or be required to make non-strategic divestitures;

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate or other purposes may be limited;
- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our debt, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures, and future business opportunities;
- it may be more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on and acceleration of such debt;
- we may be at a competitive disadvantage compared to our competitors who have less debt or comparable debt at more favorable interest rates and who, as a result, may be better positioned to withstand economic downturns or to finance capital expenditures or acquisitions;
- our costs of borrowing may increase;
- we may be unable to refinance our debt on terms as favorable as our existing debt or at all; and
- our flexibility to adjust to changing market conditions and our ability to withstand competitive pressures could be limited, or we may be prevented from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve the operating margins of our businesses.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund its day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations and other cash requirements, we could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our secured revolving credit facility and the indenture governing the senior notes restrict our ability and the ability of our restricted subsidiaries to dispose of assets and use the proceeds from any such dispositions and also restrict our and our restricted subsidiaries' ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, holders of the secured revolving credit facility could terminate their commitments to loan money and accelerate the maturity of borrowings thereunder, our secured lenders could foreclose against the assets securing such borrowings and we could be forced into bankruptcy or liquidation.

The terms of our secured revolving credit facility and the indenture governing the senior notes contain restrictions and limitations that could significantly impact our management's flexibility or our financial and operational flexibility to operate our business.

Our secured revolving credit facility contains certain restrictive covenants that, among other things, restrict our and certain of our subsidiaries' ability to:

- incur, assume or guarantee additional indebtedness;
- issue disqualified stock and preferred stock;
- pay dividends or make distributions or other restricted payments;
- redeem or repurchase capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments (including joint ventures);
- incur liens;
- make dividends, loans or asset transfers from TWCC's subsidiaries;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- consolidate or merge with or into, or sell substantially all of TWCC's assets to, another person;
- designate subsidiaries as unrestricted subsidiaries;
- enter into sale and leaseback transactions;
- enter into transactions with affiliates; and
- enter into new lines of business.

In addition, our secured revolving credit facility require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that it will meet them.

The indenture governing the senior notes contains certain restrictive covenants that, among other things, restrict us and certain of our subsidiaries' ability to:

- incur, assume or guarantee additional indebtedness;
- pay dividends or make distributions or other restricted payments;
- make loans and investments (including joint ventures);
- incur liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- create restrictions on the payment of dividends or other amounts to TWCC or TWCC's subsidiaries that are guarantors of the senior notes from certain subsidiaries that are not guarantors of the senior notes;
- consolidate or merge with or into, or sell substantially all of TWCC's assets to, another person;
- designate subsidiaries as unrestricted subsidiaries; and
- enter into transactions with affiliates.

The restrictions in the indenture that govern the senior notes or under our secured revolving credit facilities may limit our ability to engage in acts that may be in our long-term best interests, and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility.

A breach of the covenants under the indenture that governs the senior notes or under the secured revolving credit facility could result in an event of default under the applicable indebtedness. Such default may allow the holders to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the secured revolving credit facility would permit the lenders under the secured revolving credit facility to terminate all commitments to extend further credit under that facility.

If our operating performance declines, we may need to seek waivers from the holders of our indebtedness to avoid being in default under the instruments governing such indebtedness. If we breach our covenants under our indebtedness, we may not be able to obtain a waiver from the holders of such indebtedness on terms acceptable to us or at all. If this occurs, we would be in default under such indebtedness, the holders of such indebtedness and other lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation.

Furthermore, if we were unable to repay the amounts due and payable under our senior secured revolving credit facility, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders or holders of senior notes accelerate the repayment of our borrowings, we cannot assure that we would have sufficient assets to repay such indebtedness.

The Company's success is dependent upon retaining key individuals within the organization to execute the Company's strategic plan.

The Company's ability to attract and retain qualified executive management, marketing, merchandising, design, sourcing, operations, and support function staffing is key to the Company's success. If the Company were unable to attract and retain qualified individuals in these areas, an adverse impact on the Company's growth and results of operations may result.

The consolidation of certain offices into a new headquarters facility in Atlanta, Georgia may adversely affect our results of operations, financial position, and cash flows more than anticipated.

Actual charges related to the Company's planned office consolidation could be greater than estimated. The office consolidation may not be completed during the expected timeframe. If we do not effectively transition our workforce by identifying and relocating key positions and hiring qualified candidates in Georgia, we could experience business disruption due to a loss of historical knowledge and a lack of business continuity. We may not be able to achieve all or any of the expected benefits of the office consolidation as a result of any such business disruption or other factors. Disruption to our operations as a result of the consolidation could adversely affect our operations and financial results.

Failure to implement needed upgrades to our information technology systems could adversely affect our business.

As our business grows in size, complexity, and geography, we expect our information technology infrastructure to be in regular need of enhancement and upgrades. Failure to upgrade as needed or complications encountered in upgrading systems could cause disruptions that may adversely affect our business results or operations. Further, additional investment needed to upgrade and expand our information technology infrastructure could require significant investment of additional resources and capital.

We may not effectively transition our distribution functions to our new Braselton, Georgia facility. If we encounter problems with our distribution facilities, our ability to deliver our products to the market could be adversely affected.

If we are unsuccessful in timely or effectively transitioning our distribution functions to this facility, we may not achieve planned efficiency improvements and may not have sufficient distribution capacity, which could cause sales to decline and costs to increase and could have a material adverse effect on our results of operations. In addition, our new distribution facilities in Braselton, Georgia are expected to be more complex to operate than our current facilities and we may face difficulty in hiring and training needed personnel. Our ability to meet customer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies depends on the proper operation of this facility. Disruptions could adversely affect our results of operations.

We may be unsuccessful in expanding into international markets.

Our business strategy includes expanding into new international markets, which may be accomplished either directly or through partners. For example, we recently acquired retail operations in Japan. We do not have significant experience operating in markets outside of the United States and Canada. Consumer demand, behavior, tastes, and purchasing trends may differ in international markets and, as a result, sales of our products may not be successful or meet our expectations, or the margins on those sales may not be in line with those we currently anticipate. We may encounter differences in business culture and the legal environment that may make working with commercial partners and hiring and retaining an adequate employee base more challenging. We may also face difficulties integrating foreign business operations with our current operations. Any of these challenges could hinder our success in new markets. Our entry into new markets may have upfront investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance and such costs may be greater than expected. We cannot be sure that we can successfully complete any planned expansion or that new international business will be profitable or meet our expectations. If our international expansion plans are unsuccessful, our results could be materially adversely affected.

Our ability to conduct business in international markets may be affected by legal, regulatory, political, and economic risks.

Our ability to capitalize on growth in new international markets and to maintain the current level of operations in our existing international markets is subject to legal, regulatory, political, and economic risks. These include:

- the burdens of complying with foreign laws and regulations, including trade and labor restrictions;
- compliance with U.S. and other country laws relating to foreign operations, including the Foreign Corrupt Practices Act, which prohibits U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business;
- unexpected changes in regulatory requirements; and
- new tariffs or other barriers in some international markets.

We are also subject to general political and economic risks in connection with our international operations, including:

- political instability and terrorist attacks;
- differences in business culture;
- different laws governing relationships with employees and business partners;
- changes in diplomatic and trade relationships; and
- general economic fluctuations in specific countries or markets.

We cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the U.S. or foreign countries upon the import or export of our products in the future, or what effect any of these actions would have, if any, on our business, financial condition, or results of operations. Changes in regulatory, geopolitical, social or economic policies, and other factors may have a material adverse effect on our business in the future or may require us to exit a particular market or significantly modify our current business practices.

The Company's future success and growth through expansion of its international operations could be adversely affected by violations of the United States Foreign Corrupt Practices Act and similar world-wide anti-bribery laws.

The United States Foreign Corrupt Practices Act, and similar world-wide anti-bribery laws prohibit companies and their intermediaries from making improper payments to non-United States officials for the purpose of obtaining or retaining business. The Company's policies mandate compliance with anti-bribery laws. The Company cannot provide assurance that our internal control policies and procedures, or those of our vendors, will protect from reckless or criminal acts committed by the Company's employees, agents, or vendors. Violations of these laws, or allegations of such violations, could disrupt the business and result in a material adverse effect on the Company's financial condition, results of operations, and cash flows.

The Company is subject to various claims and pending or threatened lawsuits, and, as a result, may incur substantial costs that adversely affect the Company's business, financial condition and results of operations.

The Company is subject to various claims and pending or threatened lawsuits in the course of its business. In the event we are required or determine to pay amounts in connection with any such lawsuits, such amounts could be significant and could have a material adverse impact on our business, financial condition and results of operations.

Failure to continue to pay quarterly cash dividends to our shareholders could cause the market price for our common stock to decline.

The Company has initiated a quarterly cash dividend and has declared and paid cash dividends of \$0.16 per share to holders of record as of May 31, 2013 and September 3, 2013. Provisions in our senior credit facility and the indenture governing our senior notes could have the effect of restricting our ability to pay future cash dividends on, or make future repurchases of, our common stock. Additionally, future declarations of quarterly cash dividends and the establishment of future record and payment dates are at the discretion of the Company's Board of Directors based on a number of factors, including the Company's future financial performance and other investment priorities. Any reduction or discontinuance by us of the payment of quarterly cash dividends could cause the market price of our common stock to decline.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchases

The following table provides information about share repurchases during the third fiscal quarter of 2013:

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (2)	Approximate dollar value of shares that may yet be purchased under the plans or programs
June 30, 2013 through July 27, 2013	107,556	\$ 74.01	107,200	\$ 315,476,744
July 28, 2013 through August 24, 2013	76,220	\$ 70.84	70,200	\$ 710,503,753
August 25, 2013 through September 28, 2013 (3)	4,659,498	\$ 71.23	4,659,498	\$ 267,235,052
Total	4,843,274		4,836,898	

- (1) Includes shares of our common stock surrendered by our employees to satisfy required tax withholding upon the vesting of restricted stock awards. There were 6,376 shares surrendered between June 30, 2013 and September 28, 2013.
- (2) Amounts purchased during the third fiscal quarter of 2013 were made in accordance with the share repurchase authorizations described in Note 5 to our accompanying unaudited condensed consolidated financial statements.
- (3) On August 29, 2013, we paid an aggregate of \$400 million to repurchase outstanding shares of the Company's common stock under two Accelerated Share Repurchase Agreements. Approximately 4.6 million shares were repurchased during the third quarter under the terms of the ASR agreements and the shares repurchased were retired immediately upon receipt. The average price paid per share was calculated using the closing price of the shares on the trade date of the purchase.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

N/A

ITEM 4. MINE SAFETY DISCLOSURES

N/A

ITEM 5. OTHER INFORMATION

N/A

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
10.19	Phipps Tower Lease - Second Amendment dated June 17, 2013
10.20	Master Confirmation—Uncollared Accelerated Share Repurchase dated August 29, 2013
10.21	Master Confirmation—Collared Accelerated Share Repurchase dated August 29, 2013
10.22	Amendment to Secured Revolving Credit Facility dated August 7, 2013
31.1	Rule 13a-15(e)/15d-15(e) and 13a-15(f)/15d-15(f) Certification.
31.2	Rule 13a-15(e)/15d-15(e) and 13a-15(f)/15d-15(f) Certification.
32	Section 1350 Certification.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CARTER'S, INC.

Date : October 24, 2013

/s/ MICHAEL D. CASEY

Michael D. Casey
Chief Executive Officer
(Principal Executive Officer)

Date : October 24, 2013

/s/ RICHARD F. WESTENBERGER

Richard F. Westenberger
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT (this "**Second Amendment**") is made and entered into as of the 17th day of June, 2013 (the "**Second Amendment Effective Date**"), by and between JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.), a wholly owned subsidiary of Manulife Financial Corporation, successor to Phipps Tower Associates, LLC, a Delaware limited liability company ("**Landlord**"), and THE WILLIAM CARTER COMPANY, a Massachusetts corporation, doing business as Carter's ("**Tenant**").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated December 14, 2012, as amended by that certain First Amendment to Lease Agreement (the "**First Amendment**") dated February 28, 2013 (as amended, the "**Lease**"), for certain premises in the building known as Phipps Tower and located at 3438 Peachtree Road, Atlanta, Georgia 30326 (the "**Building**"), which premises are more particularly described in Paragraph 1 of the Lease, as amended in the First Amendment (entitled "**Leased Premises**") and consist of approximately 222,730 square feet of Rentable Area, and which were expanded, pursuant to the First Amendment, to include a portion of the 8th Floor (the "**8th Floor Space**") (such premises being referred to herein as the "**Leased Premises**" or the "**initial Leased Premises**");

WHEREAS, pursuant to Tenant's letter dated March 18, 2013, Tenant exercised its right to increase the Rentable Area of the Leased Premises by up to 15% and, following receipt of such letter, the parties have agreed to expand the initial Leased Premises by Tenant leasing all of the 3rd and 4th Floors of the Building, make the 8th Floor Space "must-take space", and, in consideration thereof, have agreed to modify certain other provisions of the Lease; and

WHEREAS, Landlord and Tenant desire to evidence such expansion of the initial Leased Premises and to amend certain other terms and conditions of the Lease and evidence their agreements and other matters by means of this Second Amendment.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Lease is hereby amended and the parties hereto do hereby agree as follows:

1. **Recitals; Capitalized Terms.** The recitals set forth above are incorporated herein by reference as if stated in their entireties. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.
2. **8th Floor Space; First Amendment.** Notwithstanding the terms of the First Amendment, the parties hereby acknowledge and agree that Tenant will not lease the 8th Floor Space as of the Effective Date of the First Amendment but shall, instead, lease the 8th Floor Space in accordance with **Paragraph 5** below. The terms of the First Amendment shall have no further force

INITIAL _____
Landlord | Tenant

or effect. Therefore, as of the date of the First Amendment, the initial Leased Premises consist of approximately 222,730 square feet of Rentable Area.

3. Grant of Additional Leased Premises.

(a) In accordance with the terms of Section 1 of the Lease, Tenant has elected to increase the Rentable Area of the Leased Premises. Therefore, as of the Second Amendment Effective Date, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, an additional 52,171 square feet of Rentable Area consisting of (i) 26,078 square feet of Rentable Area being the entirety of the 3rd Floor of the Building as shown on Schedule "A" attached hereto and by this reference made a part hereof and (ii) 26,093 square feet of Rentable Area being the entirety of the 4th Floor of the Building as shown on Schedule "A-1" attached hereto and by this reference made a part hereof (collectively, the "**3rd and 4th Floor Additional Leased Premises**"), being deemed a part of the "Leased Premises" and the "initial Leased Premises" as set forth herein. Schedule "A" and Schedule "A-1" attached hereto are hereby added to the Lease as Schedule "B10" and Schedule "B-11" respectively, and are hereby incorporated therein. As of the Second Amendment Effective Date, the total square feet of Rentable Area leased pursuant to the Lease shall be amended to include the 3rd and 4th Floor Additional Leased Premises and shall thereupon contain a total of approximately 274,901 square feet of Rentable Area, subject to Landlord's and Tenant's re-measurement rights set forth in Schedule "B" attached to the Lease. The 3rd and 4th Floor Additional Leased Premises shall be delivered by Landlord to Tenant upon Tenant's written request following the full execution and delivery of this Second Amendment by both parties hereto in order for Tenant to complete the Leasehold Improvements thereto and shall thereupon become either a part of the Phase I Premises or the Phase II Premises, as applicable.

(b) In furtherance of the foregoing, the parties hereby agree that the 2nd and 3rd sentences of Section 1 of the Lease are hereby deleted in their entirety and are replaced with the following new sentence:

"Landlord and Tenant agree that the rentable square feet ("**Rentable Area**") of the Leased Premises as measured in accordance with Schedule "B" attached hereto shall contain a total of approximately 274,901 square feet of Rentable Area, and shall consist of the following: (i) approximately 133,349 square feet of Rentable Area on Floors 16 through 20, inclusive, of the Building (subject to the Landlord's and the Tenant's re-measurement rights set forth in Schedule "B" attached hereto), (ii) approximately 11,102 square feet of Rentable Area on Floor 10 (also identified as the "**Crossover Floor**") known as Suite 1050 (subject to the Landlord's and the Tenant's re-measurement rights set forth in Schedule "B" attached hereto), (iii) approximately 78,279 square feet of Rentable Area on Floors 5 through 7, inclusive, of the Building (subject to the Landlord's and the Tenant's re-measurement rights set forth in Schedule "B" attached hereto), (iv) approximately 26,093 square feet of Rentable Area being the entirety of the 4th Floor of the Building (subject to the Landlord's and the Tenant's re-measurement rights set forth in Schedule "B" attached hereto), and (v) approximately 26,078 square feet of Rentable Area being the entirety of the 3rd Floor of the Building (subject to the Landlord's and the Tenant's re-measurement rights set forth in Schedule "B" attached hereto), and the approximate locations are depicted on the Building "Stacking Plan" attached hereto as Schedule "G-1" and on the plans marked Schedules "B1" through "B11", inclusive, attached hereto."

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Landlord | Tenant

4. **Terms of the Lease.** Except as set forth herein, the 3rd and 4th Floor Additional Leased Premises shall be subject to all terms and conditions of the Lease, as amended herein, including without limitation the following: (a) the Term of the Lease with respect to the 3rd and 4th Floor Additional Leased Premises shall commence on the Commencement Date and expire on the Expiration Date, unless sooner terminated or extended pursuant to the terms of the Lease, as amended herein, (b) Basic Rent, Tenant's Proportionate Share, Abatement, and the Advance Monthly Rental Payment to be paid by Tenant to Landlord for the Leased Premises shall be deemed to include, and shall include, the 3rd and 4th Floor Additional Leased Premises, (c) the Allocated Permits in the Building's Parking Facility shall be adjusted by Landlord (or Landlord's designee) to include the 3rd and 4th Floor Additional Leased Premises in accordance with the terms of Paragraph 28 of the Lease, and (d) all terms and conditions of Schedule "F" attached to the Lease (entitled "Leasehold Improvements") shall be applicable to the 3rd and 4th Floor Additional Leased Premises, including, without limitation, application of the Allowance.

5. **Expansion Options.** In connection with, and consideration for, the foregoing agreements and promises, the Expansion Options contained in **Special Stipulation I** of Schedule "G" to the Lease are hereby deleted in their entirety and replaced with the following new options:

"I. **Expansion Options; Must-Take.** Tenant shall have certain expansion rights and obligations as to the spaces described below. If leased by Tenant within the required time period, Option Space 1 shall be leased on the same terms and conditions of the initial Lease, with the Allowance, Abatement and any other rental concessions prorated for the remaining Term, all as set forth below, and the Term for such space(s) shall be co-terminus with the initial Term. If leased by Tenant, Option Space 2 will be leased in accordance with the terms below. Tenant's expansion options are as follows:

1. **First Expansion Option.** So long as Tenant is not then in an Event of Default hereunder in excess of the Default Threshold, Tenant shall have the option (the "**First Expansion Option**") to lease Option Space 1 (as that term is hereinafter defined) at any time on or before May 1, 2016 pursuant to and in accordance with the following terms and conditions:

(a) "**Option Space 1**" means (i) the remaining vacant space on the 2nd Floor of the Building as shown on Schedule "G-6" attached hereto being Suite 200 and consisting of approximately 12,403 square feet of Rentable Area (the "**2nd Floor Option Space**"), but will not include the management office premises (consisting of approximately 2,124 square feet of Rentable Area being Suite 230) nor the Conference Center on the 2nd Floor, which 2nd Floor Option Space will be subject to the rights of CoStar Group, Inc., which has the right to lease 7,500 rentable square feet in a location in the Building to be determined by Landlord in its sole but reasonable discretion on or before June 30, 2014 (the "**Prior Rights**"), and (ii) the remaining vacant space on the 14th Floor of the Building as shown on Schedule "G-7" attached hereto being Suite 1450 and consisting of approximately 10,024 square feet of Rentable Area (the "**14th Floor Option Space**") subject to the Prior Rights and to the rights of Goodwin Wright, Inc. (d/b/a Northwestern Mutual) which exist as of the date of this Lease being a right of first refusal and also an expansion right on any available space on the 14th Floor of the Building (collectively, the "**GW Rights**"). Further, if additional space on the 14th Floor of the Building currently leased by Simcol Group LLC, being Suite 1475 and consisting of approximately 3,460 square feet of Rentable Area (the "**Simcol Space**") becomes vacant and available for lease prior to May 1, 2016, the Simcol Space will be added to and become a part of Option Space 1 and will likewise be subject to the Prior Rights and GW Rights. Landlord will notify Tenant in writing at such time as the Simcol Space becomes available for lease. If the Simcol

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Space becomes a part of Option Space 1, until such time as the Prior Rights or the GW Rights are exercised as to the Simcol Space or Tenant exercises this First Expansion Option with respect to the Simcol Space (presuming the Prior Rights and GW Rights have not been exercised), Landlord will have the right to enter into a lease or license for same on a month-to-month basis on terms acceptable to Landlord, but otherwise subject to Tenant's rights under this First Expansion Option. If Tenant leases the Simcol Space, notwithstanding anything else to the contrary in this First Expansion Option, Tenant's allowance for the Simcol Space will be equal to 75% of the prorated allowance as determined in accordance with paragraph (c) below. For the avoidance of doubt, while "Option Space 1" includes the 2nd Floor Option Space and the 14th Floor Option Space and potentially the Simcol Space, Tenant will only be obligated to lease such option space one at a time (i.e., if Tenant exercises the First Expansion Option, it will not be required, at such time, to lease all of the 2nd Floor Option Space and the 14th Floor Option Space and the Simcol Space, if then applicable, unless Tenant exercises this First Expansion Option for all of such space, as may be applicable, but will only be obligated to lease the entirety of the space so elected at that time). For any Option Space 1 not leased at such time, Tenant's rights with the remainder of Option Space 1 will continue subject to the terms set forth below.

(b) For purposes of this subparagraph (b) and subparagraph (c) below, references to Option Space 1 shall mean any or all of the 2nd Floor Option Space, the 14th Floor Option Space or the Simcol Space, if applicable, that is then being leased pursuant to Tenant's rights hereunder. If leased by Tenant, Option Space 1 must be leased by Tenant with lease commencement occurring on or before May 1, 2016 with at least four (4) months' prior written notice. The First Expansion Option shall be exercised by Tenant, if at all, by Tenant providing Landlord with at least four (4) months' prior written notice, which must be received by Landlord on or before December 31, 2015 ("**First Option Notice**"). Should Tenant fail to duly and timely exercise this First Expansion Option it shall become null and void and of no further force and effect. Should Tenant duly and timely exercise this First Expansion Option, Tenant's lease of Option Space 1 shall be effective on the date set forth in Tenant's First Option Notice, provided such date is on or before May 1, 2016 but not less than four (4) months after Landlord's receipt of the First Option Notice unless otherwise agreed by Landlord and Tenant, through the last day of the Term, as the same may be extended. Option Space 1 shall be subject to all terms and provisions of this Lease, including Basic Rent (on the then current per square foot basis), and Additional Rent then in effect for the Premises. The Abatement for Option Space 1 shall be prorated and shall be an amount equal to the product of multiplying 12 times a fraction, the numerator of which is the number of full calendar months remaining in the initial Term as of the commencement of Tenant's lease of Option Space 1, and the denominator of which is 192.

(c) Tenant shall take Option Space 1 on an "As Is" basis in the condition that exists as of the Effective Date of this Lease, and Landlord shall have no obligation to improve Option Space 1 unless the condition of Option Space 1 has been changed by Landlord or with Landlord's consent. The Improvements for Option Space 1 shall be designed and installed in accordance with the procedures and conditions set forth in Schedule "F" and Tenant's allowance for the Improvements shall be prorated and shall be an amount equal to the product of multiplying \$83.50 times the number of square feet of rentable area in Option Space 1 times a fraction, the numerator of which is the number of full calendar months remaining in the initial Term as of the commencement of Tenant's lease of Option Space 1, and the denominator of which is 192.

(d) The right granted to Tenant under this **Special Stipulation No. 1.1** is personal to Tenant and to any Permitted Transferee, and in the event of any assignment of this Lease other than to a Permitted Transferee or sublease(s) by Tenant in the aggregate of more than thirty-five percent (35%)

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of the Rentable Area of the Leased Premises, this First Expansion Option to lease Option Space 1 shall thenceforth be void and of no further force and effect if not previously exercised by Tenant.

2. **Second Expansion Option.** In connection with Landlord's construction of the Fitness Facility on Floor 1 of the Building, Landlord has relocated its management office located on Floor 1 to Suite 230 on Floor 2 of the Building consisting of 2,124 square feet of Rentable Area at Landlord's sole cost and expense. After the management office has been relocated and paid for by Landlord, at any time during the Term and provided Tenant is not in a monetary Event of Default hereunder in excess of the Default Threshold, Tenant may notify Landlord ("**Second Option Notice**") that it would like to lease the management office space on Floor 2 ("**Option Space 2**"), which is shown on **Schedule "G-8"** attached hereto. If other space in the Building is available and is acceptable to Landlord in its sole but reasonable discretion for purposes of relocating the management office, Landlord will agree to move the management office at Tenant's sole cost and expense and lease Option Space 2 to Tenant in accordance with the following terms.

(a) Should Tenant exercise this Second Expansion Option, and if Option Space 2 is then available for lease (i.e., other space in the Building is available and is acceptable to Landlord in its sole but reasonable discretion for purposes of relocating the management office), Tenant's lease of Option Space 2 shall be effective as of the first (1st) day of a month that is at least four (4) months after Landlord's receipt of the Second Option Notice. Option Space 2 shall be subject to all terms and provisions of this Lease; provided that if the commencement date of Tenant's lease of Option Space 2 occurs on or before May 1, 2015 (meaning that the Second Option Notice was received by Landlord on or before December 31, 2014), then Tenant's lease of Option Space 2 shall be subject to all terms and provisions of this Lease, including Basic Rent (on the then current per square foot basis), Term, and Additional Rent then in effect for the Premises. The Abatement for Option Space 2 shall be prorated and shall be an amount equal to the product of multiplying 12 times a fraction, the numerator of which is the number of full calendar months remaining in the initial Term as of the commencement of Tenant's lease of Option Space 2, and the denominator of which is 192. If the commencement date of Tenant's lease of Option Space 2 occurs on or before May 1, 2015, Tenant shall take Option Space 2 on an "As Is" basis, and Landlord shall have no obligation to improve Option Space 2. The Improvements for Option Space 2 shall be designed and installed in accordance with the procedures and conditions set forth in **Schedule "F"** and the Allowance for the Improvements shall be prorated and shall be an amount equal to the product of multiplying \$83.50 times the number of square feet of rentable area in Option Space 2 times a fraction, the numerator of which is the number of full calendar months remaining in the initial Term as of the commencement of Tenant's lease of Option Space 2, and the denominator of which is 192.

