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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED OCTOBER 3, 2015 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	**13-3912933**
(state or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Phipps Tower
3438 Peachtree Road NE, Suite 1800
Atlanta, Georgia 30326
(Address of principal executive offices, including zip code)
(678) 791-1000

(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	**Outstanding Shares at October 23, 2015**
Common stock, par value $0.01 per share	51,990,421

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)

	October 3, 2015	January 3, 2015	September 27, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$ 288,260	$ 340,638	$ 133,646
Accounts receivable, net	246,565	184,563	232,478
Finished goods inventories	511,520	444,844	519,416
Prepaid expenses and other current assets	37,260	34,788	31,258
Deferred income taxes	34,895	36,625	38,569
Total current assets	1,118,500	1,041,458	955,367
Property, plant, and equipment, net of accumulated depreciation of $276,230, $245,011, and $245,778	361,305	333,097	332,875
Tradenames and other intangibles, net	311,842	317,297	316,046
Goodwill	176,633	181,975	184,196
Deferred debt issuance costs, net	7,235	6,677	7,043
Other assets	12,525	12,592	11,214
Total assets	$ 1,988,040	$ 1,893,096	$ 1,806,741
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 173,594	$ 150,243	$ 117,329
Other current liabilities	105,199	97,728	100,473
Total current liabilities	278,793	247,971	217,802
Long-term debt	585,278	586,000	586,000
Deferred income taxes	119,499	121,536	113,173
Other long-term liabilities	161,527	150,905	138,185
Total liabilities	$ 1,145,097	$ 1,106,412	$ 1,055,160
Commitments and contingencies - Note 13			
Stockholders' equity:			
Preferred stock; par value $.01 per share; 100,000 shares authorized; none issued or outstanding at October 3, 2015, January 3, 2015, and September 27, 2014	—	—	—
Common stock, voting; par value $.01 per share; 150,000,000 shares authorized; 52,076,784, 52,712,193, and 52,977,519 shares issued and outstanding at October 3, 2015, January 3, 2015 and September 27, 2014, respectively	521	527	530
Additional paid-in capital	—	—	—
Accumulated other comprehensive loss	(33,480)	(23,037)	(13,627)
Retained earnings	875,902	809,194	764,678
Total stockholders' equity	842,943	786,684	751,581
Total liabilities and stockholders' equity	$ 1,988,040	$ 1,893,096	$ 1,806,741

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	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net sales	$ 849,806	$ 798,936	$ 2,147,335	$ 2,024,645
Cost of goods sold	502,267	477,730	1,252,849	1,196,237
Gross profit	347,539	321,206	894,486	828,408
Selling, general, and administrative expenses	230,017	221,939	650,496	638,349
Royalty income	(12,699)	(11,190)	(32,688)	(29,276)