(b) If the commencement date of Tenant's lease of Option Space 2 occurs after May 1, 2015 (meaning that the Second Option Notice was received by Landlord after December 31, 2014), then Tenant's lease of Option Space 2 shall be at the Market Rate, as defined in **Schedule "G-2"** attached hereto, based on the number of Lease Years then remaining in the Term, provided there are at least five (5) Lease Years remaining in the Term. In other words, if there are less than five (5) Lease Years remaining in the Term, then Tenant will have no right to lease Option Space 2 unless Tenant simultaneously extends the Term for the entirety of the Leased Premises by exercising the then applicable Extension Option, if any, as set forth below. The "Market Rate" will be based on the number of Lease Years (with a minimum of 5) then remaining in the Term during which Tenant will lease Option Space 2.

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(c) The right granted to Tenant under this **Special Stipulation No. 1.2** is personal to Tenant and to any Permitted Transferee, and in the event of any assignment of this Lease other than to a Permitted Transferee or sublease(s) by Tenant in the aggregate of more than thirty-five percent (35%) of the Rentable Area of the Leased Premises, this Second Expansion Option to lease Option Space 2 shall thenceforth be void and of no further force and effect if not previously exercised by Tenant.

3. **Must-Take Space.** Tenant shall be required to lease the 8th Floor Space, as defined below and as shown on Schedule "G-9" attached hereto, with at least four (4) months' prior written notice to Landlord, but in any event, no later than May 1, 2015. The date on which Tenant leases the 8th Floor Space, but in any event no later than May 1, 2015, is herein called the "**Must-Take Date**". If, prior to May 1, 2015, Tenant fails to notify Landlord of the date on which it will lease the 8th Floor Space, then the Must-Take Date will, *ipso facto*, be May 1, 2015. The "**8th Floor Space**" consists of 16,709 rentable square feet of space in the Building known as Suite 800. The Leased Premises shall be automatically expanded to include all of the 8th Floor Space and, as of the Must-Take Date, the 8th Floor Space shall be subject to all of the terms and conditions of this Lease, and Tenant shall commence paying Basic Rent and Additional Rent on the 8th Floor Space in the same manner and calculated at the same rate as Basic Rent and Additional Rent is then calculated and paid on the Leased Premises under the Lease, subject to the Abatement, which Abatement shall be equal to The Abatement for the 8th Floor Space shall be prorated and shall be an amount equal to the product of multiplying 12 times a fraction, the numerator of which is the number of full calendar months remaining in the initial Term as of the commencement of Tenant's lease of the 8th Floor Space, and the denominator of which is 192 and otherwise subject to Section 3(a) of the Lease. The Improvements for the 8th Floor Space shall be designed and installed in accordance with the procedures and conditions set forth in Schedule "F", to the extent applicable. Tenant's allowance for the Improvements to the 8th Floor Space shall be paid in accordance with Schedule "F" and shall be prorated and be an amount equal to the product of multiplying \$83.50 times the number of square feet of rentable area in the 8th Floor Space times a fraction, the numerator of which is the number of full calendar months remaining in the initial Term as of the commencement of Tenant's lease of the 8th Floor Space, and the denominator of which is 192.

4. **Right of First Refusal.** Subject to the Prior Rights and to the GW Rights, and so long as Tenant is not then in an Event of Default hereunder in excess of the Default Threshold, Landlord grants to Tenant the on-going right (the "**First Refusal Right**") to lease the First Refusal Space, as hereinafter defined, at any time during the Term, on and subject to the following terms and conditions.

(a) The "**First Refusal Space**" shall mean any vacant space in the Building that is the subject of a Third Party Offer, as defined below. The First Refusal Space will not include Option Space 1 until after the First Option Notice is due and not given. The First Refusal Space will also not include the 8th Floor Space, any space in the Building that is utilized as part of the existing or any future Building amenities (i.e., Conference Center, café, restaurant, fitness facility, etc.), or any space that is leased or licensed temporarily to a tenant as "swing space" or temporary space while such tenant's permanent space is being made ready for occupancy.

(b) Should Landlord receive from a prospective third party tenant an offer to lease the First Refusal Space or any premises within the Building containing all or a portion of the First Refusal Space that Landlord is willing to accept or should Landlord give a prospective tenant an offer to lease the First Refusal Space or any premises within the Building containing all or a portion of the First Refusal Space, which offer Landlord anticipates the prospective tenant will accept (the "**Third Party Offer**"), Landlord agrees promptly to so notify Tenant in writing of the relevant terms of the Third Party Offer, including a reasonably detailed description of the relevant economic terms thereof,

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including for example only, the rental rate, any rental or other concessions, any allowances, and any expansion and/or extension/renewal rights, provided that no expansion and/or extension/renewal rights will be a part of the Third Party Offer (the "**TPO Terms**"). If the Third Party Offer contains space in addition to the First Refusal Space, if Tenant accepts the Third Party Offer, it shall be required to lease all of the space that is the subject of the Third Party Offer. Tenant shall have a period of ten (10) business days after receipt of the TPO Terms within which to exercise the First Refusal Right (the "**Acceptance Period**") by delivery to Landlord of written notice of its exercise on or before the last day of the Acceptance Period. If Tenant fails to duly and timely exercise the First Refusal Right, or elects not to exercise the First Refusal Right, the same shall lapse, and be of no further force and effect, and Landlord shall have the right for a period of nine (9) months thereafter to lease the First Refusal Space on terms that are not materially more favorable than those contained in the TPO Terms without re-submitting such changed terms to Tenant in accordance with this First Refusal Right in which case Tenant shall have five (5) business days after its receipt of such resubmitted offer to exercise the First Refusal Right on such terms. The term "**materially more favorable**" shall mean the net effective rental rates and terms, such as the length of the term and the amount of any concessions such as the tenant improvement allowance and any free rent with respect to such proposal, are less than 92.5% of the net effective rental rates and terms originally offered to Tenant.

(c) Within thirty (30) days after the effective date of Tenant's exercise of the First Refusal Right, Landlord and Tenant shall use commercially reasonable efforts to negotiate and enter into an amendment to this Lease adding the First Refusal Space to the Premises. If Tenant exercises this First Refusal Right on or before May 1, 2015, then Tenant's lease of First Refusal Space shall be subject to all terms and provisions of this Lease, including Basic Rent (on the then current per square foot basis), Term, and Additional Rent then in effect for the Premises. The Abatement for the First Refusal Space shall be prorated and shall be an amount equal to the product of multiplying 12 times a fraction, the numerator of which is the number of full calendar months remaining in the initial Term as of the commencement of Tenant's lease of the First Refusal Space, and the denominator of which is 192. If the commencement date of Tenant's lease of the First Refusal Space occurs on or before May 1, 2015, Tenant shall take First Refusal Space on an "As Is" basis and Landlord shall have no obligation to improve the First Refusal Space. The Improvements for the First Refusal Space shall be designed and installed in accordance with the procedures and conditions set forth in Schedule "F" and the Allowance for the Improvements shall be prorated and shall be an amount equal to the product of multiplying \$83.50 times the number of square feet of rentable area in the First Refusal Space times a fraction, the numerator of which is the number of full calendar months remaining in the initial Term as of the commencement of Tenant's lease of the First Refusal Space, and the denominator of which is 192.

(d) If Tenant exercises this First Refusal Right after May 1, 2015 but with a Term commencing prior to May 1, 2022, then Tenant will lease the First Refusal Space or any premises within the Building containing all or a portion of the First Refusal Space, which is contained in the Third Party Offer, on the terms and provisions of this Lease except that all of the economic terms of the Third Party Offer, including the Basic Rent and any concessions relating to the First Refusal Space shall be as set forth in the Third Party Offer. The Term with respect to the First Refusal Space shall be coterminous with the remaining Term for this Lease and if the term of the First Refusal Space would have otherwise extended beyond the initial Term of the Lease but for same being made coterminous any abatement for the First Refusal Space contained in the Third Party Offer shall be prorated and shall be an amount equal to the product of multiplying the number of months of abatement contained in the Third Party Offer times a fraction, the numerator of which is the number of full calendar

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months remaining in the initial Term as of the commencement of Tenant's lease of the First Refusal Space, and the denominator of which is the number of months contained in the Third Party Offer. Further, Tenant shall take the First Refusal Space on the basis set forth in the Third Party Offer and Landlord shall have no obligation to improve the First Refusal Space. The Improvements for the First Refusal Space shall be designed and installed in accordance with the procedures and conditions set forth in Schedule "F" and any allowance provided for in the Third Party Offer for any improvements to the First Refusal Space shall be prorated and shall be an amount equal to the product of multiplying the per square foot amount of such allowance times the number of square feet of rentable area in the First Refusal Space times a fraction, the numerator of which is the number of full calendar months remaining in the initial Term as of the commencement of Tenant's lease of the First Refusal Space, and the denominator of which is the number of months contained in the Third Party Offer.

(e) If Tenant exercises this First Refusal Right after May 1, 2015 but the Term for the First Refusal Space commences after May 1, 2022 and extends beyond the initial Term of this Lease, then even if the parties negotiate an earlier commencement date for the First Refusal Space, Tenant will nonetheless lease the First Refusal Space on the terms of the Third Party Offer, including, without limitation, the Term thereof.

(f) If Tenant fails to or elects not to exercise the First Refusal Right and the third party submitting the Third Party Offer does not lease the First Refusal Space within nine (9) months thereafter, the First Refusal Space shall again become subject to the First Refusal Right herein contained as to the pending and/or any subsequent Third Party Offer submitted to Landlord.

(g) The right granted to Tenant under this **Special Stipulation No. 4** is personal to Tenant and any Permitted Transferee, and in the event of any assignment of this Lease other than to a Permitted Transferee or sublease(s) by Tenant in the aggregate of more than thirty-five percent (35%) of the Rentable Area of the Leased Premises, this First Refusal Right to lease the First Refusal Space shall thenceforth be void and of no further force and effect if not previously exercised by Tenant.

5. Miscellaneous Expansion Right. So long as Tenant is not then in an Event of Default hereunder in excess of the Default Threshold, Tenant shall have the right to notify Landlord of Tenant's desire to lease specified vacant space in the Building at any time. Within ten (10) business days after receipt of such notice from Tenant, Landlord shall notify Tenant as to whether such vacant space is the subject of pending negotiations by Landlord with a third party (including, without limitation, any existing tenant, assignee, or subtenant) and is reasonably anticipated by Landlord to be the subject of a Third Party Offer and a notice of TPO Terms given to Tenant within the one hundred twenty (120) day period following the date of Tenant's notice. If Landlord provides such a notice to Tenant, then Landlord shall have the right to provide notice to Tenant of the TPO Terms with respect to such vacant space (which notice may cover additional vacant space as well) within such one hundred twenty (120) day period. If Landlord fails to do so, then Tenant shall have the right to lease the vacant space in question in accordance with the following terms, subject to the rights of existing tenants in the Building. If Tenant elects to lease any vacant space in the Building commencing on or before May 1, 2015, the location, size and configuration thereof will be subject to the parties' mutual agreement and the lease thereof will be on the same terms and conditions of this Lease, with the Allowance, Abatement and any other rental concessions prorated for the remaining Term, and the Term of Tenant's lease of such space shall be coterminous with the initial Term. If Tenant elects to lease any vacant space in the Building commencing after May 1, 2015, the location, size and configuration thereof will be subject to the parties' mutual agreement and shall be at the then current Market Rate as set forth on Schedule "G-2" based on the number of Lease Years in the

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TPO Terms, if any (but in any event and regardless of whether there is a Third Party Offer, no less than 5 Lease Years).”

6. **Other Amendments.** In connection with the foregoing provisions, the Lease is hereby further amended as follows:

(a) **Staging Area.** The 4th paragraph of Section 3 of Schedule “F” attached to the Lease is hereby deleted in its entirety and replaced with the following new paragraph:

“Tenant may utilize Option Space 1 and/or the 8th Floor Space, both as defined in Schedule “G” attached hereto (the “**Staging Area**”), on a temporary basis during construction of the Leasehold Improvements for construction staging and furniture storage until the completion of the Leasehold Improvements, at which time Tenant must vacate the Staging Area, remove its furniture and equipment therefrom and repair any damage caused thereto. Tenant shall pay all costs incurred in connection with its use of the Staging Area including the cost of any low voltage/cabbling for the Staging Area. Tenant shall pay no Basic Rent or Additional Rent for its use of the Staging Area.”

(b) **Termination Option.** The Termination Option contained in Special Stipulation III of Schedule “G” to the Lease is hereby amended by deleting the 6th sentence of such Option in its entirety and replacing it with the following new sentence:

“With respect to any future expansion space (including, without limitation, Option Space 1, Option Space 2, and the 8th Floor Space), the Transaction Costs, as are applicable to the specific expansion space, will be amortized over the period commencing on the effective date of Tenant’s lease of such expansion space through the expiration date of Tenant’s lease of such expansion space.”

(c) **Stacking Plan and Other Exhibits.** Schedule “G-1” attached to the Lease is hereby replaced with Schedule “G-1” attached to this Second Amendment. Schedules “G-6” through “G-9” attached hereto are hereby incorporated into the Lease by the specific references herein.

(d) **Commencement Date Memorandum.** The Commencement Date Memorandum attached to the Lease as Schedule “H” is hereby amended by deleting Section 1(d) in its entirety.

(e) **Definitions.** The “Definitions of Principal Terms” are hereby amended by deleting all references therein to “Option Space 3”, “Third Expansion Option” and “Third Option Notice” and substituting in lieu thereof, “8th Floor Space” and “Must-Take Date”.

7. **Brokers.** Each party represents and warrants to the other that neither it nor its officers or agents nor anyone acting on its behalf has dealt with any real estate broker other than Crescent, which represented Landlord, and Cushman & Wakefield, which represented Tenant in the negotiating and making of this Second Amendment, and each party agrees to indemnify and hold the other party and such other party’s agents, employees, partners, directors, shareholders and independent contractors harmless from all liabilities, costs, demands, judgments, settlements, claims, and losses, including reasonable attorneys’ fees and costs, incurred by such other party in

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conjunction with any such claim or claims of any other broker or brokers claiming to have represented the indemnifying party in connection with this Second Amendment.

8. No Defaults. Tenant hereby agrees that there are, as of the date hereof, regardless of the giving of notice or the passage of time, or both, no defaults or breaches on the part of Landlord or Tenant under the Lease.

9. Headings. The headings used herein are provided for convenience only and are not to be considered in construing this Second Amendment.

10. Entire Agreement. This Amendment represents the entire agreement between the parties with respect to the subject matter hereof. Landlord and Tenant agree that there are no collateral or oral agreements or understandings between them with respect to the Leased Premises, the Additional Leased Premises or the Building other than the Lease and this Second Amendment. This Amendment supersedes all prior negotiations, agreements, letters or other statements with respect to the matters addressed herein.

11. Binding Effect. This Amendment shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

12. Confirmation of Lease. Except as expressly amended and modified by this Second Amendment, the Lease shall otherwise remain unmodified and in full force and effect, and the parties hereto hereby ratify and confirm the same. To the extent of any inconsistency between the Lease and this Second Amendment, the terms of this Second Amendment shall control.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Second Amendment under seal as of the day and year first above written.

LANDLORD:

JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.), a Michigan corporation, and wholly owned subsidiary of Manulife Financial Corporation

By: /s/ Paul M. Crowley
Print Name: /s/ Paul M. Crowley
Title: V.P. Managing Director

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

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[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

TENANT:
THE WILLIAM CARTER COMPANY,
a Massachusetts corporation

By: /s/ Thomas A. Carroll _____
Print Name: /s/ Thomas A. Carroll
Title: V.P. - Real Estate

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JPMorgan Chase Bank, National Association
P.O. Box 161
60 Victoria Embankment
London EC4Y 0JP
England

August 29, 2013

To: Carter's, Inc.
The Proscenium
1170 Peachtree Street NE, Suite 900
Atlanta, Georgia 30309

Re: Master Confirmation—Uncollared Accelerated Share Repurchase

This master confirmation (this "**Master Confirmation**"), dated as of August 29, 2013, is intended to set forth certain terms and provisions of certain Transactions (each, a "**Transaction**") entered into from time to time between J.P. Morgan Securities LLC ("**JPMS**"), as agent for JPMorgan Chase Bank, National Association, London Branch ("**JPMorgan**"), and Carter's, Inc., a Delaware corporation ("**Counterparty**"). This Master Confirmation, taken alone, is neither a commitment by either party to enter into any Transaction nor evidence of a Transaction. The additional terms of any particular Transaction shall be set forth in a Supplemental Confirmation in the form of Schedule A hereto (a "**Supplemental Confirmation**"), which shall reference this Master Confirmation and supplement, form a part of, and be subject to this Master Confirmation. This Master Confirmation and each Supplemental Confirmation together shall constitute a "Confirmation" as referred to in the Agreement specified below.

The definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (the "**Equity Definitions**"), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Master Confirmation. This Master Confirmation and each Supplemental Confirmation evidence a complete binding agreement between Counterparty and JPMorgan as to the subject matter and terms of each Transaction to which this Master Confirmation and such Supplemental Confirmation relate and shall supersede all prior or contemporaneous written or oral communications with respect thereto.

This Master Confirmation and each Supplemental Confirmation supplement, form a part of, and are subject to an agreement in the form of the 2002 ISDA Master Agreement (the "**Agreement**") as if JPMorgan and Counterparty had executed the Agreement on the date of this Master Confirmation (but without any Schedule except for (i) the election of New York law as the governing law (without reference to its choice of law provisions) and (ii) the election that subparagraph (ii) of Section 2(c) will not apply to the Transactions.

The Transactions shall be the sole Transactions under the Agreement. If there exists any ISDA Master Agreement between JPMorgan and Counterparty or any confirmation or other agreement between JPMorgan and Counterparty pursuant to which an ISDA Master Agreement is deemed to exist between JPMorgan and Counterparty, then notwithstanding anything to the contrary in such ISDA Master Agreement, such confirmation or agreement or any other agreement to which JPMorgan and Counterparty are parties, the Transactions shall not be considered Transactions under, or otherwise governed by, such existing or deemed ISDA Master Agreement, and the occurrence of any Event of Default or Termination Event under the Agreement with respect to either party or any Transaction shall not, by itself, give rise to any right or obligation under any such other agreement or deemed agreement. Notwithstanding anything to the contrary in any other agreement between the parties or their Affiliates, the Transactions shall not be "Specified Transactions" (or similarly treated) under any other agreement between the parties or their Affiliates.

All provisions contained or incorporated by reference in the Agreement shall govern this Master Confirmation and each Supplemental Confirmation except as expressly modified herein or in the related Supplemental Confirmation.

If, in relation to any Transaction to which this Master Confirmation and a Supplemental Confirmation relate, there is any inconsistency between the Agreement, this Master Confirmation, such Supplemental Confirmation and the Equity Definitions, the following will prevail for purposes of such Transaction in the order of precedence indicated: (i) such Supplemental Confirmation; (ii) this Master Confirmation (including Annex B hereto); (iii) the Equity Definitions; and (iv) the Agreement.

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London, E14 5JP
Authorised and regulated by the Financial Services Authority

1. Each Transaction constitutes a Share Forward Transaction for the purposes of the Equity Definitions. Set forth below are the terms and conditions that, together with the terms and conditions set forth in the Supplemental Confirmation relating to any Transaction, shall govern such Transaction.

General Terms.

Trade Date:	For each Transaction, as set forth in the related Supplemental Confirmation.
Buyer:	Counterparty
Seller:	JPMorgan
Shares:	The common stock of Counterparty, par value USD 0.01 per share (Exchange symbol "CRI").
Exchange:	The New York Stock Exchange
Related Exchange(s):	All Exchanges.
Prepayment/Variable Obligation:	Applicable
Prepayment Amount:	For each Transaction, as set forth in the related Supplemental Confirmation.
Prepayment Date:	For each Transaction, as set forth in the related Supplemental Confirmation.
Contract Fee:	For each Transaction, as set forth in the related Supplemental Confirmation. On the Prepayment Date, Buyer shall pay Seller an amount in USD equal to the Contract Fee in immediately available funds by wire transfer to an account specified by Seller.

Valuation.

VWAP Price:	For any Exchange Business Day, the volume-weighted average price at which the Shares trade as reported in the composite transactions for United States exchanges and quotation systems, during the regular trading session for the Exchange on such Exchange Business Day, excluding (i) trades that do not settle regular way, (ii) opening (regular way) reported trades in the consolidated system on such Exchange Business Day, (iii) trades that occur in the last ten minutes before the scheduled close of trading on the Exchange on such Exchange Business Day and ten minutes before the scheduled close of the primary trading in the market where the trade is effected, and (iv) trades on such Exchange Business Day that do not satisfy the requirements of Rule 10b-18(b)(3) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as reasonably determined in good faith and in a commercially reasonable manner by the Calculation Agent (all such trades other than any trades described in clauses (i) to (iv) above, " Rule 10b-18 Eligible Transactions "). Counterparty acknowledges that the Calculation Agent may refer to the Bloomberg Page "CRI US <Equity> AQR SEC" (or any
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successor thereto), in its judgment, for such Exchange Business Day to determine the VWAP Price.

Forward Price: For each Transaction, the arithmetic average of the VWAP Prices for all of the Exchange Business Days in the Calculation Period for such Transaction, subject to "Valuation Disruption" below.

Forward Price Adjustment Amount: For each Transaction, as set forth in the related Supplemental Confirmation.

Calculation Period: For each Transaction, the period from, and including, the Calculation Period Start Date for such Transaction to, and including, the Termination Date for such Transaction.

Calculation Period Start Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Termination Date: For each Transaction, the Scheduled Termination Date for such Transaction; *provided that* JPMorgan shall have the right to designate any Exchange Business Day on or after the First Acceleration Date to be the Termination Date for such Transaction (the "**Accelerated Termination Date**") by delivering notice to Counterparty of any such designation prior to 6:00 p.m. (New York City time) on the Exchange Business Day immediately following the designated Accelerated Termination Date.

Scheduled Termination Date: For each Transaction, as set forth in the related Supplemental Confirmation, subject to postponement as provided in "Valuation Disruption" below.

First Acceleration Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Valuation Disruption: The definition of "Market Disruption Event" in Section 6.3(a) of the Equity Definitions is hereby amended by deleting the words "at any time during the one-hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be" and inserting the words "at any time on any Scheduled Trading Day during the Calculation Period or Settlement Valuation Period" after the word "material," in the third line thereof.

Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term "Scheduled Closing Time" in the fourth line thereof.

Notwithstanding anything to the contrary in the Equity Definitions, if a Disrupted Day occurs (i) in the Calculation Period, the Calculation Agent may, in its good faith and commercially reasonable discretion, postpone the Scheduled Termination Date, or (ii) in the Settlement Valuation Period, the Calculation Agent may extend the Settlement Valuation Period. The Calculation Agent may also determine that (i) such Disrupted Day is a Disrupted Day in full, in which case the VWAP Price for such

Disrupted Day shall not be included for purposes of determining the Forward Price or the Settlement Price, as the case may be, or (ii) such Disrupted Day is a Disrupted Day only in part, in which case the VWAP Price for such Disrupted Day shall be determined by the Calculation Agent based on Rule 10b-18 Eligible Transactions in the Shares on such Disrupted Day taking into account the nature and duration of the relevant Market Disruption Event, and the weighting of the VWAP Price for the relevant Exchange Business Days during the Calculation Period or the Settlement Valuation Period, as the case may be, shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Forward Price or the Settlement Price, as the case may be, with such adjustments based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full.

If a Disrupted Day occurs during the Calculation Period for any Transaction or the Settlement Valuation Period for any Transaction, as the case may be, and each of the nine immediately following Scheduled Trading Days is a Disrupted Day (a “**Disruption Event**”), then the Calculation Agent, in its good faith and commercially reasonable discretion, may deem such ninth Scheduled Trading Day to be an Exchange Business Day that is not a Disrupted Day and, in the case of such Calculation Period or the Settlement Valuation Period, as the case may be, determine the VWAP Price for such ninth Scheduled Trading Day using its good faith estimate of the value of the Shares on such ninth Scheduled Trading Day based on the volume, historical trading patterns and the price of the Shares and such other factors as it deems appropriate.

Settlement Terms.

Settlement Procedures:

For each Transaction:

- (i) if the Number of Shares to be Delivered for such Transaction is positive, Physical Settlement shall be applicable to such Transaction; *provided* that JPMorgan does not, and shall not, make the agreement or the representations set forth in Section 9.11 of the Equity Definitions related to the restrictions imposed by applicable securities laws with respect to any Shares delivered by JPMorgan to Counterparty under any Transaction; or
- (ii) if the Number of Shares to be Delivered for such Transaction is negative, then the Counterparty

Settlement Provisions in Annex A hereto shall apply to such Transaction.

Number of Shares to be Delivered: For each Transaction, a number of Shares (rounded down to the nearest whole number) equal to (a)(i) the Prepayment Amount for such Transaction, *divided by* (ii)(A) the Forward Price for such Transaction *minus* (B) the Forward Price Adjustment Amount for such Transaction, *minus* (b) the number of Initial Shares for such Transaction; *provided* that if the result of the calculation in clause (a)(ii) is equal to or less than the Floor Price for such Transaction, then the Number of Shares to be Delivered for such Transaction shall be determined as if clause (a)(ii) were replaced with "(ii) the Floor Price for such Transaction". For the avoidance of doubt, if the Forward Price Adjustment Amount for any Transaction is a negative number, clause (a)(ii) of the immediately preceding sentence shall be equal to (A) the Forward Price for such Transaction, *plus* (B) the absolute value of the Forward Price Adjustment Amount.

Floor Price: For each Transaction, as set forth in the related Supplemental Confirmation.

Excess Dividend Amount: For the avoidance of doubt, all references to the Excess Dividend Amount shall be deleted from Section 9.2(a)(iii) of the Equity Definitions.

Settlement Date: For each Transaction, if the Number of Shares to be Delivered for such Transaction is positive, the date that is one Settlement Cycle immediately following the Termination Date for such Transaction.

Settlement Currency: USD

Initial Share Delivery: For each Transaction, JPMorgan shall deliver a number of Shares equal to the Initial Shares for such Transaction to Counterparty on the Initial Share Delivery Date for such Transaction in accordance with Section 9.4 of the Equity Definitions, with such Initial Share Delivery Date deemed to be a "Settlement Date" for purposes of such Section 9.4.

Initial Share Delivery Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Initial Shares: For each Transaction, as set forth in the related Supplemental Confirmation.

Share Adjustments.

Potential Adjustment Event: In addition to the events described in Section 11.2(e) of the Equity Definitions, it shall constitute an additional Potential Adjustment Event if (x) the Scheduled Termination Date for any Transaction is postponed pursuant to "Valuation Disruption" above (including, for the avoidance of doubt, pursuant to Section 7 hereof), (y) a Regulatory Disruption as described in Section 7 occurs or (z) a Disruption Event occurs. In the case of any event described in clause (x), (y) or (z) above occurs, the Calculation Agent may, in good faith

and in its commercially reasonable discretion, adjust any relevant terms of such Transaction as necessary to preserve as nearly as practicable the fair value of such Transaction to JPMorgan prior to such postponement, Regulatory Disruption or Disruption Event, as the case may be.

Excess Dividend: For any calendar quarter, any dividend or distribution on the Shares with an ex-dividend date occurring during such calendar quarter (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions or any Extraordinary Dividend) (a "**Dividend**") the amount or value of which per Share (as determined by the Calculation Agent), when aggregated with the amount or value (as determined by the Calculation Agent) of any and all previous Dividends with ex-dividend dates occurring in the same calendar quarter, exceeds the Ordinary Dividend Amount. "**Extraordinary Dividend**" means the per Share cash dividend or distribution, or a portion thereof, declared by Counterparty on the Shares that is classified by the board of directors of Counterparty as an "extraordinary" dividend.

Consequences of Excess Dividend: The declaration by the Issuer of any Excess Dividend, the ex-dividend date for which occurs or is scheduled to occur during the Relevant Dividend Period for any Transaction, shall constitute an Additional Termination Event in respect of such Transaction, with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction.

Ordinary Dividend Amount: For each Transaction, as set forth in the related Supplemental Confirmation.

Method of Adjustment: Calculation Agent Adjustment

Early Ordinary Dividend Payment: For each Transaction, if an ex-dividend date for any Dividend that is not (x) an Excess Dividend, (y) a dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions and (z) an Extraordinary Dividend, occurs during any calendar quarter occurring (in whole or in part) during the Relevant Dividend Period for such Transaction and is prior to the Scheduled Ex-Dividend Date for such Transaction for the relevant calendar quarter (as determined by the Calculation Agent), the Calculation Agent shall make such adjustment to the exercise, settlement, payment or any other terms of the relevant Transaction as the Calculation Agent determines appropriate to account for the economic effect on such Transaction of such event.

Scheduled Ex-Dividend Dates: For each Transaction, as set forth in the related Supplemental Confirmation for each calendar quarter.

Relevant Dividend Period: For each Transaction, the period from, and including, the Trade Date for such Transaction to, and including, the Relevant Dividend Period End Date for such Transaction.

Relevant Dividend Period End Date: For each Transaction, if the Number of Shares to be Delivered for such Transaction is negative, the last day of

the Settlement Valuation Period; otherwise, the Termination Date for such Transaction.

Extraordinary Events.

Consequences of Merger Events:

- (a) Share-for-Share: Cancellation and Payment
- (b) Share-for-Other: Cancellation and Payment
- (c) Share-for-Combined: Cancellation and Payment

Tender Offer:

Applicable; *provided* that (a) Section 12.1(l) of the Equity Definitions shall be amended (i) by deleting the parenthetical in the fifth line thereof, (ii) by replacing “that” in the fifth line thereof with “whether or not such announcement” and (iii) by adding immediately after the words “Tender Offer” in the fifth line thereof “, and any publicly announced change or amendment to such an announcement (including, without limitation, the announcement of an abandonment of such intention)” and (b) Sections 12.3(a) and 12.3(d) of the Equity Definitions shall each be amended by replacing each occurrence of the words “Tender Offer Date” by “Announcement Date.”

Consequences of Tender Offers:

- (a) Share-for-Share: Cancellation and Payment
- (b) Share-for-Other: Cancellation and Payment
- (c) Share-for-Combined: Cancellation and Payment

Nationalization, Insolvency or Delisting:

Cancellation and Payment; *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall be deemed to be the Exchange.

Additional Disruption Events:

- (a) Change in Law: Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase “the interpretation” in the third line thereof with the phrase “, or public announcement of, the formal or informal interpretation”, (ii) by replacing the word “Shares” where it appears in clause (X) thereof with the words “Hedge Positions” and (iii) by immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”; *provided further* that Section 12.9(a)(ii) of the Equity

Definitions is hereby amended by replacing the parenthetical beginning after the word "regulation" in the second line thereof the words "(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)".

- (b) Failure to Deliver: Applicable
- (c) Insolvency Filing: Applicable
- (d) Loss of Stock Borrow: Applicable
- Maximum Stock Loan Rate: For each Transaction, as set forth in the related Supplemental Confirmation.
- Hedging Party: JPMorgan
- Determining Party: JPMorgan. Following any determination or calculation by the Determining Party hereunder, upon a written request by Counterparty, the Determining Party will promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such written request a report displaying in reasonable detail the basis for such determination or calculation, as the case may be; *provided* that the Determining Party shall not be required to disclose any proprietary models or other information that is proprietary or confidential.
- (e) Hedging Disruption: Applicable
- Hedging Party: JPMorgan
- Determining Party: JPMorgan. Following any determination or calculation by the Determining Party hereunder, upon a written request by Counterparty, the Determining Party will promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such written request a report displaying in reasonable detail the basis for such determination or calculation, as the case may be; *provided* that the Determining Party shall not be required to disclose any proprietary models or other information that is proprietary or confidential.
- (f) Increased Cost of Stock Borrow: Applicable
- Initial Stock Loan Rate: For each Transaction, as set forth in the related Supplemental Confirmation.
- Hedging Party: JPMorgan
- Determining Party: JPMorgan. Following any determination or calculation by the Determining Party hereunder, upon a written request by Counterparty, the Determining Party will promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by

Counterparty in such written request a report displaying in reasonable detail the basis for such determination or calculation, as the case may be; *provided* that the Determining Party shall not be required to disclose any proprietary models or other information that is proprietary or confidential.

Hedging Adjustments:

For the avoidance of doubt, whenever the Calculation Agent is called upon to make an adjustment pursuant to the terms of this Confirmation or the Equity Definitions to take into account the effect of an event, the Calculation Agent shall make such adjustment by reference to the effect of such event on JPMorgan, assuming that JPMorgan maintains a commercially reasonable Hedge Position.

Non-Reliance/Agreements and
Acknowledgements Regarding
Hedging Activities/Additional
Acknowledgements:

Applicable

2. **Calculation Agent.** JPMorgan. Whenever the Calculation Agent is required to act or to exercise judgment in any way with respect to any Transaction hereunder, it will do so in good faith and in a commercially reasonable manner. Following any determination or calculation by the Calculation Agent hereunder, upon a written request by Counterparty, the Calculation Agent will promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such written request a report displaying in reasonable detail the basis for such determination or calculation, as the case may be; *provided* that the Calculation Agent shall not be required to disclose any proprietary models or other information that is proprietary or confidential.

3. **Account Details.**

(a) Account for payments to Counterparty:

Bank: Bank of America
ABA#: []
Acct No.: []
Beneficiary: The William Carter Company
Ref: Share Repurchase for Carter's, Inc. (CRI)

Account for delivery of Shares to Counterparty:

American Stock Transfer DTC Participant # []

(b) Account for payments to JPMorgan:

Bank: JPMorgan Chase Bank, N.A.
ABA#: []
Acct No.: []
Beneficiary: JPMorgan Chase Bank, N.A. New York
Ref: Derivatives

Account for delivery of Shares to JPMorgan:

DTC []

4. Offices.

(a) The Office of Counterparty for each Transaction is: Inapplicable, Counterparty is not a Multibranch Party.

(a)The Office of JPMorgan for each Transaction is: London

JPMorgan Chase Bank, National Association
London Branch
P.O. Box 161
60 Victoria Embankment
London EC4Y 0JP
England

5. Notices.

(a)Address for notices or communications to Counterparty:

Carter's, Inc.
The Proscenium
1170 Peachtree Street NE, Suite 900
Atlanta, Georgia 30309
Attention: Sean McHugh
Copy to: General Counsel
Telephone No.: (404) 745-2700
Email Address: sean.mchugh@carters.com

(b)Address for notices or communications to JPMorgan:

JPMorgan Chase Bank, National Association
EDG Marketing Support
Email Address: edg_notices@jpmorgan.com
edg_special_equities_notices@jpmorgan.com

With a copy to:

Sudheer Tegulapalle
Executive Director
383 Madison Avenue, Floor 05
New York, NY, 10179, United States
Telephone No: (212) 622-2100
Facsimile No: (212) 622-0398
Email Address: sudheer.r.tegulapalle@jpmorgan.com

6. Representations, Warranties and Agreements.

(a)Additional Representations, Warranties and Covenants of Each Party. In addition to the representations, warranties and covenants in the Agreement, each party represents, warrants and covenants to the other party that:

- (i) It is an “eligible contract participant” (as such term is defined in the Commodity Exchange Act, as amended).
- (ii) Each party acknowledges that the offer and sale of each Transaction to it is intended to be exempt from registration under the Securities Act of 1933, as amended (the “**Securities Act**”), by virtue of Section 4(2) thereof. Accordingly, each party represents and warrants to the other that (A) it has the financial ability to bear the economic risk of its investment in each Transaction and is able to bear a total loss of its investment, (B) it is an “accredited investor” as that term is defined under Regulation D under the Securities Act and (C) the disposition of each Transaction is restricted under this Master Confirmation, the Securities Act and state securities laws.

(b) *Additional Representations, Warranties and Covenants of Counterparty.* In addition to the representations, warranties and covenants in the Agreement, Counterparty represents, warrants and covenants to JPMorgan that:

- (i) As of the Trade Date for each Transaction hereunder, Counterparty is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of this Master Confirmation and the Supplemental Confirmation for such Transaction has been duly authorized, executed and delivered by Counterparty and (assuming due authorization, execution and delivery thereof by JPMorgan) this Master Confirmation, as supplemented by such Supplemental Confirmation, constitutes a valid and legally binding obligation of Counterparty. Counterparty has all corporate power to enter into this Master Confirmation and such Supplemental Confirmation and to consummate the transactions contemplated hereby and thereby and to purchase the Shares and deliver any Settlement Shares in accordance with the terms hereof and thereof.
- (ii) As of the Trade Date for each Transaction hereunder, the execution and delivery by Counterparty of, and the performance by Counterparty of its obligations under, this Master Confirmation and the Supplemental Confirmation for such Transaction, and the consummation of the transactions herein and therein contemplated, do not conflict with or violate (A) any provision of the certificate of incorporation, by-laws or other constitutive documents of Counterparty, (B) any statute or order, rule, regulation or judgment of any court or governmental agency or body having jurisdiction over Counterparty or any of its subsidiaries or any of their respective assets or (C) any contractual restriction binding on or affecting Counterparty or any of its subsidiaries or any of its assets.
- (iii) As of the Trade Date for each Transaction hereunder, all governmental and other consents that are required to have been obtained by Counterparty with respect to performance, execution and delivery of this Master Confirmation and the Supplemental Confirmation for such Transaction have been obtained and are in full force and effect and all conditions of any such consents have been complied with.
- (iv) As of the Trade Date for each Transaction hereunder, (A) such Transaction is being entered into pursuant to a publicly disclosed Share buy-back program and its Board of Directors has approved the use of derivatives to effect the Share buy-back program, and (B) there is no internal policy of Counterparty, whether written or oral, that would prohibit Counterparty from entering into any aspect of such Transaction, including, without limitation, the purchases of Shares to be made pursuant to such Transaction.
- (v) As of the Trade Date for each Transaction hereunder, the purchase or writing of such Transaction and the transactions contemplated hereby will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act.
- (vi) As of the Trade Date for each Transaction hereunder, it is not entering into such Transaction (A) on the basis of, and is not aware of, any material non-public information regarding

Counterparty or the Shares, (B) in anticipation of, in connection with, or to facilitate, a distribution of its securities, a self tender offer or a third-party tender offer in violation of the Exchange Act or (C) to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares).

- (vii) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD 50,000,000 as of the date hereof.
- (viii) As of the Trade Date for each Transaction hereunder, and as of the date of any election with respect to any Transaction hereunder, Counterparty is in compliance with its reporting obligations under the Exchange Act and its most recent Annual Report on Form 10-K, together with all reports subsequently filed by it pursuant to the Exchange Act, taken together and as amended and supplemented to the date of this representation, do not, as of their respective filing dates, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (ix) Counterparty has made, and will make, all filings required to be made by it with the Securities and Exchange Commission, any securities exchange or any other regulatory body with respect to each Transaction.
- (x) The Shares are not, and Counterparty will not cause the Shares to be, subject to a “restricted period” (as defined in Regulation M promulgated under the Exchange Act) at any time during any Regulation M Period (as defined below) for any Transaction unless Counterparty has provided written notice to JPMorgan of such restricted period not later than the Scheduled Trading Day immediately preceding the first day of such “restricted period”; Counterparty acknowledges that any such notice may cause a Disrupted Day to occur pursuant to Section 7 below; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 8 below. Counterparty is not currently contemplating any “distribution” (as defined in Regulation M promulgated under the Exchange Act) of Shares, or any security for which Shares are a “reference security” (as defined in Regulation M promulgated under the Exchange Act). “**Regulation M Period**” means, for any Transaction, (A) the Relevant Period (as defined below) for such Transaction, (B) the Settlement Valuation Period, if any, for such Transaction and (C) the Seller Termination Purchase Period (as defined below), if any, for such Transaction. “**Relevant Period**” means, for any Transaction, the period commencing on the Calculation Period Start Date for such Transaction and ending on the later of (1) the earlier of (x) the Scheduled Termination Date and (y) the last Additional Relevant Day (as specified in the related Supplemental Confirmation) for such Transaction, or such earlier day as elected by JPMorgan and communicated to Counterparty on such day (or, if later, the First Acceleration Date without regard to any acceleration thereof pursuant to “Special Provisions for Acquisition Transaction Announcements” below) and (2) if Section 15 is applicable to such Transaction, the date on which all deliveries owed pursuant to Section 15 have been made.
- (xi) As of the Trade Date, the Prepayment Date, the Initial Share Delivery Date, the Settlement Date, any Cash Settlement Payment Date and any Settlement Method Election Date for each Transaction, Counterparty is not, and will not be, “insolvent” (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the “**Bankruptcy Code**”)) and Counterparty would be able to purchase a number of Shares with a value equal to the Prepayment Amount in compliance with the laws of the jurisdiction of Counterparty’s incorporation.

- (xii) Counterparty is not, and after giving effect to each Transaction will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.
- (xiii) Counterparty shall cooperate with JPMorgan, and execute and deliver, or use its best efforts to cause to be executed and delivered, all such other instruments, and to obtain all consents, approvals or authorizations of any person, and take all such other actions as JPMorgan may reasonably request from time to time, consistent with the terms of the Agreement, this Master Confirmation and any Supplemental Confirmation, in order to effectuate the purposes of the Agreement, this Master Confirmation, any Supplemental Confirmation and any Transaction.
- (xiv) Counterparty has not entered, and will not enter, into any repurchase transaction with respect to the Shares (or any security convertible into or exchangeable for the Shares) (including, without limitation, any agreements similar to the Transactions described herein) where any initial hedge period, calculation period, relevant period, settlement valuation period or seller termination purchase period (each however defined) in such other transaction will overlap at any time (including, without limitation, as a result of extensions in such initial hedge period, calculation period, relevant period, settlement valuation period or seller termination purchase period as provided in the relevant agreements) with any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable) under this Master Confirmation. In the event that the initial hedge period, relevant period, calculation period or settlement valuation period in any other transaction overlaps with any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable) under this Master Confirmation as a result of any postponement of the Scheduled Termination Date or extension of the Settlement Valuation Period pursuant to “Valuation Disruption” above or any analogous provision in such other transaction, Counterparty shall promptly amend such other transaction to avoid any such overlap. Notwithstanding the foregoing, nothing in this Section 6(b)(xiv) shall prohibit or apply to the repurchase of Shares by the Company from holders of awards granted under the Company’s equity incentive plans for the purpose of paying the tax withholding obligations arising from vesting of any such awards.
- (xv) Counterparty shall, at least one day prior to the first day of the Calculation Period, the Settlement Valuation Period, if any, or the Seller Termination Purchase Period, if any, for any Transaction, notify JPMorgan of the total number of Shares purchased in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception set forth in paragraph (b)(4) of Rule 10b-18 under the Exchange Act (“**Rule 10b-18**”) by or for Counterparty or any of its “affiliated purchasers” (as defined in Rule 10b-18) during each of the four calendar weeks preceding such day and during the calendar week in which such day occurs (“Rule 10b-18 purchase” and “blocks” each being used as defined in Rule 10b-18), which notice shall be substantially in the form set forth in Schedule B hereto.
- (xvi) As of the Trade Date for each Transaction hereunder, and as of the date of any election with respect to any Transaction hereunder, there has not been any Merger Announcement (as defined below).

7. **Regulatory Disruption.** In the event that JPMorgan, on the advice of counsel, concludes, in good faith discretion, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures that are generally applicable to transactions of this nature and are related to its compliance with applicable laws (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by JPMorgan), for it to refrain from or decrease any market activity on any Scheduled Trading Day or Days during the Calculation Period or, if applicable, the Settlement Valuation Period, JPMorgan may by written notice to Counterparty elect to deem that a Market Disruption Event has occurred and will be continuing on such Scheduled Trading Day or Days.

8. **10b5-1 Plan.** Counterparty represents, warrants and covenants to JPMorgan that:

- (a) Counterparty is entering into this Master Confirmation and each Transaction hereunder in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act (“**Rule 10b5-1**”) or any other antifraud or anti-manipulation provisions of the federal or applicable state securities laws and that it has not entered into or altered and will not enter into or alter any corresponding or hedging transaction or position with respect to the Shares. Counterparty acknowledges that it is the intent of the parties that each Transaction entered into under this Master Confirmation comply with the requirements of paragraphs (c)(1)(i) (A) and (B) of Rule 10b5-1 and each Transaction entered into under this Master Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c).
- (b) During the Calculation Period and the Settlement Valuation Period, if any, for any Transaction and in connection with the delivery of any Alternative Delivery Units for any Transaction, JPMorgan (or its agent or Affiliate) may effect transactions in Shares in connection with such Transaction. The timing of such transactions by JPMorgan, the price paid or received per Share pursuant to such transactions and the manner in which such transactions are made, including, without limitation, whether such transactions are made on any securities exchange or privately, shall be within the sole judgment of JPMorgan. Counterparty acknowledges and agrees that all such transactions shall be made in JPMorgan’s sole judgment and for JPMorgan’s own account.
- (c) Counterparty does not have, and shall not attempt to exercise, any control or influence over how, when or whether JPMorgan (or its agent or Affiliate) makes any “purchases or sales” (within the meaning of Rule 10b5-1(c)(1)(i)(B)(3)) in connection with any Transaction, including, without limitation, over how, when or whether JPMorgan (or its agent or Affiliate) enters into any hedging transactions. Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Master Confirmation and each Supplemental Confirmation under Rule 10b5-1.
- (d) Counterparty acknowledges and agrees that any amendment, modification, waiver or termination of this Master Confirmation or any Supplemental Confirmation must be effected in accordance with the requirements for the amendment or termination of a “plan” as defined in Rule 10b5-1(c). Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and no such amendment, modification or waiver shall be made at any time at which Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding Counterparty or the Shares.
- (e) Counterparty shall not, directly or indirectly, communicate any information relating to the Shares or any Transaction (including, without limitation, any notices required by Section 10(a)) to any employee of JPMorgan or JPMS, other than as set forth in the Communications Procedures attached as Annex C hereto.

9. **Counterparty Purchases.** Counterparty (or any “affiliate” or “affiliated purchaser” as defined in Rule 10b-18) shall not, without the prior written consent of JPMorgan, directly or indirectly (including, without limitation, by means of a derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or equivalent interest, including, without limitation, a unit of beneficial interest in a trust or limited partnership or a depository share), listed contracts on the Shares or securities that are convertible into, or exchangeable or exercisable for Shares (including, without limitation, any Rule 10b-18 purchases of blocks (as defined in Rule 10b-18)) during any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable), under this Master Confirmation. Nothing in this Section 9 shall prohibit or apply to the repurchase of Shares by the Company from holders of awards granted under the Company’s equity incentive plans for the purpose of paying the tax withholding obligations arising from vesting of any such awards. Notwithstanding the foregoing, JPMorgan hereby agrees and acknowledges that any “affiliate” or “affiliated purchaser” as

defined in Rule 10b-18 may exercise any stock option issued by the Counterparty outstanding on the date hereof during any Relevant Period under this Master Confirmation and such exercise shall not violate this Section 9.

10. Special Provisions for Merger Transactions. Notwithstanding anything to the contrary herein or in the Equity Definitions:

(a) Counterparty agrees that it:

- (i) will not during the period commencing on the Trade Date for any Transaction and ending on the last day of the Relevant Period or, if applicable, the later of the last day of the Settlement Valuation Period and the last day of the Seller Termination Purchase Period, for such Transaction make, or permit to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any Merger Transaction or potential Merger Transaction (a “**Merger Announcement**”) unless such Merger Announcement is made prior to the opening or after the close of the regular trading session on the Exchange for the Shares;
- (ii) shall promptly (but in any event prior to the next opening of the regular trading session on the Exchange) notify JPMorgan following any such Merger Announcement that such Merger Announcement has been made; and
- (iii) shall promptly (but in any event prior to the next opening of the regular trading session on the Exchange) provide JPMorgan with written notice specifying (i) Counterparty’s average daily Rule 10b-18 Purchases (as defined in Rule 10b-18) during the three full calendar months immediately preceding the announcement date of any Merger Transaction or potential Merger Transaction that were not effected through JPMorgan or its Affiliates and (ii) the number of Shares purchased pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding the announcement date of any Merger Transaction or potential Merger Transaction. Such written notice shall be deemed to be a certification by Counterparty to JPMorgan that such information is true and correct. In addition, Counterparty shall promptly notify JPMorgan of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders.

(b) Counterparty acknowledges that any such Merger Announcement or delivery of a notice with respect thereto may cause the terms of any Transaction to be adjusted or such Transaction to be terminated; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 8 above.

(c) Upon the occurrence of any Merger Announcement (whether made by Counterparty or a third party), JPMorgan in its sole discretion may (i) make adjustments to the terms of any Transaction, including, without limitation, the Scheduled Termination Date or the Forward Price Adjustment Amount, and/or suspend the Calculation Period and/or any Settlement Valuation Period or (ii) treat the occurrence of such Merger Announcement as an Additional Termination Event with Counterparty as the sole Affected Party and the Transactions hereunder as the Affected Transactions and with the amount under Section 6(e) of the Agreement determined taking into account the fact that the Calculation Period or Settlement Valuation Period, as the case may be, had fewer Scheduled Trading Days than originally anticipated.

“**Merger Transaction**” means any merger, acquisition or similar transaction involving a recapitalization as contemplated by Rule 10b-18(a)(13)(iv) under the Exchange Act.

11. Special Provisions for Acquisition Transaction Announcements. Notwithstanding anything to the contrary herein or in the Equity Definitions:

- (a) If an Acquisition Transaction Announcement occurs on or prior to the Settlement Date for any Transaction, then the Number of Shares to be Delivered for such Transaction shall be determined as if clause (a)(ii) of the definition thereof were replaced with “(ii) the Forward Price for such Transaction.” If an Acquisition Transaction Announcement occurs after the Trade Date, but prior to the First Acceleration Date of any Transaction, the First Acceleration Date shall be the date of such Acquisition Transaction Announcement. If the Number of Shares to be Delivered for any settlement of any Transaction is a negative number, then the terms of the Counterparty Settlement Provisions in Annex A hereto shall apply.
- (b) “**Acquisition Transaction Announcement**” means (i) the announcement of an Acquisition Transaction or an event that, if consummated, would result in an Acquisition Transaction, (ii) an announcement that Counterparty or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding designed to result in an Acquisition Transaction, (iii) the announcement of the intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, an Acquisition Transaction, (iv) any other announcement that in the reasonable judgment of the Calculation Agent may result in an Acquisition Transaction, or (v) any announcement of any change or amendment to any previous Acquisition Transaction Announcement (including any announcement of the abandonment of any such previously announced Acquisition Transaction, agreement, letter of intent, understanding or intention). For the avoidance of doubt, announcements as used in the definition of Acquisition Transaction Announcement refer to any public announcement whether made by the Issuer or a third party.
- (c) “**Acquisition Transaction**” means (i) any Merger Event (for purposes of this definition the definition of Merger Event shall be read with the references therein to “100%” being replaced by “15%” and references to “50%” being replaced by “75%” and without reference to the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition), Tender Offer or Merger Transaction or any other transaction involving the merger of Counterparty with or into any third party, (ii) the sale or transfer of all or substantially all of the assets of Counterparty, (iii) a recapitalization, reclassification, binding share exchange or other similar transaction with respect to Counterparty, (iv) any acquisition by Counterparty or any of its subsidiaries where the aggregate consideration transferable by Counterparty or its subsidiaries exceeds 50% of the market capitalization of Counterparty, (v) any lease, exchange, transfer, disposition (including, without limitation, by way of spin-off or distribution) of assets (including, without limitation, any capital stock or other ownership interests in subsidiaries) or other similar event by Counterparty or any of its subsidiaries where the aggregate consideration transferable or receivable by or to Counterparty or its subsidiaries exceeds 15% of the market capitalization of Counterparty or (vi) any transaction in which Counterparty or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of such transaction (whether pursuant to Rule 14e-2 under the Exchange Act or otherwise).

12. **Acknowledgments.**

(a) The parties hereto intend for:

- (i) each Transaction to be a “securities contract” as defined in Section 741(7) of the Bankruptcy Code and a “forward contract” as defined in Section 101(25) of the Bankruptcy Code, and the parties hereto to be entitled to the protections afforded by, among other Sections, Sections 362(b)(6), 362(b)(27), 362(o), 546(e), 546(j), 555, 556, 560 and 561 of the Bankruptcy Code;
- (ii) the Agreement to be a “master netting agreement” as defined in Section 101(38A) of the Bankruptcy Code;
- (iii) a party’s right to liquidate, terminate or accelerate any Transaction, net out or offset termination values or payment amounts, and to exercise any other remedies upon the

occurrence of any Event of Default or Termination Event under the Agreement with respect to the other party or any Extraordinary Event that results in the termination or cancellation of any Transaction to constitute a “contractual right” (as defined in the Bankruptcy Code); and

- (iv) all payments for, under or in connection with each Transaction, all payments for the Shares (including, for the avoidance of doubt, payment of the Prepayment Amount) and the transfer of such Shares to constitute “settlement payments” and “transfers” (as defined in the Bankruptcy Code).

(b) Counterparty acknowledges that:

- (i) during the term of any Transaction, JPMorgan and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to establish, adjust or unwind its hedge position with respect to such Transaction;
- (ii) JPMorgan and its Affiliates may also be active in the market for the Shares and Share-linked transactions other than in connection with hedging activities in relation to any Transaction;
- (iii) JPMorgan shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty’s securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Forward Price and the VWAP Price;
- (iv) any market activities of JPMorgan and its Affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the Forward Price and VWAP Price, each in a manner that may be adverse to Counterparty; and
- (v) each Transaction is a derivatives transaction in which it has granted JPMorgan an option; JPMorgan may purchase shares for its own account at an average price that may be greater than, or less than, the price paid by Counterparty under the terms of the related Transaction.

13. **No Collateral, Netting or Setoff.** Notwithstanding any provision of the Agreement or any other agreement between the parties to the contrary, the obligations of Counterparty hereunder are not secured by any collateral. Obligations under any Transaction shall not be netted, recouped or set off (including pursuant to Section 6 of the Agreement) against any other obligations of the parties, whether arising under the Agreement, this Master Confirmation or any Supplemental Confirmation, or under any other agreement between the parties hereto, by operation of law or otherwise, and no other obligations of the parties shall be netted, recouped or set off (including pursuant to Section 6 of the Agreement) against obligations under any Transaction, whether arising under the Agreement, this Master Confirmation or any Supplemental Confirmation, or under any other agreement between the parties hereto, by operation of law or otherwise, and each party hereby waives any such right of setoff, netting or recoupment.

14. **Delivery of Shares.** Notwithstanding anything to the contrary herein, JPMorgan may, by prior notice to Counterparty, satisfy its obligation to deliver any Shares or other securities on any date due (an “**Original Delivery Date**”) by making separate deliveries of Shares or such securities, as the case may be, at more than one time on or prior to such Original Delivery Date, so long as the aggregate number of Shares and other securities so delivered on or prior to such Original Delivery Date is equal to the number required to be delivered on such Original Delivery Date.

15. **Alternative Termination Settlement.** In the event that (a) an Early Termination Date (whether as a result of an Event of Default or a Termination Event) occurs or is designated with respect to any Transaction or (b) any Transaction is cancelled or terminated upon the occurrence of an Extraordinary Event (except as a result of (i) a Nationalization, Insolvency or Merger Event in which the consideration to be paid to holders of Shares

consists solely of cash, (ii) a Merger Event or Tender Offer that is within Counterparty's control, or (iii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party other than an Event of Default of the type described in Section 5(a)(iii), (v), (vi), (vii) or (viii) of the Agreement or a Termination Event of the type described in Section 5(b) of the Agreement, in each case that resulted from an event or events outside Counterparty's control), if either party would owe any amount to the other party pursuant to Section 6(d)(ii) of the Agreement or any Cancellation Amount pursuant to Article 12 of the Equity Definitions (any such amount, a "**Payment Amount**"), then, in lieu of any payment of such Payment Amount, unless Counterparty makes an election to the contrary no later than the Early Termination Date or the date on which such Transaction is terminated or cancelled, Counterparty or JPMorgan, as the case may be, shall deliver to the other party a number of Shares (or, in the case of a Nationalization, Insolvency or Merger Event, a number of units, each comprising the number or amount of the securities or property that a hypothetical holder of one Share would receive in such Nationalization, Insolvency or Merger Event, as the case may be (each such unit, an "**Alternative Delivery Unit**") with a value equal to the Payment Amount, as determined in good faith and in a commercially reasonable manner by the Calculation Agent over a commercially reasonable period of time (and the parties agree that, in making such determination of value, the Calculation Agent may take into account a number of factors, including, without limitation, the market price of the Shares or Alternative Delivery Units on the Early Termination Date or the date of early cancellation or termination, as the case may be, and, if such delivery is made by JPMorgan, the prices at which JPMorgan purchases Shares or Alternative Delivery Units to fulfill its delivery obligations under this Section 15); *provided* that in determining the composition of any Alternative Delivery Unit, if the relevant Nationalization, Insolvency or Merger Event involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash; and *provided further* that Counterparty may elect that the provisions of this Section 15 above providing for the delivery of Shares or Alternative Delivery Units, as the case may be, shall not apply only if Counterparty represents and warrants to JPMorgan, in writing on the date it notifies JPMorgan of such election, that, as of such date, Counterparty is not aware of any material non-public information regarding Counterparty or the Shares and is making such election in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws. If delivery of Shares or Alternative Delivery Units, as the case may be, pursuant to this Section 15 is to be made by Counterparty, paragraphs 2 through 7 of Annex A hereto shall apply as if (A) such delivery were a settlement of such Transaction to which Net Share Settlement applied, (B) the Cash Settlement Payment Date were the Early Termination Date or the date of early cancellation or termination, as the case may be, and (C) the Forward Cash Settlement Amount were equal to (x) zero *minus* (y) the Payment Amount owed by Counterparty. For the avoidance of doubt, if Counterparty validly elects for the provisions of this Section 15 relating to the delivery of Shares or Alternative Delivery Units, as the case may be, not to apply to any Payment Amount, the provisions of Article 12 of the Equity Definitions, or the provisions of Section 6(d)(ii) of the Agreement, as the case may be, shall apply. If delivery of Shares or Alternative Delivery Units, as the case may be, is to be made by JPMorgan pursuant to this Section 15, the period during which JPMorgan purchases Shares or Alternative Delivery Units to fulfill its delivery obligations under this Section 15 shall be referred to as the "**Seller Termination Purchase Period**."

16. **Calculations and Payment Date upon Early Termination.** The parties acknowledge and agree that in calculating (a) the Close-Out Amount pursuant to Section 6 of the Agreement and (b) the amount due upon cancellation or termination of any Transaction (whether in whole or in part) pursuant to Article 12 of the Equity Definitions as a result of an Extraordinary Event, JPMorgan may (but need not) determine such amount based on (i) expected losses assuming a commercially reasonable (including, without limitation, with regard to reasonable legal and regulatory guidelines) risk bid were used to determine loss or (ii) the price at which one or more market participants would offer to sell to the Seller a block of shares of Common Stock equal in number to the Seller's hedge position in relation to the Transaction. Notwithstanding anything to the contrary in Section 6(d)(ii) of the Agreement or Article 12 of the Equity Definitions, all amounts calculated as being due in respect of an Early Termination Date under Section 6(e) of the Agreement or upon cancellation or termination of the relevant Transaction under Article 12 of the Equity Definitions will be payable on the day that notice of the amount payable is effective; *provided* that if Counterparty elects to receive or deliver Shares or Alternative Delivery Units in accordance with Section 15, such Shares or Alternative Delivery Units shall be delivered on a date selected by JPMorgan as promptly as practicable.

17. **Limit on Beneficial Ownership.** Notwithstanding anything to the contrary in this Master Confirmation, Counterparty acknowledges and agrees that, on any day, JPMorgan shall not be obligated to receive from Counterparty any Shares, and Counterparty shall not be entitled to deliver to JPMorgan any Shares, to the extent (but only to the extent) that after such transactions JPMorgan's ultimate parent entity would directly or indirectly "beneficially own" (as such term is defined for purposes of Section 13(d) of the Exchange Act) at any time on such day in excess of 8% of the outstanding Shares. Any purported receipt of Shares shall be void and have no effect to the extent (but only to the extent) that after such receipt, JPMorgan's ultimate parent entity would directly or indirectly so beneficially own in excess of 8% of the outstanding Shares. If, on any day, any receipt of Shares by JPMorgan is not effected, in whole or in part, as a result of this Section 17, Counterparty's obligations to deliver such Shares shall not be extinguished and any such delivery shall be effected over time by Counterparty as promptly as JPMorgan determines, such that after any such delivery, JPMorgan's ultimate parent entity would not directly or indirectly beneficially own in excess of 8% of the outstanding Shares.
18. **Maximum Share Delivery.** Notwithstanding anything to the contrary in this Master Confirmation, in no event shall JPMorgan be required to deliver any Shares, or any Shares or other securities comprising Alternative Delivery Units, in respect of any Transaction in excess of the Maximum Number of Shares set forth in the Supplemental Confirmation for such Transaction.
19. **Additional Termination Events.**
- (a) The occurrence of an event described in paragraph III of Annex B hereto will constitute an Additional Termination Event, with Counterparty as the sole Affected Party and the Transactions specified in such paragraph III as the Affected Transactions.
- (b) Notwithstanding anything to the contrary in Section 6 of the Agreement, if a Termination Price is specified in the Supplemental Confirmation for any Transaction, then an Additional Termination Event will occur without any notice or action by JPMorgan or Counterparty if the price of the Shares on the Exchange at any time falls below such Termination Price, with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction.
20. **Non-confidentiality.** JPMorgan and Counterparty hereby acknowledge and agree that, subject to Section 8(e), each is authorized to disclose every aspect of this Master Confirmation, any Supplemental Confirmation and the transactions contemplated hereby and thereby to any and all persons, without limitation of any kind, and there are no express or implied agreements, arrangements or understandings to the contrary.
21. **Counterparty Indemnification.** Counterparty agrees to indemnify and hold harmless JPMorgan and its officers, directors, employees, Affiliates, advisors, agents and controlling persons (each, an "Indemnified Person") from and against any and all losses, claims, damages and liabilities, joint or several (collectively, "Obligations"), to which an Indemnified Person may become subject arising out of or in connection with any breach of any covenant, representation or warranty made by Counterparty in the Agreement, this Master Confirmation or any Supplemental Confirmation, or any claim, litigation, investigation or proceeding relating thereto, regardless of whether any of such Indemnified Person is a party thereto, and to reimburse, within 30 days, upon written request, each such Indemnified Person for any reasonable legal or other expenses incurred in connection with investigating, preparation for, providing evidence for or defending any of the foregoing; *provided, however*, that Counterparty shall not have any liability to any Indemnified Person to the extent that such Obligations (a) are finally determined by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Person (and in such case, such Indemnified Person shall promptly return to Counterparty any amounts previously expended by Counterparty hereunder) or (b) are trading losses incurred by JPMorgan as part of its purchases or sales of Shares pursuant to this Master Confirmation or any Supplemental Confirmation (unless such trading losses are related to the breach of any agreement, term or covenant herein).
22. **Assignment and Transfer.** Notwithstanding anything to the contrary in the Agreement, JPMorgan may assign its rights or duties hereunder to any one or more of its Affiliates without the prior written consent of

Counterparty; *provided* that no such assignment may be made if such Affiliate's credit standing is materially weaker than the credit standing of JPMorgan at the time of such assignment. Notwithstanding any other provision in this Master Confirmation to the contrary requiring or allowing JPMorgan to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, JPMorgan may designate any of its Affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform JPMorgan's obligations in respect of any Transaction and any such designee may assume such obligations. JPMorgan may assign the right to receive Settlement Shares to any third party who may legally receive Settlement Shares. JPMorgan shall be discharged of its obligations to Counterparty only to the extent of any such performance. For the avoidance of doubt, JPMorgan hereby acknowledges that notwithstanding any such designation hereunder, to the extent any of JPMorgan's obligations in respect of any Transaction are not completed by its designee, JPMorgan shall be obligated to continue to perform or to cause any other of its designees to perform in respect of such obligations.

23. Amendments to the Equity Definitions.

- (a) Section 11.2(a) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative" and replacing them with the words "an"; and adding the phrase "or such Transaction" at the end of the sentence.
- (b) Section 11.2(c) of the Equity Definitions is hereby amended by (i) replacing the words "a diluting or concentrative" with "an" in the fifth line thereof, (ii) adding the phrase "or such Transaction" after the words "the relevant Shares" in the same sentence, (iii) deleting the words "dilutive or concentrative" in the sixth to last line thereof, and (iv) deleting the phrase "(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)" and replacing it with the phrase "(and, for the avoidance of doubt, adjustments may be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)."
- (c) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative" and replacing them with the word "a material"; and adding the phrase "or the relevant Transaction" at the end of the sentence.
- (d) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (i) deleting from the fourth line thereof the word "or" after the word "official" and inserting a comma therefor, and (ii) deleting the semi-colon at the end of subsection (B) thereof and inserting the following words therefor "or (C) at JPMorgan's option, the occurrence of any of the events specified in Section 5(a)(vii) (1) through (9) of the ISDA Master Agreement with respect to that Issuer."
- (e) Section 12.9(b)(iv) of the Equity Definitions is hereby amended by:
 - (i) deleting (1) subsection (A) in its entirety, (2) the phrase "or (B)" following subsection (A) and (3) the phrase "in each case" in subsection (B); and
 - (ii) replacing the phrase "neither the Non-Hedging Party nor the Lending Party lends Shares" with the phrase "such Lending Party does not lend Shares" in the penultimate sentence.
- (f) Section 12.9(b)(v) of the Equity Definitions is hereby amended by:
 - (i) adding the word "or" immediately before subsection "(B)" and deleting the comma at the end of subsection (A); and
 - (ii) (1) deleting subsection (C) in its entirety, (2) deleting the word "or" immediately preceding subsection (C), (3) deleting the penultimate sentence in its entirety and replacing it with the sentence "The Hedging Party will determine the Cancellation Amount payable by one party to the other" and (4) deleting clause (X) in the final sentence

24. **Extraordinary Dividend.** The declaration by Counterparty of any Extraordinary Dividend that has an ex-dividend date during the period commencing on the Trade Date for any Transaction and ending of the last day of the Relevant Period or, if applicable, the later of the last day of the Settlement Valuation Period and the last day of the Seller Termination Purchase Period, for such Transaction, shall constitute an Additional Termination Event in respect of such Transaction, with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction.
25. **Status of Claims in Bankruptcy.** JPMorgan acknowledges and agrees that neither this Master Confirmation nor any Supplemental Confirmation is intended to convey to JPMorgan rights against Counterparty with respect to any Transaction that are senior to the claims of common stockholders of Counterparty in any United States bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit JPMorgan's right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to any Transaction; *provided further* that nothing herein shall limit or shall be deemed to limit JPMorgan's rights in respect of any transactions other than any Transaction.
26. **Wall Street Transparency and Accountability Act.** In connection with Section 739 of the Wall Street Transparency and Accountability Act of 2010 ("WSTAA"), the parties hereby agree that neither the enactment of WSTAA or any regulation under the WSTAA, nor any requirement under WSTAA or an amendment made by WSTAA, nor any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the date of this Master Confirmation, shall limit or otherwise impair either party's otherwise applicable rights to terminate, renegotiate, modify, amend or supplement any Supplemental Confirmation, this Master Confirmation or the Agreement, as applicable, arising from a termination event, force majeure, illegality, increased costs, regulatory change or similar event under any Supplemental Confirmation, this Master Confirmation, the Equity Definitions incorporated herein, or the Agreement (including, without limitation, rights arising from Change in Law, Loss of Stock Borrow, Increased Cost of Stock Borrow, Hedging Disruption, Increased Cost of Hedging, or Illegality).
27. **Role of Agent.** Each party agrees and acknowledges that (a) JPMS, an Affiliate of JPMorgan, has acted solely as agent and not as principal with respect to this Master Confirmation and each Transaction and (b) JPMS has no obligation or liability, by way of guaranty, endorsement or otherwise, in any manner in respect of any Transaction (including, if applicable, in respect of the settlement thereof). Each party agrees it will look solely to the other party (or any guarantor in respect thereof) for performance of such other party's obligations under any Transaction. JPMS is authorized to act as agent for JPMorgan.
28. **Waiver of Jury Trial.** EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE AGREEMENT, THIS MASTER CONFIRMATION, EACH SUPPLEMENTAL CONFIRMATION, THE TRANSACTIONS HEREUNDER AND ALL MATTERS ARISING IN CONNECTION WITH THE AGREEMENT, THIS MASTER CONFIRMATION AND ANY SUPPLEMENTAL CONFIRMATION AND THE TRANSACTIONS HEREUNDER. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTIONS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.
29. **Counterparts.** This Master Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Master Confirmation by signing and delivering one or more counterparts.
30. **Delivery or Receipt of Cash.** For the avoidance of doubt, other than payment of the Prepayment Amount by Counterparty, nothing in this Master Confirmation shall be interpreted as requiring Counterparty to cash settle any Transaction, except in circumstances where cash settlement is within Counterparty's control (including, without limitation, where the Counterparty fails timely to elect to deliver Shares in accordance

with the Counterparty Settlement Provisions or deliver or receive Alternative Delivery Units in accordance with Section 15) or in those circumstances in which holders of Shares would also receive cash.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Supplemental Confirmation and returning it to us.

Very truly yours,

**J.P. MORGAN SECURITIES LLC, as agent for JPMorgan Chase Bank,
National Association**

By: _____
Authorized Signatory
Name:

Accepted and confirmed
as of the Trade Date:

CARTER'S, INC.

By: _____
Authorized Signatory
Name:

SCHEDULE B

FORM OF CERTIFICATE OF RULE 10B-18 PURCHASES

[Letterhead of Counterparty]

JPMorgan Chase Bank, National Association
c/o J.P. Morgan Securities LLC
383 Madison Avenue
5th Floor
New York, New York 10172

Re: Uncollared Accelerated Share Repurchase

Ladies and Gentlemen:

In connection with our entry into the Master Confirmation, dated as of August 29, 2013, between J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch, and Carter's, Inc., a Delaware corporation, as amended and supplemented from time to time (the "**Master Confirmation**"), we hereby represent that set forth below is the total number of shares of our common stock purchased by or for us or any of our affiliated purchasers in Rule 10b-18 purchases of blocks (all as defined in Rule 10b-18 under the Securities Exchange Act of 1934) pursuant to the once-a-week block exception set forth in Rule 10b-18(b)(4) during the four full calendar weeks immediately preceding the first day of the [Calculation Period][Settlement Valuation Period][Seller Termination Purchase Period] (as defined in the Master Confirmation) and the week during which the first day of such [Calculation Period][Settlement Valuation Period][Seller Termination Purchase Period] occurs.

Number of Shares: _____

We understand that you will use this information in calculating trading volume for purposes of Rule 10b-18.

Very truly yours,

CARTER'S, INC.

By: _____
Authorized Signatory
Name:

ANNEX A

COUNTERPARTY SETTLEMENT PROVISIONS

1. The following Counterparty Settlement Provisions shall apply to any Transaction to the extent indicated under the Master Confirmation:

Settlement Currency: USD

Settlement Method Election: Applicable; *provided* that (i) Section 7.1 of the Equity Definitions is hereby amended by deleting the word "Physical" in the sixth line thereof and replacing it with the words "Net Share" and (ii) the Electing Party may make a settlement method election only if the Electing Party represents and warrants to JPMorgan in writing on the date it notifies JPMorgan of its election that, as of such date, the Electing Party is not aware of any material non-public information regarding Counterparty or the Shares and is electing the settlement method in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws.

Electing Party: Counterparty

Settlement Method Election Date: The Exchange Business Day immediately following the date on which Counterparty receives notice of the scheduled last day of the Settlement Valuation Period.

Default Settlement Method: Cash Settlement

Forward Cash Settlement Amount: An amount equal to (a) the Number of Shares to be Delivered, *multiplied by* (b) the Settlement Price.

Settlement Price: An amount equal to the sum of the average of the VWAP Prices for the Exchange Business Days in the Settlement Valuation Period, *plus* USD 0.05, subject to Valuation Disruption as specified in the Master Confirmation (in each case, *plus* interest on such amount during the Settlement Valuation Period at the rate of interest for Counterparty's long term, unsecured and unsubordinated indebtedness, as determined by the Calculation Agent).

Settlement Valuation Period: The period selected by JPMorgan in good faith and in its commercially reasonable discretion based on the number of Scheduled Trading Days that JPMorgan reasonably estimates may be required to unwind commercially reasonable Hedge Positions in respect of such Transaction, as applicable, taking into account market conditions at the time (including, but not limited to, liquidity) beginning on the Exchange Business Day immediately following the Termination Date. JPMorgan shall provide notice to Counterparty of the Settlement Valuation Period on or prior to the second Exchange Business Day immediately prior to the last Exchange Business Day thereof.

Cash Settlement: If Cash Settlement is applicable, then Buyer shall pay to JPMorgan the absolute value of the Forward Cash Settlement Amount on the Cash Settlement Payment Date.

Cash Settlement Payment Date: The Exchange Business Day immediately following the last day of the Settlement Valuation Period.

Net Share Settlement Procedures: If Net Share Settlement is applicable, Net Share Settlement shall be made in accordance with paragraphs 2 through 7 below.

2. Net Share Settlement shall be made by delivery on the Cash Settlement Payment Date of a number of Shares satisfying the conditions set forth in paragraph 3 below (the "**Registered Settlement Shares**"), or a number of Shares not satisfying such conditions (the "**Unregistered Settlement Shares**"), in either case with a value equal to 101% (in the case of Registered Settlement Shares) or 105% (in the case of Unregistered Settlement Shares) of the absolute value of the Forward Cash Settlement Amount, with such Shares' value based on the value thereof to JPMorgan (which value shall, in the case of Unregistered Settlement Shares, take into account a commercially reasonable illiquidity discount), in each case as determined by the Calculation Agent in good faith and in a commercially reasonable manner. If all of the conditions for delivery of either Registered Settlement Shares or Unregistered Settlement Shares have not been satisfied, Cash Settlement shall be applicable in accordance with paragraph 1 above notwithstanding Counterparty's election of Net Share Settlement.

3. Counterparty may only deliver Registered Settlement Shares pursuant to paragraph 2 above if:

(a) a registration statement covering public resale of the Registered Settlement Shares by JPMorgan (the “**Registration Statement**”) shall have been filed with the Securities and Exchange Commission under the Securities Act and been declared or otherwise become effective on or prior to the date of delivery, and no stop order shall be in effect with respect to the Registration Statement; a printed prospectus relating to the Registered Settlement Shares (including, without limitation, any prospectus supplement thereto, the “**Prospectus**”) shall have been delivered to JPMorgan, in such quantities as JPMorgan shall reasonably have requested, on or prior to the date of delivery;

(b) the form and content of the Registration Statement and the Prospectus (including, without limitation, any sections describing the plan of distribution) shall be satisfactory to JPMorgan;

(c) as of or prior to the date of delivery, JPMorgan and its agents shall have been afforded a reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities and the results of such investigation are satisfactory to JPMorgan, in its discretion; and

(d) as of the date of delivery, an agreement (the “**Underwriting Agreement**”) shall have been entered into with JPMorgan in connection with the public resale of the Registered Settlement Shares by JPMorgan substantially similar to underwriting agreements customary for underwritten offerings of equity securities, in form and substance satisfactory to JPMorgan, which Underwriting Agreement shall include, without limitation, provisions substantially similar to those contained in such underwriting agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, JPMorgan and its Affiliates and the provision of customary opinions, accountants’ comfort letters and lawyers’ negative assurance letters.

4. If Counterparty delivers Unregistered Settlement Shares pursuant to paragraph 2 above:

(a) all Unregistered Settlement Shares shall be delivered to JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof;

(b) as of or prior to the date of delivery, JPMorgan and any potential purchaser of any such shares from JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) identified by JPMorgan shall be afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for private placements of equity securities (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them);

(c) as of the date of delivery, Counterparty shall enter into an agreement (a “**Private Placement Agreement**”) with JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) in connection with the private placement of such shares by Counterparty to JPMorgan (or any such Affiliate) and the private resale of such shares by JPMorgan (or any such Affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities, in form and substance commercially reasonable satisfactory to JPMorgan, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, JPMorgan and its Affiliates and the provision of customary opinions, accountants’ comfort letters and lawyers’ negative assurance letters, and shall provide for the payment by Counterparty of all fees and expenses of JPMorgan (and any such Affiliate) in connection with such resale, including, without limitation, all fees and expenses of counsel for JPMorgan, and shall contain representations, warranties, covenants and agreements of Counterparty reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales; and

(d) in connection with the private placement of such shares by Counterparty to JPMorgan (or any such Affiliate) and the private resale of such shares by JPMorgan (or any such Affiliate), Counterparty shall, if so requested by JPMorgan, prepare, in cooperation with JPMorgan, a private placement memorandum in form and substance reasonably satisfactory to JPMorgan.

5. JPMorgan, itself or through an Affiliate (the “**Selling Agent**”) or any underwriter(s), will sell all, or such lesser portion as may be required hereunder, of the Registered Settlement Shares or Unregistered Settlement Shares and any Makewhole Shares (as defined below) (together, the “**Settlement Shares**”) delivered by Counterparty to JPMorgan pursuant to paragraph 6 below commencing on the Cash Settlement Payment Date and continuing until the date on which the aggregate Net Proceeds (as such term is defined below) of such sales, as determined by JPMorgan, is equal to the absolute value of the Forward Cash Settlement Amount (such date, the “**Final Resale Date**”). If the proceeds of any sale(s) made by JPMorgan, the Selling Agent or any underwriter(s), net of any fees and commissions (including, without limitation, underwriting or placement fees) customary for similar transactions under the circumstances at the time of the offering, together with carrying charges and expenses incurred in connection with the offer and sale of the Shares (including, without limitation, the covering of any over-allotment or short position (syndicate or otherwise)) (the “**Net Proceeds**”) exceed the absolute value of the Forward Cash Settlement Amount, JPMorgan will refund, in USD, such excess to Counterparty on the date that is three (3) Currency Business Days following the Final Resale Date, and, if any portion of the Settlement Shares remains unsold, JPMorgan shall return to Counterparty on that date such unsold Shares.

6. If the Calculation Agent determines that the Net Proceeds received from the sale of the Registered Settlement Shares or Unregistered Settlement Shares or any Makewhole Shares, if any, pursuant to this paragraph 6 are less than the absolute value of the Forward Cash Settlement Amount (the amount in USD by which the Net Proceeds are less than the absolute value of the Forward Cash Settlement Amount being the “**Shortfall**” and the date on which such determination is made, the “**Deficiency Determination Date**”), Counterparty shall on the Exchange Business Day next succeeding the Deficiency Determination Date (the “**Makewhole Notice Date**”) deliver to JPMorgan, through the Selling Agent, a notice of Counterparty’s election that Counterparty shall either (i) pay an amount in cash equal to the Shortfall on the day that is one Currency Business Day after the Makewhole Notice Date, or (ii) deliver additional Shares. If Counterparty elects to deliver to JPMorgan additional Shares, then Counterparty shall deliver additional Shares in compliance with the terms and conditions of paragraph 3 or paragraph 4 above, as the case may be (the “**Makewhole Shares**”), on the first Clearance System Business Day which is also an Exchange Business Day following the Makewhole Notice Date in such number as the Calculation Agent reasonably believes would have a market value on that Exchange Business Day equal to the Shortfall. Such Makewhole Shares shall be sold by JPMorgan in accordance with the provisions above; *provided that* if the sum of the Net Proceeds from the sale of the originally delivered Shares and the Net Proceeds from the sale of any Makewhole Shares is less than the absolute value of the Forward Cash Settlement Amount then Counterparty shall, at its election, either make such cash payment or deliver to JPMorgan further Makewhole Shares until such Shortfall has been reduced to zero.

7. Notwithstanding the foregoing, in no event shall the aggregate number of Settlement Shares for any Transaction be greater than the Reserved Shares *minus* the amount of any Shares actually delivered by Counterparty under any other Transaction under this Master Confirmation (the result of such calculation, the “**Capped Number**”). Counterparty represents and warrants (which shall be deemed to be repeated on each day that a Transaction is outstanding) that the Capped Number is equal to or less than the number of Shares determined according to the following formula:

$$A - B$$

Where A = the number of authorized but unissued shares of Counterparty that are not reserved for future issuance on the date of the determination of the Capped Number; and

B = the maximum number of Shares required to be delivered to third parties if Counterparty elected Net Share Settlement of all transactions in the Shares (other than Transactions in the Shares under this Master Confirmation) with all third parties that are then currently outstanding and unexercised.

“**Reserved Shares**” means initially, 12,675,000 Shares. The Reserved Shares may be increased or decreased in a Supplemental Confirmation.

If at any time, as a result of this paragraph 7, Counterparty fails to deliver to JPMorgan any Settlement Shares, Counterparty shall, to the extent that Counterparty has at such time authorized but unissued Shares not reserved for other purposes, promptly notify JPMorgan thereof and deliver to JPMorgan a number of Shares not previously delivered as a result of this paragraph 7. Counterparty agrees to use its commercially reasonable efforts to cause the number of authorized but unissued Shares to be increased, if necessary, to an amount sufficient to permit Counterparty to fulfill its obligation to deliver any Settlement Shares.

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London, E14 5JP
Authorised and regulated by the Financial Services Authority

COMMUNICATIONS PROCEDURES

August 29, 2013

I. Introduction

Carter's, Inc. ("**Counterparty**") and J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch ("**JPMorgan**"), have adopted these communications procedures (the "**Communications Procedures**") in connection with entering into the Master Confirmation (the "**Master Confirmation**"), dated as of August 29, 2013, between JPMorgan and Counterparty relating to Uncollared Accelerated Share Repurchase transactions. These Communications Procedures supplement, form part of, and are subject to the Master Confirmation.

II. Communications Rules

For each Transaction, from the Trade Date for such Transaction until the date all payments or deliveries of Shares have been made with respect to such Transaction, Counterparty and its Employees and Designees shall not engage in any Program-Related Communication with, or disclose any Material Non-Public Information to, any EDG Trading Personnel. Except as set forth in the preceding sentence, the Master Confirmation shall not limit Counterparty and its Employees and Designees in their communication with Affiliates and Employees of JPMorgan, including, without limitation, Employees who are EDG Permitted Contacts.

III. Termination

If, in the sole judgment of any EDG Trading Personnel or any Affiliate or Employee of JPMorgan participating in any Communication with Counterparty or any Employee or Designee of Counterparty, such Communication would not be permitted by these Communications Procedures, such EDG Trading Personnel or Affiliate or Employee of JPMorgan shall immediately terminate such Communication. In such case, or if such EDG Trading Personnel or Affiliate or Employee of JPMorgan determines following completion of any Communication with Counterparty or any Employee or Designee of Counterparty that such Communication was not permitted by these Communications Procedures, such EDG Trading Personnel or such Affiliate or Employee of JPMorgan shall promptly consult with his or her supervisors and with counsel for JPMorgan regarding such Communication. If, in the reasonable judgment of JPMorgan's counsel following such consultation, there is more than an insignificant risk that such Communication could materially jeopardize the availability of the affirmative defenses provided in Rule 10b5-1 under the Exchange Act with respect to any ongoing or contemplated activities of JPMorgan or its Affiliates in respect of any Transaction pursuant to the Master Confirmation, it shall be an Additional Termination Event pursuant to Section 19(a) of the Master Confirmation, with Counterparty as the sole Affected Party and all Transactions under the Master Confirmation as Affected Transactions.

IV. Definitions

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Master Confirmation. As used herein, the following words and phrases shall have the following meanings:

"**Communication**" means any contact or communication (whether written, electronic, oral or otherwise) between Counterparty or any of its Employees or Designees, on the one hand, and JPMorgan or any of its Affiliates or Employees, on the other hand.

"**Designee**" means a person designated, in writing or orally, by Counterparty to communicate with JPMorgan on behalf of Counterparty.

"**EDG Permitted Contact**" means any of Mr. David Aidelson, Mr. Gregory Batista, Mr. Elliot Chalom, Mr. Steven Seltzer, Mr. James F. Smith and Mr. Sudheer Tegulapalle or any of their designees; *provided* that JPMorgan may amend the list of EDG Permitted Contacts by delivering a revised list of EDG Permitted Contacts to Counterparty.

“EDG Trading Personnel” means Mr. Graham Orton, Mr. Michael Tatro and any other Employee of the public side of the Equity Derivatives Group or the Special Equities Group of J.P. Morgan Chase & Co.; *provided that* JPMorgan may amend the list of EDG Trading Personnel by delivering a revised list of EDG Trading Personnel to Counterparty; and *provided further that*, for the avoidance of doubt, the persons listed as EDG Permitted Contacts are not EDG Trading Personnel.

“Employee” means, with respect to any entity, any owner, principal, officer, director, employee or other agent or representative of such entity, and any Affiliate of any of such owner, principal, officer, director, employee, agent or representative.

“Material Non-Public Information” means information relating to Counterparty or the Shares that (a) has not been widely disseminated by wire service, in one or more newspapers of general circulation, by communication from Counterparty to its shareholders or in a press release, or contained in a public filing made by Counterparty with the Securities and Exchange Commission and (b) a reasonable investor might consider to be of importance in making an investment decision to buy, sell or hold Shares. For the avoidance of doubt and solely by way of illustration, information should be presumed “material” if it relates to such matters as dividend increases or decreases, earnings estimates, changes in previously released earnings estimates, significant expansion or curtailment of operations, a significant increase or decline of orders, significant merger or acquisition proposals or agreements, significant new products or discoveries, extraordinary borrowing, major litigation, liquidity problems, extraordinary management developments, purchase or sale of substantial assets and similar matters.

“Program-Related Communication” means any Communication the subject matter of which relates to the Master Confirmation or any Transaction under the Master Confirmation or any activities of JPMorgan (or any of its Affiliates) in respect of the Master Confirmation or any Transaction under the Master Confirmation.

JPMorgan Chase Bank, National Association
P.O. Box 161
60 Victoria Embankment
London EC4Y 0JP
England

August 29, 2013

To: Carter's, Inc.
The Proscenium
1170 Peachtree Street NE, Suite 900
Atlanta, Georgia 30309

Re: Master Confirmation—Collared Accelerated Share Repurchase

This master confirmation (this “**Master Confirmation**”), dated as of August 29, 2013, is intended to set forth certain terms and provisions of certain Transactions (each, a “**Transaction**”) entered into from time to time between J.P. Morgan Securities LLC (“**JPMS**”), as agent for JPMorgan Chase Bank, National Association, London Branch (“**JPMorgan**”), and Carter's, Inc., a Delaware corporation (“**Counterparty**”). This Master Confirmation, taken alone, is neither a commitment by either party to enter into any Transaction nor evidence of a Transaction. The additional terms of any particular Transaction shall be set forth in (i) a Supplemental Confirmation in the form of Schedule A hereto (a “**Supplemental Confirmation**”), which shall reference this Master Confirmation and supplement, form a part of, and be subject to this Master Confirmation, and (ii) a Trade Notification in the form of Schedule B hereto (a “**Trade Notification**”), which shall reference the relevant Supplemental Confirmation and supplement, form a part of, and be subject to such Supplemental Confirmation. This Master Confirmation, each Supplemental Confirmation and the related Trade Notification together shall constitute a “Confirmation” as referred to in the Agreement specified below.

The definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Master Confirmation. This Master Confirmation, each Supplemental Confirmation and the related Trade Notification evidence a complete binding agreement between Counterparty and JPMorgan as to the subject matter and terms of each Transaction to which this Master Confirmation, such Supplemental Confirmation and such Trade Notification relate and shall supersede all prior or contemporaneous written or oral communications with respect thereto.

This Master Confirmation, each Supplemental Confirmation and each Trade Notification supplement, form a part of, and are subject to an agreement in the form of the 2002 ISDA Master Agreement (the “**Agreement**”) as if JPMorgan and Counterparty had executed the Agreement on the date of this Master Confirmation (but without any Schedule except for (i) the election of New York law as the governing law (without reference to its choice of law provisions) and (ii) the election that subparagraph (ii) of Section 2(c) will not apply to the Transactions.

The Transactions shall be the sole Transactions under the Agreement. If there exists any ISDA Master Agreement between JPMorgan and Counterparty or any confirmation or other agreement between JPMorgan and Counterparty pursuant to which an ISDA Master Agreement is deemed to exist between JPMorgan and Counterparty, then notwithstanding anything to the contrary in such ISDA Master Agreement, such confirmation or agreement or any other agreement to which JPMorgan and Counterparty are parties, the Transactions shall not be considered Transactions under, or otherwise governed by, such existing or deemed ISDA Master Agreement, and the occurrence of any Event of Default or Termination Event under the Agreement with respect to either party or any Transaction shall not, by itself, give rise to any right or obligation under any such other agreement or deemed agreement. Notwithstanding anything to the contrary in any other agreement between the parties or their Affiliates, the Transactions shall not be “Specified Transactions” (or similarly treated) under any other agreement between the parties or their Affiliates.

All provisions contained or incorporated by reference in the Agreement shall govern this Master Confirmation, each Supplemental Confirmation and each Trade Notification except as expressly modified herein or in the related Supplemental Confirmation.

If, in relation to any Transaction to which this Master Confirmation, a Supplemental Confirmation and a Trade Notification relate, there is any inconsistency between the Agreement, this Master Confirmation, such Supplemental Confirmation, such Trade Notification and the Equity Definitions, the following will prevail for purposes of such

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London, E14 5JP
Authorised and regulated by the Financial Services Authority

Transaction in the order of precedence indicated: (i) such Trade Notification; (ii) such Supplemental Confirmation; (iii) this Master Confirmation (including Annex B hereto); (iv) the Equity Definitions; and (v) the Agreement.

1. Each Transaction constitutes a Share Forward Transaction for the purposes of the Equity Definitions. Set forth below are the terms and conditions that, together with the terms and conditions set forth in the Supplemental Confirmation and Trade Notification relating to any Transaction, shall govern such Transaction.

General Terms.

Trade Date:	For each Transaction, as set forth in the related Supplemental Confirmation.
Buyer:	Counterparty
Seller:	JPMorgan
Shares:	The common stock of Counterparty, par value USD 0.01 per share (Exchange symbol "CRI").
Exchange:	The New York Stock Exchange
Related Exchange(s):	All Exchanges.
Prepayment/Variable Obligation:	Applicable
Prepayment Amount:	For each Transaction, as set forth in the related Supplemental Confirmation.
Prepayment Date:	For each Transaction, as set forth in the related Supplemental Confirmation.
Contract Fee:	For each Transaction, as set forth in the related Supplemental Confirmation. On the Prepayment Date, Buyer shall pay Seller an amount in USD equal to the Contract Fee in immediately available funds by wire transfer to an account specified by Seller.

Valuation.

Hedge Period: For each Transaction, the period from, and including, the first Exchange Business Day immediately following the Trade Date for such Transaction to, and including, the Hedge Completion Date for such Transaction.

If, at any time during the Hedge Period for any Transaction, the arithmetic average of the VWAP Prices for each Exchange Business Day in such Hedge Period equals or exceeds the Hedging Threshold Price for such Transaction, (i) JPMorgan shall have the right to terminate the Hedge Period for such Transaction as of such time and (ii) the Calculation Agent may make adjustments to the Minimum Share Threshold for such Transaction, the Maximum Share Threshold for such Transaction and any other variable or term relevant to the terms of such Transaction and, for the purposes of calculating the Number of Shares to be Delivered for such Transaction, shall adjust the Prepayment Amount for such Transaction, to preserve the fair value of such Transaction to JPMorgan and ensure that JPMorgan's,

or its affiliate's, initial theoretical delta for such Transaction is equal to the number of Shares purchased by JPMorgan or such affiliate during the Hedge Period for such Transaction at the time of such termination.

Hedge Completion Date: For each Transaction, as set forth in the related Trade Notification, to be the Exchange Business Day on which JPMorgan, or an affiliate thereof, completes the establishment of JPMorgan's initial hedge position with respect to such Transaction, as determined by JPMorgan in its sole discretion.

For each Transaction, JPMorgan shall deliver to Counterparty, no later than 5:00 p.m. (New York City time) on the Exchange Business Day immediately following the Hedge Completion Date for such Transaction, a Trade Notification for such Transaction, substantially in the form of Schedule B hereto, setting forth, among other things, the Hedge Completion Date for such Transaction, the Hedge Period Reference Price for such Transaction, the Minimum Shares for such Transaction and the Maximum Shares for such Transaction.

Hedge Period Reference Price: For each Transaction, the arithmetic average of the VWAP Prices for all of the Exchange Business Days in the Hedge Period for such Transaction, subject to "Valuation Disruption" below, as set forth in the related Trade Notification.

VWAP Price: For any Exchange Business Day, the volume-weighted average price at which the Shares trade as reported in the composite transactions for United States exchanges and quotation systems, during the regular trading session for the Exchange on such Exchange Business Day, excluding (i) trades that do not settle regular way, (ii) opening (regular way) reported trades in the consolidated system on such Exchange Business Day, (iii) trades that occur in the last ten minutes before the scheduled close of trading on the Exchange on such Exchange Business Day and ten minutes before the scheduled close of the primary trading in the market where the trade is effected, and (iv) trades on such Exchange Business Day that do not satisfy the requirements of Rule 10b-18(b)(3) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as reasonably determined in good faith and in a commercially reasonable manner by the Calculation Agent (all such trades other than any trades described in clauses (i) to (iv) above, "**Rule 10b-18 Eligible Transactions**"). Counterparty acknowledges that the Calculation Agent may refer to the Bloomberg Page "CRI US <Equity> AQR SEC" (or any successor thereto), in its judgment, for such Exchange Business Day to determine the VWAP Price.

Forward Price: For each Transaction, the arithmetic average of the VWAP Prices for all of the Exchange Business Days in the Calculation Period for such Transaction, subject to "Valuation Disruption" below.

Forward Price Adjustment Amount: For each Transaction, as set forth in the related Supplemental Confirmation.

Calculation Period: For each Transaction, the period from, and including, the Calculation Period Start Date for such Transaction to, and including, the Termination Date for such Transaction.

Calculation Period Start Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Termination Date: For each Transaction, the Scheduled Termination Date for such Transaction; *provided* that JPMorgan shall have the right to designate any Exchange Business Day on or after the First Acceleration Date to be the Termination Date for such Transaction (the "**Accelerated Termination Date**") by delivering notice to Counterparty of any such designation prior to 6:00 p.m. (New York City time) on the Exchange Business Day immediately following the designated Accelerated Termination Date.

Scheduled Termination Date: For each Transaction, as set forth in the related Supplemental Confirmation, subject to postponement as provided in "Valuation Disruption" below.

First Acceleration Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Valuation Disruption: The definition of "Market Disruption Event" in Section 6.3(a) of the Equity Definitions is hereby amended by deleting the words "at any time during the one-hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be" and inserting the words "at any time on any Scheduled Trading Day during the Hedge Period, the Calculation Period or Settlement Valuation Period" after the word "material," in the third line thereof.

Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term "Scheduled Closing Time" in the fourth line thereof.

Notwithstanding anything to the contrary in the Equity Definitions, if a Disrupted Day occurs (i) in the Hedge Period or the Calculation Period, the Calculation Agent may, in its good faith and commercially reasonable discretion, postpone the Scheduled Termination Date, or (ii) in the Settlement Valuation Period, the Calculation Agent may extend the Settlement Valuation Period. The Calculation Agent may also determine that (i) such Disrupted Day is a Disrupted Day in full, in which case the VWAP Price for such Disrupted Day shall not be included for purposes of determining the Hedge Period Reference Price, the Forward Price or the Settlement Price, as the case may be, or (ii) such Disrupted Day is a Disrupted Day only in part, in which case the VWAP Price for such Disrupted Day shall be determined by the Calculation Agent based on Rule 10b-18 Eligible Transactions in the Shares on such Disrupted Day taking into account the nature and duration of the relevant Market

Disruption Event, and the weighting of the VWAP Price for the relevant Exchange Business Days during the Hedge Period, the Calculation Period or the Settlement Valuation Period, as the case may be, shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Hedge Period Reference Price, the Forward Price or the Settlement Price, as the case may be, with such adjustments based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full.

If a Disrupted Day occurs during the Hedge Period for any Transaction, the Calculation Period for any Transaction or the Settlement Valuation Period for any Transaction, as the case may be, and each of the nine immediately following Scheduled Trading Days is a Disrupted Day (a "**Disruption Event**"), then the Calculation Agent, in its good faith and commercially reasonable discretion, may deem such ninth Scheduled Trading Day to be an Exchange Business Day that is not a Disrupted Day and, in the case of such Calculation Period or the Settlement Valuation Period, as the case may be, determine the VWAP Price for such ninth Scheduled Trading Day using its good faith estimate of the value of the Shares on such ninth Scheduled Trading Day based on the volume, historical trading patterns and the price of the Shares and such other factors as it deems appropriate.

Settlement Terms.

Settlement Procedures:

For each Transaction:

- (i) if the Number of Shares to be Delivered for such Transaction is positive, Physical Settlement shall be applicable to such Transaction; *provided* that JPMorgan does not, and shall not, make the agreement or the representations set forth in Section 9.11 of the Equity Definitions related to the restrictions imposed by applicable securities laws with respect to any Shares delivered by JPMorgan to Counterparty under any Transaction; or
- (ii) if the Number of Shares to be Delivered for such Transaction is negative, then the Counterparty Settlement Provisions in Annex A hereto shall apply to such Transaction.

Number of Shares to be Delivered:

For each Transaction, a number of Shares (rounded down to the nearest whole number) equal to (i) the Prepayment Amount for such Transaction, *divided by* (ii)(A) the Forward Price for such Transaction *minus* (B) the Forward Price

Adjustment Amount for such Transaction; *provided* that the Number of Shares to be Delivered shall not be less than the Minimum Shares and not greater than the Maximum Shares. The Number of Shares to be Delivered on the Settlement Date for any Transaction shall be reduced, but not below zero, by any Shares delivered pursuant to "Initial Share Delivery" and "Minimum Share Delivery" below. For the avoidance of doubt, if the Forward Price Adjustment Amount for any Transaction is a negative number, clause (ii) of the immediately preceding sentence shall be equal to (A) the Forward Price for such Transaction, *plus* (B) the absolute value of the Forward Price Adjustment Amount.

Excess Dividend Amount: For the avoidance of doubt, all references to the Excess Dividend Amount shall be deleted from Section 9.2(a)(iii) of the Equity Definitions.

Settlement Date: For each Transaction, if the Number of Shares to be Delivered for such Transaction is positive, the date that is one Settlement Cycle immediately following the Termination Date for such Transaction.

Settlement Currency: USD

Initial Share Delivery: For each Transaction, JPMorgan shall deliver a number of Shares equal to the Initial Shares for such Transaction to Counterparty on the Initial Share Delivery Date for such Transaction in accordance with Section 9.4 of the Equity Definitions, with such Initial Share Delivery Date deemed to be a "Settlement Date" for purposes of such Section 9.4.

Initial Share Delivery Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Initial Shares: For each Transaction, as set forth in the related Supplemental Confirmation.

Minimum Share Delivery: For each Transaction, JPMorgan shall deliver a number of Shares equal to the excess, if any, of the Minimum Shares over the Initial Shares on the Minimum Share Delivery Date for such Transaction in accordance with Section 9.4 of the Equity Definitions, with such Minimum Share Delivery Date deemed to be a "Settlement Date" for purposes of such Section 9.4.

Minimum Share Delivery Date: For each Transaction, the date one Settlement Cycle immediately following the Hedge Completion Date for such Transaction.

Minimum Shares: For each Transaction, as set forth in the related Supplemental Confirmation.

Minimum Share Threshold: For each Transaction, as set forth in the related Supplemental Confirmation.

Maximum Shares: For each Transaction, as set forth in the related Supplemental Confirmation.

Maximum Share Threshold: For each Transaction, as set forth in the related Supplemental Confirmation.

Hedging Threshold Price: For each Transaction, as set forth in the related Supplemental Confirmation.

Share Adjustments.

Potential Adjustment Event: In addition to the events described in Section 11.2(e) of the Equity Definitions, it shall constitute an additional Potential Adjustment Event if (x) the Scheduled Termination Date for any Transaction is postponed pursuant to "Valuation Disruption" above (including, for the avoidance of doubt, pursuant to Section 7 hereof), (y) a Regulatory Disruption as described in Section 7 occurs or (z) a Disruption Event occurs. In the case of any event described in clause (x), (y) or (z) above occurs, the Calculation Agent may, in good faith and in its commercially reasonable discretion, adjust any relevant terms of such Transaction as necessary to preserve as nearly as practicable the fair value of such Transaction to JPMorgan prior to such postponement, Regulatory Disruption or Disruption Event, as the case may be.

Excess Dividend: For any calendar quarter, any dividend or distribution on the Shares with an ex-dividend date occurring during such calendar quarter (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions or any Extraordinary Dividend) (a "**Dividend**") the amount or value of which per Share (as determined by the Calculation Agent), when aggregated with the amount or value (as determined by the Calculation Agent) of any and all previous Dividends with ex-dividend dates occurring in the same calendar quarter, exceeds the Ordinary Dividend Amount. "**Extraordinary Dividend**" means the per Share cash dividend or distribution, or a portion thereof, declared by Counterparty on the Shares that is classified by the board of directors of Counterparty as an "extraordinary" dividend.

Consequences of Excess Dividend: The declaration by the Issuer of any Excess Dividend, the ex-dividend date for which occurs or is scheduled to occur during the Relevant Dividend Period for any Transaction, shall constitute an Additional Termination Event in respect of such Transaction, with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction.

Ordinary Dividend Amount: For each Transaction, as set forth in the related Supplemental Confirmation.

Method of Adjustment: Calculation Agent Adjustment

Early Ordinary Dividend Payment: For each Transaction, if an ex-dividend date for any Dividend that is not (x) an Excess Dividend, (y) a dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions and (z) an Extraordinary Dividend, occurs during any calendar quarter occurring (in whole or in part) during the Relevant Dividend Period for such Transaction and is prior to the Scheduled

Ex-Dividend Date for such Transaction for the relevant calendar quarter (as determined by the Calculation Agent), the Calculation Agent shall make such adjustment to the exercise, settlement, payment or any other terms of the relevant Transaction as the Calculation Agent determines appropriate to account for the economic effect on such Transaction of such event.

Scheduled Ex-Dividend Dates: For each Transaction, as set forth in the related Supplemental Confirmation for each calendar quarter.

Relevant Dividend Period: For each Transaction, the period from, and including, the Trade Date for such Transaction to, and including, the Relevant Dividend Period End Date for such Transaction.

Relevant Dividend Period End Date: For each Transaction, if the Number of Shares to be Delivered for such Transaction is negative, the last day of the Settlement Valuation Period; otherwise, the Termination Date for such Transaction.

Extraordinary Events.

Consequences of Merger Events:

- (a) Share-for-Share: Cancellation and Payment
- (b) Share-for-Other: Cancellation and Payment
- (c) Share-for-Combined: Cancellation and Payment

Tender Offer: Applicable; *provided* that (a) Section 12.1(l) of the Equity Definitions shall be amended (i) by deleting the parenthetical in the fifth line thereof, (ii) by replacing “that” in the fifth line thereof with “whether or not such announcement” and (iii) by adding immediately after the words “Tender Offer” in the fifth line thereof “, and any publicly announced change or amendment to such an announcement (including, without limitation, the announcement of an abandonment of such intention)” and (b) Sections 12.3(a) and 12.3(d) of the Equity Definitions shall each be amended by replacing each occurrence of the words “Tender Offer Date” by “Announcement Date.”

Consequences of Tender Offers:

- (a) Share-for-Share: Cancellation and Payment
- (b) Share-for-Other: Cancellation and Payment
- (c) Share-for-Combined: Cancellation and Payment

Nationalization, Insolvency or Delisting: Cancellation and Payment; *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-

quoted on any such exchange or quotation system, such exchange or quotation system shall be deemed to be the Exchange.

Additional Disruption Events:

- (a) Change in Law: Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase “the interpretation” in the third line thereof with the phrase “, or public announcement of, the formal or informal interpretation”, (ii) by replacing the word “Shares” where it appears in clause (X) thereof with the words “Hedge Positions” and (iii) by immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”; *provided further* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by replacing the parenthetical beginning after the word “regulation” in the second line thereof of the words “(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)”.
- (b) Failure to Deliver: Applicable
- (c) Insolvency Filing: Applicable
- (d) Loss of Stock Borrow: Applicable
- Maximum Stock Loan Rate: For each Transaction, as set forth in the related Supplemental Confirmation.
- Hedging Party: JPMorgan
- Determining Party: JPMorgan. Following any determination or calculation by the Determining Party hereunder, upon a written request by Counterparty, the Determining Party will promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such written request a report displaying in reasonable detail the basis for such determination or calculation, as the case may be; *provided* that the Determining Party shall not be required to disclose any proprietary models or other information that is proprietary or confidential.
- (e) Hedging Disruption: Applicable
- Hedging Party: JPMorgan
- Determining Party: JPMorgan. Following any determination or calculation by the Determining Party hereunder, upon a written request by Counterparty, the Determining Party will promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such written request a report displaying in reasonable detail the basis for such determination or calculation, as the case may be; *provided* that the

Determining Party shall not be required to disclose any proprietary models or other information that is proprietary or confidential.

(f) Increased Cost of Stock Borrow:

Applicable

Initial Stock Loan Rate:

For each Transaction, as set forth in the related Supplemental Confirmation.

Hedging Party:

JPMorgan

Determining Party:

JPMorgan. Following any determination or calculation by the Determining Party hereunder, upon a written request by Counterparty, the Determining Party will promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such written request a report displaying in reasonable detail the basis for such determination or calculation, as the case may be; *provided* that the Determining Party shall not be required to disclose any proprietary models or other information that is proprietary or confidential.

Hedging Adjustments:

For the avoidance of doubt, whenever the Calculation Agent is called upon to make an adjustment pursuant to the terms of this Confirmation or the Equity Definitions to take into account the effect of an event, the Calculation Agent shall make such adjustment by reference to the effect of such event on JPMorgan, assuming that JPMorgan maintains a commercially reasonable Hedge Position.

Non-Reliance/Agreements and
Acknowledgements Regarding
Hedging Activities/Additional
Acknowledgements:

Applicable

2. **Calculation Agent.** JPMorgan. Whenever the Calculation Agent is required to act or to exercise judgment in any way with respect to any Transaction hereunder, it will do so in good faith and in a commercially reasonable manner. Following any determination or calculation by the Calculation Agent hereunder, upon a written request by Counterparty, the Calculation Agent will promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such written request a report displaying in reasonable detail the basis for such determination or calculation, as the case may be; *provided* that the Calculation Agent shall not be required to disclose any proprietary models or other information that is proprietary or confidential.

3. **Account Details.**

(a) Account for payments to Counterparty:

Bank: Bank of America

ABA#: []

Acct No.: []

Beneficiary: The William Carter Company
Ref: Share Repurchase for Carter's, Inc. (CRI)

Account for delivery of Shares to Counterparty:

American Stock Transfer DTC Participant # []

(b) Account for payments to JPMorgan:

Bank: JPMorgan Chase Bank, N.A.
ABA#: []
Acct No.: []
Beneficiary: JPMorgan Chase Bank, N.A. New York
Ref: Derivatives

Account for delivery of Shares to JPMorgan:

DTC []

4. Offices.

(a) The Office of Counterparty for each Transaction is: Inapplicable, Counterparty is not a Multibranch Party.

(a) The Office of JPMorgan for each Transaction is: London

JPMorgan Chase Bank, National Association
London Branch
P.O. Box 161
60 Victoria Embankment
London EC4Y 0JP
England

5. Notices.

(a) Address for notices or communications to Counterparty:

Carter's, Inc.
The Proscenium
1170 Peachtree Street NE, Suite 900
Atlanta, Georgia 30309
Attention: Sean McHugh
Copy to: General Counsel
Telephone No.: (404) 745-2700
Email Address: sean.mchugh@carters.com

(b) Address for notices or communications to JPMorgan:

JPMorgan Chase Bank, National Association
EDG Marketing Support
Email: edg_notices@jpmorgan.com
edg_special_equities_notices@jpmorgan.com

With a copy to:

Sudheer Tegulapalle
Executive Director

6. Representations, Warranties and Agreements.

(a) *Additional Representations, Warranties and Covenants of Each Party.* In addition to the representations, warranties and covenants in the Agreement, each party represents, warrants and covenants to the other party that:

- (i) It is an "eligible contract participant" (as such term is defined in the Commodity Exchange Act, as amended).
- (ii) Each party acknowledges that the offer and sale of each Transaction to it is intended to be exempt from registration under the Securities Act of 1933, as amended (the "**Securities Act**"), by virtue of Section 4(2) thereof. Accordingly, each party represents and warrants to the other that (A) it has the financial ability to bear the economic risk of its investment in each Transaction and is able to bear a total loss of its investment, (B) it is an "accredited investor" as that term is defined under Regulation D under the Securities Act and (C) the disposition of each Transaction is restricted under this Master Confirmation, the Securities Act and state securities laws.

(b) *Additional Representations, Warranties and Covenants of Counterparty.* In addition to the representations, warranties and covenants in the Agreement, Counterparty represents, warrants and covenants to JPMorgan that:

- (i) As of the Trade Date for each Transaction hereunder, Counterparty is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of this Master Confirmation and the Supplemental Confirmation for such Transaction has been duly authorized, executed and delivered by Counterparty and (assuming due authorization, execution and delivery thereof by JPMorgan) this Master Confirmation, as supplemented by such Supplemental Confirmation, constitutes a valid and legally binding obligation of Counterparty. Counterparty has all corporate power to enter into this Master Confirmation, such Supplemental Confirmation and the Trade Notification for such Transaction and to consummate the transactions contemplated hereby and thereby and to purchase the Shares and deliver any Settlement Shares in accordance with the terms hereof and thereof.
- (ii) As of the Trade Date for each Transaction hereunder, the execution and delivery by Counterparty of, and the performance by Counterparty of its obligations under, this Master Confirmation and the Supplemental Confirmation for such Transaction, and the consummation of the transactions herein and therein contemplated, do not conflict with or violate (A) any provision of the certificate of incorporation, by-laws or other constitutive documents of Counterparty, (B) any statute or order, rule, regulation or judgment of any court or governmental agency or body having jurisdiction over Counterparty or any of its subsidiaries or any of their respective assets or (C) any contractual restriction binding on or affecting Counterparty or any of its subsidiaries or any of its assets.
- (iii) As of the Trade Date for each Transaction hereunder, all governmental and other consents that are required to have been obtained by Counterparty with respect to performance, execution and delivery of this Master Confirmation and the Supplemental Confirmation for such Transaction have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

- (iv) As of the Trade Date for each Transaction hereunder, (A) such Transaction is being entered into pursuant to a publicly disclosed Share buy-back program and its Board of Directors has approved the use of derivatives to effect the Share buy-back program, and (B) there is no internal policy of Counterparty, whether written or oral, that would prohibit Counterparty from entering into any aspect of such Transaction, including, without limitation, the purchases of Shares to be made pursuant to such Transaction.
- (v) As of the Trade Date for each Transaction hereunder, the purchase or writing of such Transaction and the transactions contemplated hereby will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act.
- (vi) As of the Trade Date for each Transaction hereunder, it is not entering into such Transaction (A) on the basis of, and is not aware of, any material non-public information regarding Counterparty or the Shares, (B) in anticipation of, in connection with, or to facilitate, a distribution of its securities, a self tender offer or a third-party tender offer in violation of the Exchange Act or (C) to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares).
- (vii) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD 50,000,000 as of the date hereof.
- (viii) As of the Trade Date for each Transaction hereunder, and as of the date of any election with respect to any Transaction hereunder, Counterparty is in compliance with its reporting obligations under the Exchange Act and its most recent Annual Report on Form 10-K, together with all reports subsequently filed by it pursuant to the Exchange Act, taken together and as amended and supplemented to the date of this representation, do not, as of their respective filing dates, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (ix) Counterparty has made, and will make, all filings required to be made by it with the Securities and Exchange Commission, any securities exchange or any other regulatory body with respect to each Transaction.
- (x) The Shares are not, and Counterparty will not cause the Shares to be, subject to a "restricted period" (as defined in Regulation M promulgated under the Exchange Act) at any time during any Regulation M Period (as defined below) for any Transaction unless Counterparty has provided written notice to JPMorgan of such restricted period not later than the Scheduled Trading Day immediately preceding the first day of such "restricted period"; Counterparty acknowledges that any such notice may cause a Disrupted Day to occur pursuant to Section 7 below; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 8 below. Counterparty is not currently contemplating any "distribution" (as defined in Regulation M promulgated under the Exchange Act) of Shares, or any security for which Shares are a "reference security" (as defined in Regulation M promulgated under the Exchange Act). "**Regulation M Period**" means, for any Transaction, (A) the Relevant Period (as defined below) for such Transaction, (B) the Settlement Valuation Period, if any, for such Transaction and (C) the Seller Termination Purchase Period (as defined below), if any, for such Transaction. "**Relevant Period**" means, for any Transaction, the period commencing on the first day of the Hedge Period for such Transaction and ending on the later of (1) the earlier of (x) the Scheduled Termination Date and (y) the last Additional Relevant Day (as specified in the related

Supplemental Confirmation) for such Transaction, or such earlier day as elected by JPMorgan and communicated to Counterparty on such day (or, if later, the First Acceleration Date without regard to any acceleration thereof pursuant to "Special Provisions for Acquisition Transaction Announcements" below) and (2) if Section 15 is applicable to such Transaction, the date on which all deliveries owed pursuant to Section 15 have been made.

- (xi) As of the Trade Date, the Prepayment Date, the Initial Share Delivery Date, the Minimum Share Delivery Date, the Settlement Date, any Cash Settlement Payment Date and any Settlement Method Election Date for each Transaction, Counterparty is not, and will not be, "insolvent" (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")) and Counterparty would be able to purchase a number of Shares with a value equal to the Prepayment Amount in compliance with the laws of the jurisdiction of Counterparty's incorporation.
- (xii) Counterparty is not, and after giving effect to each Transaction will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.
- (xiii) Counterparty shall cooperate with JPMorgan, and execute and deliver, or use its best efforts to cause to be executed and delivered, all such other instruments, and to obtain all consents, approvals or authorizations of any person, and take all such other actions as JPMorgan may reasonably request from time to time, consistent with the terms of the Agreement, this Master Confirmation, any Supplemental Confirmation and any Trade Notification, in order to effectuate the purposes of the Agreement, this Master Confirmation, any Supplemental Confirmation, any Trade Notification and any Transaction.
- (xiv) Counterparty has not entered, and will not enter, into any repurchase transaction with respect to the Shares (or any security convertible into or exchangeable for the Shares) (including, without limitation, any agreements similar to the Transactions described herein) where any initial hedge period, calculation period, relevant period, settlement valuation period or seller termination purchase period (each however defined) in such other transaction will overlap at any time (including, without limitation, as a result of extensions in such initial hedge period, calculation period, relevant period, settlement valuation period or seller termination purchase period as provided in the relevant agreements) with any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable) under this Master Confirmation. In the event that the initial hedge period, relevant period, calculation period or settlement valuation period in any other transaction overlaps with any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable) under this Master Confirmation as a result of any postponement of the Scheduled Termination Date or extension of the Settlement Valuation Period pursuant to "Valuation Disruption" above or any analogous provision in such other transaction, Counterparty shall promptly amend such other transaction to avoid any such overlap. Notwithstanding the foregoing, nothing in this Section 6(b)(xiv) shall prohibit or apply to the repurchase of Shares by the Company from holders of awards granted under the Company's equity incentive plans for the purpose of paying the tax withholding obligations arising from vesting of any such awards.
- (xv) Counterparty shall, at least one day prior to the first day of the Hedge Period, the Settlement Valuation Period, if any, or the Seller Termination Purchase Period, if any, for any Transaction, notify JPMorgan of the total number of Shares purchased in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception set forth in paragraph (b)(4) of Rule 10b-18 under the Exchange Act ("**Rule 10b-18**") by or for Counterparty or any of its "affiliated purchasers" (as defined in Rule 10b-18) during each of the four calendar weeks preceding such day and during the calendar week in which such day occurs ("Rule 10b-18 purchase" and "blocks" each being used as defined in Rule 10b-18), which notice shall be substantially in the form set forth in Schedule C hereto.

(xvi) As of the Trade Date for each Transaction hereunder, and as of the date of any election with respect to any Transaction hereunder, there has not been any Merger Announcement (as defined below).

7. **Regulatory Disruption.** In the event that JPMorgan, on the advice of counsel, concludes, in good faith discretion, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures that are generally applicable to transactions of this nature and are related to its compliance with applicable laws (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by JPMorgan), for it to refrain from or decrease any market activity on any Scheduled Trading Day or Days during the Hedge Period, the Calculation Period or, if applicable, the Settlement Valuation Period, JPMorgan may by written notice to Counterparty elect to deem that a Market Disruption Event has occurred and will be continuing on such Scheduled Trading Day or Days.
8. **10b5-1 Plan.** Counterparty represents, warrants and covenants to JPMorgan that:
- (a) Counterparty is entering into this Master Confirmation and each Transaction hereunder in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act ("**Rule 10b5-1**") or any other antifraud or anti-manipulation provisions of the federal or applicable state securities laws and that it has not entered into or altered and will not enter into or alter any corresponding or hedging transaction or position with respect to the Shares. Counterparty acknowledges that it is the intent of the parties that each Transaction entered into under this Master Confirmation comply with the requirements of paragraphs (c)(1)(i)(A) and (B) of Rule 10b5-1 and each Transaction entered into under this Master Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c).
 - (b) During the Hedge Period, the Calculation Period and the Settlement Valuation Period, if any, for any Transaction and in connection with the delivery of any Alternative Delivery Units for any Transaction, JPMorgan (or its agent or Affiliate) may effect transactions in Shares in connection with such Transaction. The timing of such transactions by JPMorgan, the price paid or received per Share pursuant to such transactions and the manner in which such transactions are made, including, without limitation, whether such transactions are made on any securities exchange or privately, shall be within the sole judgment of JPMorgan. Counterparty acknowledges and agrees that all such transactions shall be made in JPMorgan's sole judgment and for JPMorgan's own account.
 - (c) Counterparty does not have, and shall not attempt to exercise, any control or influence over how, when or whether JPMorgan (or its agent or Affiliate) makes any "purchases or sales" (within the meaning of Rule 10b5-1(c)(1)(i)(B)(3)) in connection with any Transaction, including, without limitation, over how, when or whether JPMorgan (or its agent or Affiliate) enters into any hedging transactions. Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Master Confirmation, each Supplemental Confirmation and each Trade Notification under Rule 10b5-1.
 - (d) Counterparty acknowledges and agrees that any amendment, modification, waiver or termination of this Master Confirmation, any Supplemental Confirmation or any Trade Notification must be effected in accordance with the requirements for the amendment or termination of a "plan" as defined in Rule 10b5-1(c). Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and no such amendment, modification or waiver shall be made at any time at which Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding Counterparty or the Shares.
 - (e) Counterparty shall not, directly or indirectly, communicate any information relating to the Shares or any Transaction (including, without limitation, any notices required by Section 10(a)) to any employee of JPMorgan or JPMS, other than as set forth in the Communications Procedures attached as Annex C hereto.

9. **Counterparty Purchases.** Counterparty (or any “affiliate” or “affiliated purchaser” as defined in Rule 10b-18) shall not, without the prior written consent of JPMorgan, directly or indirectly (including, without limitation, by means of a derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or equivalent interest, including, without limitation, a unit of beneficial interest in a trust or limited partnership or a depository share), listed contracts on the Shares or securities that are convertible into, or exchangeable or exercisable for Shares (including, without limitation, any Rule 10b-18 purchases of blocks (as defined in Rule 10b-18)) during any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable), under this Master Confirmation. Nothing in this Section 9 shall prohibit or apply to the repurchase of Shares by the Company from holders of awards granted under the Company’s equity incentive plans for the purpose of paying the tax withholding obligations arising from vesting of any such awards. Notwithstanding the foregoing, JPMorgan hereby agrees and acknowledges that any “affiliate” or “affiliated purchaser” as defined in Rule 10b-18 may exercise any stock option issued by the Counterparty outstanding on the date hereof during any Relevant Period under this Master Confirmation and such exercise shall not violate this Section 9.

10. **Special Provisions for Merger Transactions.** Notwithstanding anything to the contrary herein or in the Equity Definitions:

(a) Counterparty agrees that it:

- (i) will not during the period commencing on the Trade Date for any Transaction and ending on the last day of the Relevant Period or, if applicable, the later of the last day of the Settlement Valuation Period and the last day of the Seller Termination Purchase Period, for such Transaction make, or permit to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any Merger Transaction or potential Merger Transaction (a “**Merger Announcement**”) unless such Merger Announcement is made prior to the opening or after the close of the regular trading session on the Exchange for the Shares;
- (ii) shall promptly (but in any event prior to the next opening of the regular trading session on the Exchange) notify JPMorgan following any such Merger Announcement that such Merger Announcement has been made; and
- (iii) shall promptly (but in any event prior to the next opening of the regular trading session on the Exchange) provide JPMorgan with written notice specifying (i) Counterparty’s average daily Rule 10b-18 Purchases (as defined in Rule 10b-18) during the three full calendar months immediately preceding the announcement date of any Merger Transaction or potential Merger Transaction that were not effected through JPMorgan or its Affiliates and (ii) the number of Shares purchased pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding the announcement date of any Merger Transaction or potential Merger Transaction. Such written notice shall be deemed to be a certification by Counterparty to JPMorgan that such information is true and correct. In addition, Counterparty shall promptly notify JPMorgan of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders.

(b) Counterparty acknowledges that any such Merger Announcement or delivery of a notice with respect thereto may cause the terms of any Transaction to be adjusted or such Transaction to be terminated; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 8 above.

(c) Upon the occurrence of any Merger Announcement (whether made by Counterparty or a third party), JPMorgan in its sole discretion may (i) make adjustments to the terms of any Transaction, including, without limitation, the Scheduled Termination Date or the Forward Price Adjustment Amount, and/or suspend the Hedge Period, the Calculation Period and/or any Settlement Valuation Period or (ii) treat the occurrence of such Merger Announcement as an Additional Termination Event with

Counterparty as the sole Affected Party and the Transactions hereunder as the Affected Transactions and with the amount under Section 6(e) of the Agreement determined taking into account the fact that the Calculation Period or Settlement Valuation Period, as the case may be, had fewer Scheduled Trading Days than originally anticipated.

“**Merger Transaction**” means any merger, acquisition or similar transaction involving a recapitalization as contemplated by Rule 10b-18(a)(13)(iv) under the Exchange Act.

11. **Special Provisions for Acquisition Transaction Announcements.** Notwithstanding anything to the contrary herein or in the Equity Definitions:

(a) If an Acquisition Transaction Announcement occurs on or prior to the Settlement Date for any Transaction, then the Number of Shares to be Delivered for such Transaction shall be determined as if (x) clause (ii) of the definition thereof were replaced with “(ii) the Forward Price for such Transaction,” and (y) the words “less than the Minimum Shares and not” and “, but not below zero,” were deleted from the definition thereof. If an Acquisition Transaction Announcement occurs after the Trade Date, but prior to the First Acceleration Date of any Transaction, the First Acceleration Date shall be the date of such Acquisition Transaction Announcement. If the Number of Shares to be Delivered for any settlement of any Transaction is a negative number, then the terms of the Counterparty Settlement Provisions in Annex A hereto shall apply.

(b) “**Acquisition Transaction Announcement**” means (i) the announcement of an Acquisition Transaction or an event that, if consummated, would result in an Acquisition Transaction, (ii) an announcement that Counterparty or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding designed to result in an Acquisition Transaction, (iii) the announcement of the intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, an Acquisition Transaction, (iv) any other announcement that in the reasonable judgment of the Calculation Agent may result in an Acquisition Transaction, or (v) any announcement of any change or amendment to any previous Acquisition Transaction Announcement (including any announcement of the abandonment of any such previously announced Acquisition Transaction, agreement, letter of intent, understanding or intention). For the avoidance of doubt, announcements as used in the definition of Acquisition Transaction Announcement refer to any public announcement whether made by the Issuer or a third party.

(c) “**Acquisition Transaction**” means (i) any Merger Event (for purposes of this definition the definition of Merger Event shall be read with the references therein to “100%” being replaced by “15%” and references to “50%” being replaced by “75%” and without reference to the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition), Tender Offer or Merger Transaction or any other transaction involving the merger of Counterparty with or into any third party, (ii) the sale or transfer of all or substantially all of the assets of Counterparty, (iii) a recapitalization, reclassification, binding share exchange or other similar transaction with respect to Counterparty, (iv) any acquisition by Counterparty or any of its subsidiaries where the aggregate consideration transferable by Counterparty or its subsidiaries exceeds 50% of the market capitalization of Counterparty, (v) any lease, exchange, transfer, disposition (including, without limitation, by way of spin-off or distribution) of assets (including, without limitation, any capital stock or other ownership interests in subsidiaries) or other similar event by Counterparty or any of its subsidiaries where the aggregate consideration transferable or receivable by or to Counterparty or its subsidiaries exceeds 15% of the market capitalization of Counterparty or (vi) any transaction in which Counterparty or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of such transaction (whether pursuant to Rule 14e-2 under the Exchange Act or otherwise).

12. **Acknowledgments.**

(a) The parties hereto intend for:

- (i) each Transaction to be a “securities contract” as defined in Section 741(7) of the Bankruptcy Code and a “forward contract” as defined in Section 101(25) of the Bankruptcy Code, and the parties hereto to be entitled to the protections afforded by, among other Sections, Sections 362(b)(6), 362(b)(27), 362(o), 546(e), 546(j), 555, 556, 560 and 561 of the Bankruptcy Code;
- (ii) the Agreement to be a “master netting agreement” as defined in Section 101(38A) of the Bankruptcy Code;
- (iii) a party’s right to liquidate, terminate or accelerate any Transaction, net out or offset termination values or payment amounts, and to exercise any other remedies upon the occurrence of any Event of Default or Termination Event under the Agreement with respect to the other party or any Extraordinary Event that results in the termination or cancellation of any Transaction to constitute a “contractual right” (as defined in the Bankruptcy Code); and
- (iv) all payments for, under or in connection with each Transaction, all payments for the Shares (including, for the avoidance of doubt, payment of the Prepayment Amount) and the transfer of such Shares to constitute “settlement payments” and “transfers” (as defined in the Bankruptcy Code).

(b) Counterparty acknowledges that:

- (i) during the term of any Transaction, JPMorgan and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to establish, adjust or unwind its hedge position with respect to such Transaction;
- (ii) JPMorgan and its Affiliates may also be active in the market for the Shares and Share-linked transactions other than in connection with hedging activities in relation to any Transaction;
- (iii) JPMorgan shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty’s securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Forward Price and the VWAP Price;
- (iv) any market activities of JPMorgan and its Affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the Hedge Period Reference Price, the Forward Price and VWAP Price, each in a manner that may be adverse to Counterparty; and
- (v) each Transaction is a derivatives transaction in which it has granted JPMorgan an option; JPMorgan may purchase shares for its own account at an average price that may be greater than, or less than, the price paid by Counterparty under the terms of the related Transaction.

13. **No Collateral, Netting or Setoff.** Notwithstanding any provision of the Agreement or any other agreement between the parties to the contrary, the obligations of Counterparty hereunder are not secured by any collateral. Obligations under any Transaction shall not be netted, recouped or set off (including pursuant to Section 6 of the Agreement) against any other obligations of the parties, whether arising under the Agreement, this Master Confirmation, any Supplemental Confirmation or any Trade Notification, or under any other agreement between the parties hereto, by operation of law or otherwise, and no other obligations of the parties shall be netted, recouped or set off (including pursuant to Section 6 of the Agreement) against obligations under any Transaction, whether arising under the Agreement, this Master Confirmation, any Supplemental Confirmation or any Trade Notification, or under any other agreement between the parties hereto, by operation of law or otherwise, and each party hereby waives any such right of setoff, netting or recoupment.

14. **Delivery of Shares.** Notwithstanding anything to the contrary herein, JPMorgan may, by prior notice to Counterparty, satisfy its obligation to deliver any Shares or other securities on any date due (an “**Original Delivery Date**”) by making separate deliveries of Shares or such securities, as the case may be, at more than one time on or prior to such Original Delivery Date, so long as the aggregate number of Shares and other securities so delivered on or prior to such Original Delivery Date is equal to the number required to be delivered on such Original Delivery Date.
15. **Alternative Termination Settlement.** In the event that (a) an Early Termination Date (whether as a result of an Event of Default or a Termination Event) occurs or is designated with respect to any Transaction or (b) any Transaction is cancelled or terminated upon the occurrence of an Extraordinary Event (except as a result of (i) a Nationalization, Insolvency or Merger Event in which the consideration to be paid to holders of Shares consists solely of cash, (ii) a Merger Event or Tender Offer that is within Counterparty’s control, or (iii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party other than an Event of Default of the type described in Section 5(a)(iii), (v), (vi), (vii) or (viii) of the Agreement or a Termination Event of the type described in Section 5(b) of the Agreement, in each case that resulted from an event or events outside Counterparty’s control), if either party would owe any amount to the other party pursuant to Section 6(d)(ii) of the Agreement or any Cancellation Amount pursuant to Article 12 of the Equity Definitions (any such amount, a “**Payment Amount**”), then, in lieu of any payment of such Payment Amount, unless Counterparty makes an election to the contrary no later than the Early Termination Date or the date on which such Transaction is terminated or cancelled, Counterparty or JPMorgan, as the case may be, shall deliver to the other party a number of Shares (or, in the case of a Nationalization, Insolvency or Merger Event, a number of units, each comprising the number or amount of the securities or property that a hypothetical holder of one Share would receive in such Nationalization, Insolvency or Merger Event, as the case may be (each such unit, an “**Alternative Delivery Unit**”) with a value equal to the Payment Amount, as determined in good faith and in a commercially reasonable manner by the Calculation Agent over a commercially reasonable period of time (and the parties agree that, in making such determination of value, the Calculation Agent may take into account a number of factors, including, without limitation, the market price of the Shares or Alternative Delivery Units on the Early Termination Date or the date of early cancellation or termination, as the case may be, and, if such delivery is made by JPMorgan, the prices at which JPMorgan purchases Shares or Alternative Delivery Units to fulfill its delivery obligations under this Section 15); *provided that* in determining the composition of any Alternative Delivery Unit, if the relevant Nationalization, Insolvency or Merger Event involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash; and *provided further* that Counterparty may elect that the provisions of this Section 15 above providing for the delivery of Shares or Alternative Delivery Units, as the case may be, shall not apply only if Counterparty represents and warrants to JPMorgan, in writing on the date it notifies JPMorgan of such election, that, as of such date, Counterparty is not aware of any material non-public information regarding Counterparty or the Shares and is making such election in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws. If delivery of Shares or Alternative Delivery Units, as the case may be, pursuant to this Section 15 is to be made by Counterparty, paragraphs 2 through 7 of Annex A hereto shall apply as if (A) such delivery were a settlement of such Transaction to which Net Share Settlement applied, (B) the Cash Settlement Payment Date were the Early Termination Date or the date of early cancellation or termination, as the case may be, and (C) the Forward Cash Settlement Amount were equal to (x) zero *minus* (y) the Payment Amount owed by Counterparty. For the avoidance of doubt, if Counterparty validly elects for the provisions of this Section 15 relating to the delivery of Shares or Alternative Delivery Units, as the case may be, not to apply to any Payment Amount, the provisions of Article 12 of the Equity Definitions, or the provisions of Section 6(d)(ii) of the Agreement, as the case may be, shall apply. If delivery of Shares or Alternative Delivery Units, as the case may be, is to be made by JPMorgan pursuant to this Section 15, the period during which JPMorgan purchases Shares or Alternative Delivery Units to fulfill its delivery obligations under this Section 15 shall be referred to as the “**Seller Termination Purchase Period.**”
16. **Calculations and Payment Date upon Early Termination.** The parties acknowledge and agree that in calculating (a) the Close-Out Amount pursuant to Section 6 of the Agreement and (b) the amount due upon cancellation or termination of any Transaction (whether in whole or in part) pursuant to Article 12 of the Equity Definitions as a result of an Extraordinary Event, JPMorgan may (but need not) determine such amount based on (i) expected losses assuming a commercially reasonable (including, without limitation, with regard to

reasonable legal and regulatory guidelines) risk bid were used to determine loss or (ii) the price at which one or more market participants would offer to sell to the Seller a block of shares of Common Stock equal in number to the Seller's hedge position in relation to the Transaction. Notwithstanding anything to the contrary in Section 6(d)(ii) of the Agreement or Article 12 of the Equity Definitions, all amounts calculated as being due in respect of an Early Termination Date under Section 6(e) of the Agreement or upon cancellation or termination of the relevant Transaction under Article 12 of the Equity Definitions will be payable on the day that notice of the amount payable is effective; *provided that* if Counterparty elects to receive or deliver Shares or Alternative Delivery Units in accordance with Section 15, such Shares or Alternative Delivery Units shall be delivered on a date selected by JPMorgan as promptly as practicable.

17. **Limit on Beneficial Ownership.** Notwithstanding anything to the contrary in this Master Confirmation, Counterparty acknowledges and agrees that, on any day, JPMorgan shall not be obligated to receive from Counterparty any Shares, and Counterparty shall not be entitled to deliver to JPMorgan any Shares, to the extent (but only to the extent) that after such transactions JPMorgan's ultimate parent entity would directly or indirectly "beneficially own" (as such term is defined for purposes of Section 13(d) of the Exchange Act) at any time on such day in excess of 8% of the outstanding Shares. Any purported receipt of Shares shall be void and have no effect to the extent (but only to the extent) that after such receipt, JPMorgan's ultimate parent entity would directly or indirectly so beneficially own in excess of 8% of the outstanding Shares. If, on any day, any receipt of Shares by JPMorgan is not effected, in whole or in part, as a result of this Section 17, Counterparty's obligations to deliver such Shares shall not be extinguished and any such delivery shall be effected over time by Counterparty as promptly as JPMorgan determines, such that after any such delivery, JPMorgan's ultimate parent entity would not directly or indirectly beneficially own in excess of 8% of the outstanding Shares.
18. **Maximum Share Delivery.** Notwithstanding anything to the contrary in this Master Confirmation, in no event shall JPMorgan be required to deliver any Shares, or any Shares or other securities comprising Alternative Delivery Units, in respect of any Transaction in excess of the Maximum Number of Shares set forth in the Supplemental Confirmation for such Transaction.
19. **Additional Termination Events.**
 - (a) The occurrence of an event described in paragraph III of Annex B hereto will constitute an Additional Termination Event, with Counterparty as the sole Affected Party and the Transactions specified in such paragraph III as the Affected Transactions.
 - (b) Notwithstanding anything to the contrary in Section 6 of the Agreement, if a Termination Price is specified in the Supplemental Confirmation for any Transaction, then an Additional Termination Event will occur without any notice or action by JPMorgan or Counterparty if the price of the Shares on the Exchange at any time falls below such Termination Price, with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction.
20. **Non-confidentiality.** JPMorgan and Counterparty hereby acknowledge and agree that, subject to Section 8(e), each is authorized to disclose every aspect of this Master Confirmation, any Supplemental Confirmation, any Trade Notification and the transactions contemplated hereby and thereby to any and all persons, without limitation of any kind, and there are no express or implied agreements, arrangements or understandings to the contrary.
21. **Counterparty Indemnification.** Counterparty agrees to indemnify and hold harmless JPMorgan and its officers, directors, employees, Affiliates, advisors, agents and controlling persons (each, an "Indemnified Person") from and against any and all losses, claims, damages and liabilities, joint or several (collectively, "Obligations"), to which an Indemnified Person may become subject arising out of or in connection with any breach of any covenant, representation or warranty made by Counterparty in the Agreement, this Master Confirmation, any Supplemental Confirmation or any Trade Notification, or any claim, litigation, investigation or proceeding relating thereto, regardless of whether any of such Indemnified Person is a party thereto, and to reimburse, within 30 days, upon written request, each such Indemnified Person for any reasonable legal or

other expenses incurred in connection with investigating, preparation for, providing evidence for or defending any of the foregoing; *provided, however*, that Counterparty shall not have any liability to any Indemnified Person to the extent that such Obligations (a) are finally determined by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Person (and in such case, such Indemnified Person shall promptly return to Counterparty any amounts previously expended by Counterparty hereunder) or (b) are trading losses incurred by JPMorgan as part of its purchases or sales of Shares pursuant to this Master Confirmation, any Supplemental Confirmation or any Trade Notification (unless such trading losses are related to the breach of any agreement, term or covenant herein).

22. Assignment and Transfer. Notwithstanding anything to the contrary in the Agreement, JPMorgan may assign its rights or duties hereunder to any one or more of its Affiliates without the prior written consent of Counterparty; *provided* that no such assignment may be made if such Affiliate's credit standing is materially weaker than the credit standing of JPMorgan at the time of such assignment. Notwithstanding any other provision in this Master Confirmation to the contrary requiring or allowing JPMorgan to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, JPMorgan may designate any of its Affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform JPMorgan's obligations in respect of any Transaction and any such designee may assume such obligations. JPMorgan may assign the right to receive Settlement Shares to any third party who may legally receive Settlement Shares. JPMorgan shall be discharged of its obligations to Counterparty only to the extent of any such performance. For the avoidance of doubt, JPMorgan hereby acknowledges that notwithstanding any such designation hereunder, to the extent any of JPMorgan's obligations in respect of any Transaction are not completed by its designee, JPMorgan shall be obligated to continue to perform or to cause any other of its designees to perform in respect of such obligations.

23. Amendments to the Equity Definitions.

- (a) Section 11.2(a) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative" and replacing them with the words "an"; and adding the phrase "or such Transaction" at the end of the sentence.
- (b) Section 11.2(c) of the Equity Definitions is hereby amended by (i) replacing the words "a diluting or concentrative" with "an" in the fifth line thereof, (ii) adding the phrase "or such Transaction" after the words "the relevant Shares" in the same sentence, (iii) deleting the words "dilutive or concentrative" in the sixth to last line thereof, and (iv) deleting the phrase "(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)" and replacing it with the phrase "(and, for the avoidance of doubt, adjustments may be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)."
- (c) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative" and replacing them with the word "a material"; and adding the phrase "or the relevant Transaction" at the end of the sentence.
- (d) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (i) deleting from the fourth line thereof the word "or" after the word "official" and inserting a comma therefor, and (ii) deleting the semi-colon at the end of subsection (B) thereof and inserting the following words therefor "or (C) at JPMorgan's option, the occurrence of any of the events specified in Section 5(a)(vii) (1) through (9) of the ISDA Master Agreement with respect to that Issuer."
- (e) Section 12.9(b)(iv) of the Equity Definitions is hereby amended by:
 - (i) deleting (1) subsection (A) in its entirety, (2) the phrase "or (B)" following subsection (A) and (3) the phrase "in each case" in subsection (B); and

(ii) replacing the phrase “neither the Non-Hedging Party nor the Lending Party lends Shares” with the phrase “such Lending Party does not lend Shares” in the penultimate sentence.

(f) Section 12.9(b)(v) of the Equity Definitions is hereby amended by:

(i) adding the word “or” immediately before subsection “(B)” and deleting the comma at the end of subsection (A); and

(ii) (1) deleting subsection (C) in its entirety, (2) deleting the word “or” immediately preceding subsection (C), (3) deleting the penultimate sentence in its entirety and replacing it with the sentence “The Hedging Party will determine the Cancellation Amount payable by one party to the other” and (4) deleting clause (X) in the final sentence.

24. **Extraordinary Dividend.** The declaration by Counterparty of any Extraordinary Dividend that has an ex-dividend date during the period commencing on the Trade Date for any Transaction and ending of the last day of the Relevant Period or, if applicable, the later of the last day of the Settlement Valuation Period and the last day of the Seller Termination Purchase Period, for such Transaction, shall constitute an Additional Termination Event in respect of such Transaction, with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction.
25. **Status of Claims in Bankruptcy.** JPMorgan acknowledges and agrees that none of this Master Confirmation, any Supplemental Confirmation or any Trade Notification is intended to convey to JPMorgan rights against Counterparty with respect to any Transaction that are senior to the claims of common stockholders of Counterparty in any United States bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit JPMorgan’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to any Transaction; *provided further* that nothing herein shall limit or shall be deemed to limit JPMorgan’s rights in respect of any transactions other than any Transaction.
26. **Wall Street Transparency and Accountability Act.** In connection with Section 739 of the Wall Street Transparency and Accountability Act of 2010 (“WSTAA”), the parties hereby agree that neither the enactment of WSTAA or any regulation under the WSTAA, nor any requirement under WSTAA or an amendment made by WSTAA, nor any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the date of this Master Confirmation, shall limit or otherwise impair either party’s otherwise applicable rights to terminate, renegotiate, modify, amend or supplement any Trade Notification, any Supplemental Confirmation, this Master Confirmation or the Agreement, as applicable, arising from a termination event, force majeure, illegality, increased costs, regulatory change or similar event under any Trade Notification, any Supplemental Confirmation, this Master Confirmation, the Equity Definitions incorporated herein, or the Agreement (including, without limitation, rights arising from Change in Law, Loss of Stock Borrow, Increased Cost of Stock Borrow, Hedging Disruption, Increased Cost of Hedging, or illegality).
27. **Role of Agent.** Each party agrees and acknowledges that (a) JPMS, an Affiliate of JPMorgan, has acted solely as agent and not as principal with respect to this Master Confirmation and each Transaction and (b) JPMS has no obligation or liability, by way of guaranty, endorsement or otherwise, in any manner in respect of any Transaction (including, if applicable, in respect of the settlement thereof). Each party agrees it will look solely to the other party (or any guarantor in respect thereof) for performance of such other party’s obligations under any Transaction. JPMS is authorized to act as agent for JPMorgan.
28. **Waiver of Jury Trial.** EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE AGREEMENT, THIS MASTER CONFIRMATION, EACH SUPPLEMENTAL CONFIRMATION, EACH TRADE NOTIFICATION, THE TRANSACTIONS HEREUNDER AND ALL MATTERS ARISING IN CONNECTION WITH THE AGREEMENT, THIS MASTER CONFIRMATION, ANY SUPPLEMENTAL CONFIRMATION AND ANY TRADE NOTIFICATION AND THE TRANSACTIONS HEREUNDER. EACH PARTY (I) CERTIFIES THAT NO

REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTIONS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.

29. **Counterparts.** This Master Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Master Confirmation by signing and delivering one or more counterparts.
30. **Delivery or Receipt of Cash.** For the avoidance of doubt, other than payment of the Prepayment Amount by Counterparty, nothing in this Master Confirmation shall be interpreted as requiring Counterparty to cash settle any Transaction, except in circumstances where cash settlement is within Counterparty's control (including, without limitation, where the Counterparty fails timely to elect to deliver Shares in accordance with the Counterparty Settlement Provisions or deliver or receive Alternative Delivery Units in accordance with Section 15) or in those circumstances in which holders of Shares would also receive cash.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Master Confirmation and returning it to us.

Very truly yours,

**J.P. MORGAN SECURITIES LLC, as agent for JPMorgan Chase Bank,
National Association**

By: /s/ Sudheer Tegulapalle

Authorized Signatory

Name: /s/ Sudheer Tegulapalle, Executive Director

Accepted and confirmed
as of the date first set
forth above:

CARTER'S, INC.

By: /s/ Michael D. Casey

Authorized Signatory

Name:

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London, E14 5JP
Authorised and regulated by the Financial Services Authority

FORM OF SUPPLEMENTAL CONFIRMATION

JPMorgan Chase Bank, National Association
P.O. Box 161
60 Victoria Embankment
London EC4Y 0JP
England

[____], 20[__]

To: Carter's, Inc.
The Proscenium
1170 Peachtree Street NE, Suite 900
Atlanta, Georgia 30309

Re: Supplemental Confirmation—Collared Accelerated Share Repurchase

The purpose of this Supplemental Confirmation is to confirm the terms and conditions of the Transaction entered into between J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch (“**JPMorgan**”), and Carter's, Inc., a Delaware corporation (“**Counterparty**”) on the Trade Date specified below. This Supplemental Confirmation is a binding contract between JPMorgan and Counterparty as of the relevant Trade Date for the Transaction referenced below.

1. This Supplemental Confirmation supplements, forms part of, and is subject to the Master Confirmation, dated as of August 29, 2013 (the “**Master Confirmation**”), between JPMorgan and Counterparty, as amended and supplemented from time to time. All provisions contained in the Master Confirmation govern this Supplemental Confirmation except as expressly modified below.

2. The terms of the Transaction to which this Supplemental Confirmation relates are as follows:

Trade Date: [____], 20[__]

Forward Price Adjustment Amount: USD [__]

Calculation Period Start Date: The first Exchange Business Day immediately following the Trade Date.

Scheduled Termination Date: The [__]th Scheduled Trading Day immediately following the Trade Date.

First Acceleration Date: The [__]th Scheduled Trading Day immediately following the Trade Date.

Prepayment Amount: USD [__]

Prepayment Date: [____], 20[__]

Initial Shares: [__] Shares; *provided that* if, in connection with the Transaction, JPMorgan is unable to borrow or otherwise acquire a number of Shares equal to the Initial Shares for delivery to Counterparty on the Initial Share Delivery Date, (x) the Initial Shares delivered on the Initial Share Delivery Date shall be reduced to such number of Shares that JPMorgan is able to so borrow or otherwise acquire, (y) the Prepayment Amount payable by Counterparty on the Prepayment Date shall be reduced to an amount in USD equal to the Prepayment Amount set forth above, multiplied by a

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London, E14 5JP
Authorised and regulated by the Financial Services Authority

fraction, the numerator of which is the Initial Shares as reduced pursuant to clause (x) above, and the denominator of which is the Initial Shares as set forth above and (z) the Calculation Agent shall make such adjustment to terms of the Transaction as it determines appropriate to account for such reduction in the Initial Shares and the Prepayment Amount. All Shares delivered to Counterparty in respect of the Transaction pursuant to this paragraph shall be the "Initial Shares" for purposes of "Number of Shares to be Delivered" in the Master Confirmation, and the Prepayment Amount as reduced pursuant to this paragraph shall be the "Prepayment Amount" for purposes of the Transaction.

Initial Share Delivery Date: [____], 20[__]

Minimum Shares: As set forth in the Trade Notification for the Transaction, to be a number of Shares (rounded down to the nearest whole number) equal to (a) the Prepayment Amount, *divided by* (b) the Minimum Share Threshold.

Minimum Share Threshold: [__]% of the Hedge Period Reference Price.

Maximum Shares: As set forth in the Trade Notification for the Transaction, to be a number of Shares (rounded down to the nearest whole number) equal to (a) the Prepayment Amount, *divided by* (b) the Maximum Share Threshold.

Maximum Share Threshold: [__]% of the Hedge Period Reference Price.

Hedging Threshold Price: The price per share equal to the quotient of (A) the Prepayment Amount *divided by* (B) the product of the percentage contained in the definition of the Minimum Share Threshold and the Initial Shares.

Ordinary Dividend Amount: For any Dividend before the Termination Date, USD [__] per Share

For any Dividend after the Termination Date, USD 0.00 per Share

Scheduled Ex-Dividend Dates: [____]

Maximum Stock Loan Rate: [__] basis points per annum

Initial Stock Loan Rate: [__] basis points per annum

Maximum Number of Shares: [__]Shares

Contract Fee: USD [__]

Termination Price: USD [__] per Share

Additional Relevant Days: The [__] Exchange Business Days immediately following the Calculation Period.

Reserved Shares: Notwithstanding anything to the contrary in the Master Confirmation, as of the date of this Supplemental Confirmation, the Reserved Shares shall be equal to [] Shares.

- 3. Section 19(a) of the Master Confirmation and the third sentence of paragraph III of Annex B to the Master Confirmation shall not apply to the Transaction to which this Supplemental Confirmation relates.
- 4. Counterparty represents and warrants to JPMorgan that neither it nor any "affiliated purchaser" (as defined in Rule 10b-18 under the Exchange Act) has made any purchases of blocks pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act during either (i) the four full calendar weeks immediately preceding the Trade Date or (ii) during the calendar week in which the Trade Date occurs, except as set forth in any notice delivered pursuant to Section 6(b)(xv) of the Master Confirmation.
- 5. This Supplemental Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Supplemental Confirmation by signing and delivering one or more counterparts.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Supplemental Confirmation and returning it to us.

Very truly yours,

**J.P. MORGAN SECURITIES LLC, as agent for JPMorgan Chase Bank,
National Association**

By: _____
Authorized Signatory
Name:

Accepted and confirmed
as of the Trade Date:

CARTER'S, INC.

By: _____
Authorized Signatory
Name:

SCHEDULE B

FORM OF TRADE NOTIFICATION

JPMorgan Chase Bank, National Association
P.O. Box 161
60 Victoria Embankment
London EC4Y 0JP
England

[], 20[]

To: Carter's, Inc.
The Proscenium
1170 Peachtree Street NE, Suite 900
Atlanta, Georgia 30309

Re: Trade Notification—Collared Accelerated Share Repurchase

The purpose of this Trade Notification is to notify you of certain terms in the Transaction entered into between J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch ("JPMorgan"), and Carter's, Inc., a Delaware corporation ("Counterparty") on the Trade Date specified below.

This Trade Notification supplements, forms part of, and is subject to the Supplemental Confirmation dated as of [], 20[] (the "Supplemental Confirmation") between JPMorgan and Counterparty, as amended and supplemented from time to time. The Supplemental Confirmation is subject to the Master Confirmation dated as of August 29, 2013 (the "Master Confirmation") between JPMorgan and Counterparty, as amended and supplemented from time to time.

Hedge Completion Date: [], 20[]

Hedge Period Reference Price: USD []

Minimum Shares: [] Shares

Maximum Shares: [] Shares

Very truly yours,

**J.P. MORGAN SECURITIES LLC, as agent for JPMorgan Chase Bank,
National Association**

By: _____
Authorized Signatory
Name:

SCHEDULE C

FORM OF CERTIFICATE OF RULE 10B-18 PURCHASES

[Letterhead of Counterparty]

JPMorgan Chase Bank, National Association
c/o J.P. Morgan Securities LLC
383 Madison Avenue
5th Floor
New York, New York 10172

Re: Collared Accelerated Share Repurchase

Ladies and Gentlemen:

In connection with our entry into the Master Confirmation, dated as of August 29, 2013, between J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch, and Carter's, Inc., a Delaware corporation, as amended and supplemented from time to time (the "Master Confirmation"), we hereby represent that set forth below is the total number of shares of our common stock purchased by or for us or any of our

affiliated purchasers in Rule 10b-18 purchases of blocks (all as defined in Rule 10b-18 under the Securities Exchange Act of 1934) pursuant to the once-a-week block exception set forth in Rule 10b-18(b)(4) during the four full calendar weeks immediately preceding the first day of the [Hedge Period][Settlement Valuation Period][Seller Termination Purchase Period] (as defined in the Master Confirmation) and the week during which the first day of such [Hedge Period][Settlement Valuation Period][Seller Termination Purchase Period] occurs.

Number of Shares: _____

We understand that you will use this information in calculating trading volume for purposes of Rule 10b-18.

Very truly yours,

CARTER'S, INC.

By: _____
Authorized Signatory
Name:

ANNEX A

COUNTERPARTY SETTLEMENT PROVISIONS

1. The following Counterparty Settlement Provisions shall apply to any Transaction to the extent indicated under the Master Confirmation:

Settlement Currency:	USD
Settlement Method Election:	Applicable; <i>provided</i> that (i) Section 7.1 of the Equity Definitions is hereby amended by deleting the word "Physical" in the sixth line thereof and replacing it with the words "Net Share" and (ii) the Electing Party may make a settlement method election only if the Electing Party represents and warrants to JPMorgan in writing on the date it notifies JPMorgan of its election that, as of such date, the Electing Party is not aware of any material non-public information regarding Counterparty or the Shares and is electing the settlement method in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws.
Electing Party:	Counterparty
Settlement Method Election Date:	The Exchange Business Day immediately following the date on which Counterparty receives notice of the scheduled last day of the Settlement Valuation Period.
Default Settlement Method:	Cash Settlement
Forward Cash Settlement Amount:	An amount equal to (a) the Number of Shares to be Delivered, <i>multiplied by</i> (b) the Settlement Price.
Settlement Price:	An amount equal to the sum of the average of the VWAP Prices for the Exchange Business Days in the Settlement Valuation Period, <i>plus</i> USD 0.05, subject to Valuation Disruption as specified in the Master Confirmation (in each case, <i>plus</i> interest on such amount during the Settlement Valuation Period at the rate of interest for Counterparty's long term, unsecured and unsubordinated indebtedness, as determined by the Calculation Agent).
Settlement Valuation Period:	The period selected by JPMorgan in good faith and in its commercially reasonable discretion based on the number of Scheduled Trading Days that JPMorgan reasonably estimates may be required to unwind commercially reasonable Hedge Positions in respect of such Transaction, as applicable, taking into account market conditions at the time (including, but not limited to, liquidity) beginning on the Exchange Business Day immediately following the Termination Date. JPMorgan shall provide notice to Counterparty of the Settlement Valuation Period on or prior to the second Exchange Business Day immediately prior to the last Exchange Business Day thereof.
Cash Settlement:	If Cash Settlement is applicable, then Buyer shall pay to JPMorgan the absolute value of the Forward Cash Settlement Amount on the Cash Settlement Payment Date.
Cash Settlement Payment Date:	The Exchange Business Day immediately following the last day of the Settlement Valuation Period.
Net Share Settlement Procedures:	If Net Share Settlement is applicable, Net Share Settlement shall be made in accordance with paragraphs 2 through 7 below.

2. Net Share Settlement shall be made by delivery on the Cash Settlement Payment Date of a number of Shares satisfying the conditions set forth in paragraph 3 below (the "**Registered Settlement Shares**"), or a number of Shares not satisfying such conditions (the "**Unregistered Settlement Shares**"), in either case with a value equal to 101% (in the case of Registered Settlement Shares) or 105% (in the case of Unregistered Settlement Shares) of the absolute value of the Forward Cash Settlement Amount, with such Shares' value based on the value thereof to JPMorgan (which value shall, in the case of Unregistered Settlement Shares, take into account a commercially reasonable illiquidity discount), in each case as determined by the Calculation Agent in good faith and in a commercially reasonable manner. If all of the conditions for delivery of either Registered Settlement Shares or Unregistered Settlement Shares have not been satisfied, Cash Settlement shall be applicable in accordance with paragraph 1 above notwithstanding Counterparty's election of Net Share Settlement.

3. Counterparty may only deliver Registered Settlement Shares pursuant to paragraph 2 above if:

(a) a registration statement covering public resale of the Registered Settlement Shares by JPMorgan (the "**Registration Statement**") shall have been filed with the Securities and Exchange Commission under the Securities Act and been declared or otherwise become effective on or prior to the date of delivery, and no stop order shall be in effect with respect to the Registration Statement; a printed prospectus relating to the Registered Settlement Shares (including, without limitation, any prospectus supplement thereto, the "**Prospectus**") shall have been delivered to JPMorgan, in such quantities as JPMorgan shall reasonably have requested, on or prior to the date of delivery;

(b) the form and content of the Registration Statement and the Prospectus (including, without limitation, any sections describing the plan of distribution) shall be satisfactory to JPMorgan;

(c) as of or prior to the date of delivery, JPMorgan and its agents shall have been afforded a reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities and the results of such investigation are satisfactory to JPMorgan, in its discretion; and

(d) as of the date of delivery, an agreement (the "**Underwriting Agreement**") shall have been entered into with JPMorgan in connection with the public resale of the Registered Settlement Shares by JPMorgan substantially similar to underwriting agreements customary for underwritten offerings of equity securities, in form and substance satisfactory to JPMorgan, which Underwriting Agreement shall include, without limitation, provisions substantially similar to those contained in such underwriting agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, JPMorgan and its Affiliates and the provision of customary opinions, accountants' comfort letters and lawyers' negative assurance letters.

4. If Counterparty delivers Unregistered Settlement Shares pursuant to paragraph 2 above:

(a) all Unregistered Settlement Shares shall be delivered to JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof;

(b) as of or prior to the date of delivery, JPMorgan and any potential purchaser of any such shares from JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) identified by JPMorgan shall be afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for private placements of equity securities (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them);

(c) as of the date of delivery, Counterparty shall enter into an agreement (a "**Private Placement Agreement**") with JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) in connection with the private placement of such shares by Counterparty to JPMorgan (or any such Affiliate) and the private resale of such shares by JPMorgan (or any such Affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities, in form and substance commercially reasonably satisfactory to JPMorgan, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, JPMorgan and its Affiliates and the provision of customary opinions, accountants' comfort letters and lawyers' negative assurance letters, and shall provide for the payment by Counterparty of all fees and expenses of JPMorgan (and any such Affiliate) in connection with such resale, including, without limitation, all fees and expenses of counsel for JPMorgan, and shall contain representations, warranties, covenants and agreements of Counterparty reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales; and

(d) in connection with the private placement of such shares by Counterparty to JPMorgan (or any such Affiliate) and the private resale of such shares by JPMorgan (or any such Affiliate), Counterparty shall, if so requested by JPMorgan, prepare, in cooperation with JPMorgan, a private placement memorandum in form and substance reasonably satisfactory to JPMorgan.

5. JPMorgan, itself or through an Affiliate (the "**Selling Agent**") or any underwriter(s), will sell all, or such lesser portion as may be required hereunder, of the Registered Settlement Shares or Unregistered Settlement Shares and any Makewhole Shares (as defined below) (together, the "**Settlement Shares**") delivered by Counterparty to JPMorgan pursuant to paragraph 6 below commencing on the Cash Settlement Payment Date and continuing until the date on which the aggregate Net Proceeds (as such term is defined below) of such sales, as determined by JPMorgan, is equal to the absolute value of the Forward Cash Settlement Amount (such date, the "**Final Resale Date**"). If the proceeds of any sale(s) made by JPMorgan, the Selling Agent or any underwriter(s), net of any fees and commissions (including, without limitation, underwriting or placement fees) customary for similar transactions under the circumstances at the time of the offering, together with carrying charges and expenses incurred in connection with the offer and sale of the Shares (including, without limitation, the covering of any over-allotment or short position (syndicate or otherwise)) (the "**Net Proceeds**") exceed the absolute value of the Forward Cash Settlement Amount, JPMorgan will refund, in USD, such excess to Counterparty on the date that is three (3) Currency Business Days following the Final Resale Date, and, if any portion of the Settlement Shares remains unsold, JPMorgan shall return to Counterparty on that date such unsold Shares.

6. If the Calculation Agent determines that the Net Proceeds received from the sale of the Registered Settlement Shares or Unregistered Settlement Shares or any Makewhole Shares, if any, pursuant to this paragraph 6 are less than the absolute value of the Forward Cash Settlement Amount (the amount in USD by which the Net Proceeds are less than the absolute value of the Forward Cash Settlement Amount being the "**Shortfall**") and the date on which such determination is made, the "**Deficiency Determination Date**"). Counterparty shall on the Exchange Business Day next succeeding the Deficiency Determination Date (the "**Makewhole Notice Date**") deliver to JPMorgan, through the Selling Agent, a notice of Counterparty's election that Counterparty shall either (i) pay an amount in cash equal to the Shortfall on the day that is one Currency Business Day after the Makewhole Notice Date, or (ii) deliver additional Shares. If Counterparty elects to deliver to JPMorgan additional Shares, then Counterparty shall deliver additional Shares in compliance with the terms and conditions of paragraph 3 or paragraph 4 above, as the case may be (the "**Makewhole Shares**"), on the first Clearance System Business Day which is also an Exchange Business Day following the Makewhole Notice Date in such number as the Calculation Agent reasonably believes would have a market value on that Exchange Business Day equal to the Shortfall. Such Makewhole Shares shall be sold by JPMorgan in accordance with the provisions above; *provided* that if the sum of the Net Proceeds from the sale of the originally delivered Shares and the Net Proceeds from the sale of any Makewhole Shares is less than the absolute value of the Forward Cash Settlement Amount then Counterparty shall, at its election, either make such cash payment or deliver to JPMorgan further Makewhole Shares until such Shortfall has been reduced to zero.

7. Notwithstanding the foregoing, in no event shall the aggregate number of Settlement Shares for any Transaction be greater than the Reserved Shares *minus* the amount of any Shares actually delivered by Counterparty under any other Transaction under this Master Confirmation (the result of such calculation, the "**Capped Number**"). Counterparty represents and warrants (which shall be deemed to be repeated on each day that a Transaction is outstanding) that the Capped Number is equal to or less than the number of Shares determined according to the following formula:

Where A = the number of authorized but unissued shares of Counterparty that are not reserved for future issuance on the date of the determination of the Capped Number; and

B = the maximum number of Shares required to be delivered to third parties if Counterparty elected Net Share Settlement of all transactions in the Shares (other than Transactions in the Shares under this Master Confirmation) with all third parties that are then currently outstanding and unexercised.

“**Reserved Shares**” means initially, 4,225,000 Shares. The Reserved Shares may be increased or decreased in a Supplemental Confirmation.

If at any time, as a result of this paragraph 7, Counterparty fails to deliver to JPMorgan any Settlement Shares, Counterparty shall, to the extent that Counterparty has at such time authorized but unissued Shares not reserved for other purposes, promptly notify JPMorgan thereof and deliver to JPMorgan a number of Shares not previously delivered as a result of this paragraph 7. Counterparty agrees to use its commercially reasonable efforts to cause the number of authorized but unissued Shares to be increased, if necessary, to an amount sufficient to permit Counterparty to fulfill its obligation to deliver any Settlement Shares.

ANNEX B

COMMUNICATIONS PROCEDURES

August 29, 2013

I. Introduction

Carter’s, Inc. (“**Counterparty**”) and J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch (“**JPMorgan**”), have adopted these communications procedures (the “**Communications Procedures**”) in connection with entering into the Master Confirmation (the “**Master Confirmation**”), dated as of August 29, 2013, between JPMorgan and Counterparty relating to Collared Accelerated Share Repurchase transactions. These Communications Procedures supplement, form part of, and are subject to the Master Confirmation.

II. Communications Rules

For each Transaction, from the Trade Date for such Transaction until the date all payments or deliveries of Shares have been made with respect to such Transaction, Counterparty and its Employees and Designees shall not engage in any Program-Related Communication with, or disclose any Material Non-Public Information to, any EDG Trading Personnel. Except as set forth in the preceding sentence, the Master Confirmation shall not limit Counterparty and its Employees and Designees in their communication with Affiliates and Employees of JPMorgan, including, without limitation, Employees who are EDG Permitted Contacts.

III. Termination

If, in the sole judgment of any EDG Trading Personnel or any Affiliate or Employee of JPMorgan participating in any Communication with Counterparty or any Employee or Designee of Counterparty, such Communication would not be permitted by these Communications Procedures, such EDG Trading Personnel or Affiliate or Employee of JPMorgan shall immediately terminate such Communication. In such case, or if such EDG Trading Personnel or Affiliate or Employee of JPMorgan determines following completion of any Communication with Counterparty or any Employee or Designee of Counterparty that such Communication was not permitted by these Communications Procedures, such EDG Trading Personnel or such Affiliate or Employee of JPMorgan shall promptly consult with his or her supervisors and with counsel for JPMorgan regarding such Communication. If, in the reasonable judgment of JPMorgan’s counsel following such consultation, there is more than an insignificant risk that such Communication could materially jeopardize the availability of the affirmative defenses provided in Rule 10b5-1 under the Exchange Act with respect to any ongoing or contemplated activities of JPMorgan or its Affiliates in respect of any Transaction pursuant to the Master Confirmation, it shall be an Additional Termination Event pursuant to Section 19(a) of the Master Confirmation, with Counterparty as the sole Affected Party and all Transactions under the Master Confirmation as Affected Transactions.

IV. Definitions

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Master Confirmation. As used herein, the following words and phrases shall have the following meanings:

“**Communication**” means any contact or communication (whether written, electronic, oral or otherwise) between Counterparty or any of its Employees or Designees, on the one hand, and JPMorgan or any of its Affiliates or Employees, on the other hand.

“**Designee**” means a person designated, in writing or orally, by Counterparty to communicate with JPMorgan on behalf of Counterparty.

“**EDG Permitted Contact**” means any of Mr. David Aidelson, Mr. Gregory Batista, Mr. Elliot Chalom, Mr. Steven Seltzer, Mr. James F. Smith and Mr. Sudheer Tegulapalle or any of their designees; *provided* that JPMorgan may amend the list of EDG Permitted Contacts by delivering a revised list of EDG Permitted Contacts to Counterparty.

“**EDG Trading Personnel**” means Mr. Graham Orton, Mr. Michael Tatro and any other Employee of the public side of the Equity Derivatives Group or the Special Equities Group of J.P. Morgan Chase & Co.; *provided* that JPMorgan may amend the list of EDG Trading Personnel by delivering a revised list of EDG Trading Personnel to Counterparty; and *provided further* that, for the avoidance of doubt, the persons listed as EDG Permitted Contacts are not EDG Trading Personnel.

“**Employee**” means, with respect to any entity, any owner, principal, officer, director, employee or other agent or representative of such entity, and any Affiliate of any of such owner, principal, officer, director, employee, agent or representative.

“**Material Non-Public Information**” means information relating to Counterparty or the Shares that (a) has not been widely disseminated by wire service, in one or more newspapers of general circulation, by communication from Counterparty to its shareholders or in a press release, or contained in a public filing made by Counterparty with the Securities and Exchange Commission and (b) a reasonable investor might consider to be of importance in making an investment decision to buy, sell or hold Shares. For the avoidance of doubt and solely by way of illustration, information should be presumed “material” if it relates to such matters as dividend increases or decreases, earnings estimates, changes in previously released earnings estimates, significant expansion or curtailment of operations, a significant increase or decline of orders, significant merger or acquisition proposals or agreements, significant new products or discoveries, extraordinary borrowing, major litigation, liquidity problems, extraordinary management developments, purchase or sale of substantial assets and similar matters.

“**Program-Related Communication**” means any Communication the subject matter of which relates to the Master Confirmation or any Transaction under the Master Confirmation or any activities of JPMorgan (or any of its Affiliates) in respect of the Master Confirmation or any Transaction under the Master Confirmation.

AMENDMENT NO. 1, dated as of August 7, 2013 (this "Amendment No. 1") among THE WILLIAM CARTER COMPANY, a Massachusetts corporation (the "U.S. Borrower"), THE GENUINE CANADIAN CORP., an Ontario corporation (as successor by amalgamation to Northstar Canadian Operations Corp.) (the "Canadian Borrower" and, together with the U.S. Borrower, the "Borrowers"), CARTER'S, INC., a Delaware corporation, OSHKOSH B'GOSH, INC., a Delaware corporation, CARTER'S RETAIL, INC., a Delaware corporation, CARTER'S GIFTCARD COMPANY, INC., a Florida corporation, TWCC PRODUCT DEVELOPMENT AND SALES, INC., a Delaware corporation, each Lender party hereto and BANK OF AMERICA, N.A., as Administrative Agent, relating to (i) the Second Amended and Restated Credit Agreement dated as of August 31, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time) (the "Credit Agreement") among the U.S. Borrower, the Canadian Borrower, the Administrative Agent and the Lenders named therein and (ii) the Guarantee Agreement (the "Guarantee"), dated as of October 15, 2010, among the U.S. Borrower, the other Guarantors party thereto and the Collateral Agent. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

WHEREAS, the Borrowers desire to amend the Credit Agreement, and the Borrowers and the Guarantors desire to amend the Guarantee on the terms set forth herein;

WHEREAS, Section 10.01 of the Credit Agreement permits certain amendments of the Loan Documents with the consent of the Administrative Agent, the U.S. Borrower, any other applicable Loan Parties and the Required Lenders;

WHEREAS, the Loan Parties and the Required Lenders desire to make the amendments set forth below pursuant to an amendment authorized by Section 10.01 of the Credit Agreement;

NOW, THEREFORE, in consideration of the premises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. Amendments.

(a) The following defined terms shall be added to Section 1.01 of the Credit Agreement in alphabetical order:

"CDOR Rate" means, the rate per annum, equal to the average of the annual yield rates applicable to Canadian Dollar banker's acceptances at or about 10:00 a.m. (Toronto, Ontario time) on the Rate Determination Date of such Interest Period (or if such day is not a Business Day, then on the immediately preceding business Day) as reported on the "CDOR page" (or any display substituted therefor) of Reuters Monitor Money Rates Service (or such other page or commercially available source displaying Canadian interbank bid rates for Canadian Dollar bankers' acceptances as may be designated by the Administrative Agent from time to time) for a term equivalent to

such Interest Period (or if such Interest Period is not equal to a number of months, for a term equivalent to the number of months closest to such Interest Period).

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

“Excluded Swap Obligation” means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act (determined after giving effect to Section 10.20 and any other “keepwell, support or other agreement” for the benefit of such Guarantor and any and all guarantees of such Guarantor’s Swap Obligations by other Loan Parties) at the time the Guarantee of such Guarantor, or a grant by such Guarantor of a security interest, becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guarantee or security interest is or becomes excluded in accordance with the first sentence of this definition.

“Guarantor” means each of (a) Holdings, (b) the U.S. Borrower (other than with respect to its direct Obligations as a primary obligor (as opposed to a guarantor) under (i) the Loan Documents, (ii) each Swap Contract permitted to be incurred pursuant to Section 7.03(n) entered into with any counterparty that is a Secured Party and (iii) all obligations in respect of any Treasury Management Agreement between any Loan Party and any Person that is a Secured Party) and (c) each Subsidiary Guarantor; *provided* that if any such Guarantor is released from its obligations hereunder as provided in Section 9.10, such Person shall cease to be a Guarantor hereunder effective upon such release.

“Qualified ECP Guarantor” shall mean, at any time, in respect of any Swap Obligation, each Guarantor that at the time the relevant guarantee or grant of the relevant security interest becomes effective with respect to such Swap Obligation has total assets exceeding \$10,000,000 or such other amount specified under applicable law (including, without limitation, the Commodity Exchange Act) or that qualifies at such time as an “eligible contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an “eligible contract participant” at such time by entering into a keepwell under §1a(18)(A)(v)(II) of the Commodity Exchange Act

“Rate Determination Date” means two (2) Business Days prior to the commencement of such Interest Period (or such other day as is generally treated as the rate fixing day by market practice in such interbank market, as determined by the Administrative Agent in its reasonable discretion.

“Swap Obligations” means with respect to any Guarantor any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

(b) The definition of “Eurodollar Base Rate” in Section 1.01 of the Credit Agreement is hereby amended by deleting such clause in its entirety and replacing it with the following:

“Eurodollar Base Rate” means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to (i)(A) the British Bankers Association LIBOR Rate or a successor thereto as approved by the Administrative Agent (“LIBOR”), as published by Reuters (or such other commercially available source providing quotations of LIBOR as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period, for deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period in the relevant currency, or (B) if such rate described in clause (i)(A) is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits for delivery on the first day of such Interest Period in the relevant currency in Same Day Funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by Bank of America’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two London Banking Days prior to the commencement of such Interest Period, or (ii) in the case of a Eurodollar Rate Loan denominated in Canadian Dollars, (A) the CDOR Rate, or (B) if such rate described in clause (ii)(A) is not available at such time for any reason, a comparable or successor rate which rate is approved by the Administrative Agent, as published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at or about 10:00 a.m. (Toronto, Ontario time) on the Rate Determination Date with a term equivalent to such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan or a Canadian U.S. Base Rate Loan on any date, the rate per annum equal to (i) LIBOR, at approximately 11:00 a.m., as published by Reuters (or such other commercially available source providing quotations of LIBOR as may be designated by the Administrative Agent, in the case of a Base Rate Loan, or the Canadian Agent, in the case of a Canadian U.S. Base Rate Loan, from time to time) at approximately 11:00

a.m., London time, two London Banking Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day or (ii) if such published rate is not available at such time for any reason, the rate per annum determined by the Administrative Agent, in the case of Base Rate Loans, or the Canadian Agent, in the case of Canadian U.S. Base Rate Loans, to be the rate at which deposits in Dollars for delivery on the date of determination in Same Day Funds in the approximate amount of the Base Rate Loan or Canadian U.S. Base Rate Loan being made or maintained and with a term equal to one month would be offered by Bank of America's London Branch to major banks in the London interbank Eurodollar market at their request at the date and time of determination.

(c) The definition of "Secured Obligations" in Section 1.01 of the Credit Agreement is hereby amended by adding the following at the end of clause (b):

“; provided that the Secured Obligations shall exclude any Excluded Swap Obligations”

(d) Sections 6.01(a) and 6.01(b) of the Credit Agreement are hereby amended by deleting “and the Equity Interests of the U.S. Borrower” appearing in each of Sections 6.01(a) and 6.01(b) of the Credit Agreement and replacing it with “, the Equity Interests of the U.S. Borrower and guarantees of other Indebtedness permitted to be incurred under Section 7.03(r) or (s) to the extent such Indebtedness appears on the consolidated balance sheet of Holdings and its Subsidiaries”.

(e) Section 8.03 of the Credit Agreement is hereby amended by adding the following at the end of the second paragraph:

“Excluded Swap Obligations with respect to any Guarantor shall not be paid with amounts received from such Guarantor or its assets, but appropriate adjustments shall be made with respect to payments from other Loan Parties to preserve the allocation to Secured Obligations otherwise set forth above in this Section.”

(f) Section 1 of the Guarantee is hereby amended by adding the following after “impair each Guarantor’s liability hereunder” in the final sentence of the paragraph:

“; provided that the Secured Obligations shall exclude any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute (the “Commodity Exchange Act”) (the “Swap Obligations”) if, and to the extent that, all or a portion of this Guarantee, or the grant by the Guarantor of a security interest to secure, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of

the Guarantor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act (determined after giving effect to any and all guarantees of the Guarantor's Swap Obligations by the Borrower and any other Guarantor) at the time this Guarantee, or a grant by the Guarantor of a security interest becomes effective with respect to such Swap Obligation; *provided* that if a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which this Guarantee or security interest becomes illegal (such excluded Swap Obligations, the "Excluded Swap Obligations").

(g) The following Section 2 is hereby added to the Guarantee and the subsequent paragraphs are renumbered accordingly:

"2. **Keepwell.** Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally, and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under the Guarantee in respect of any Swap Obligation (*provided*, however, that each Qualified ECP Guarantor shall only be liable under this Section 2 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 2, or otherwise under the Guarantee, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section 2 shall remain in full force and effect until the payment in full and discharge of the Secured Obligations. Each Qualified ECP Guarantor intends that this Section 2 constitute, and this Section 2 shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each other Guarantor for all purposes of section 1a(18)(A)(v)(II) of the Commodity Exchange Act."

Section 2. Representations and Warranties. The Loan Parties represent and warrant to the Lenders as of the date hereof and the Amendment No. 1 Effective Date (as defined below)

that:

(a) The execution, delivery and performance of this Amendment No. 1 have been duly authorized by all necessary corporate action by the Loan Parties, and do not and will not (i) contravene the terms of the Loan Parties' Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien (other than as permitted by Section 7.01 of the Credit Agreement) under, or require any payment to be made under (i) any Contractual Obligation to which any Loan Party is a party or affecting the Loan Parties or the properties of the Loan Parties or any of their subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law, except with respect to any conflict, breach or contravention referred to in clause (b)(i), to the extent that such conflict, breach or contravention could not reasonably be expected to have a Material Adverse Effect.

(b) At the time of and after giving effect to this Amendment No. 1, the representations and warranties set forth in the Credit Agreement are true and correct in all

material respects on and as of the Amendment No. 1 Effective Date, except (i) to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date, (ii) to the extent that such representations and warranties are qualified as to materiality, in which case they shall be true and correct in all respects, and (iii) that for purposes of this Section 2(b), the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Credit Agreement shall be deemed to refer to the most recent financial statements of the U.S. Borrower and its Subsidiaries furnished pursuant to Section 6.01(a) and Section 6.01(b) of the Credit Agreement, respectively.

(c) At the time of and after giving effect to this Amendment No. 1, no Default or Event of Default has occurred and is continuing.

Section 3. Conditions to Effectiveness. This Amendment No. 1 shall become effective on the date (the "Amendment No. 1 Effective Date") on which each of the following conditions is satisfied:

(a) The Administrative Agent (or its counsel) shall have received from (i) Lenders constituting the Required Lenders, and (ii) each of the other parties hereto, either (x) a counterpart of this Amendment No. 1 signed on behalf of such party or (y) written evidence satisfactory to the Administrative Agent (which may include telecopy, facsimile or electronic transmission of a signed signature page of this Amendment No. 1) that such party has signed a counterpart of this Amendment No. 1;

(b) The U.S. Borrower shall have paid or caused to be paid to the Administrative Agent all reasonable costs and expenses (including, without limitation, the reasonable fees, charges and disbursements of Cahill Gordon & Reindel LLP, counsel for the Agents) of the Administrative Agent; and

(c) All corporate and other proceedings taken or to be taken in connection with this Amendment No. 1 and all documents incidental thereto, whether or not referred to herein, shall be reasonably satisfactory in form and substance to the Administrative Agent.

Section 4. Expenses. The U.S. Borrower agrees to reimburse the Administrative Agent for its and the other Agents' reasonable out-of-pocket expenses incurred by them in connection with this Amendment No. 1, including the reasonable fees, charges and disbursements of Cahill Gordon & Reindel LLP, counsel for the Administrative Agent.

Section 5. Counterparts. This Amendment No. 1 may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of which when taken together shall constitute a single instrument. Delivery of an executed counterpart of a signature page of this Amendment No. 1 by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

Section 6. Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 7. Headings. The headings of this Amendment No. 1 are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

Section 8. Effect of Amendment. Except as expressly set forth herein, this Amendment No. 1 shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders or the Agents under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. This Amendment No. 1 shall constitute a Loan Document for purposes of the Credit Agreement on and after the effectiveness of this Amendment No. 1, and all references to the Credit Agreement in any Loan Document and all references in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement, shall, unless expressly provided otherwise, shall mean and be a reference to the Credit Agreement, as amended by this Amendment No. 1.

[Remainder of page left intentionally blank]

[Signature Page to Amendment No. 1]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed as of the date first above written.

THE WILLIAM CARTER COMPANY,

as the U.S. Borrower

By: /s/ Richard F. Westenberger

Name: Richard F. Westenberger

Title: Chief Financial Officer

THE GENUINE CANADIAN CORP.,

as the Canadian Borrower

By: /s/ Richard F. Westenberger

Name: Richard F. Westenberger

Title: Chief Financial Officer

OSHKOSH B'GOSH, INC.,

CARTER'S RETAIL, INC.,

CARTER'S GIFTCARD COMPANY, INC.,

TWCC PRODUCT DEVELOPMENT AND SALES, INC.,

each as a Subsidiary Guarantor

By: /s/ Richard F. Westenberger

Name: Richard F. Westenberger

Title: Chief Financial Officer

CARTER'S, INC.,

as a Guarantor

By: /s/ Richard F. Westenberger

Name:Richard F. Westenberger

Title: Chief Financial Officer

BANK OF AMERICA, N.A.,

as Administrative Agent and Collateral Agent

By: /s/ Jaime Eng

Name:Jaime Eng

Title: Vice President

BANK OF AMERICA, N.A.

as a Lender

By: /s/ Jaime Eng

Name:Jaime Eng

Title: Vice President

BANK OF AMERICA, N.A, Canada Branch

as a Lender

By: /s/ Medina Sales de Andrade

Name: Medina Sales de Andrade

Title: Vice President

CERTIFICATION

I, Michael D. Casey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carter's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date : October 24, 2013

/s/ MICHAEL D. CASEY

Michael D. Casey
Chief Executive Officer

CERTIFICATION

I, Richard F. Westenberger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carter's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date : October 24, 2013

/s/ RICHARD F. WESTENBERGER

Richard F. Westenberger
Chief Financial Officer

CERTIFICATION

Each of the undersigned in the capacity indicated hereby certifies that, to his knowledge, this Report on Form 10-Q for the fiscal quarter ended September 28, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of Carter's, Inc.

Date : October 24, 2013

/s/ MICHAEL D. CASEY

Michael D. Casey
Chief Executive Officer

Date : October 24, 2013

/s/ RICHARD F. WESTENBERGER

Richard F. Westenberger
Chief Financial Officer

The foregoing certifications are being furnished solely pursuant to 18 U.S.C. § 1350 and are not being filed as part of the Report on Form 10-Q or as a separate disclosure document.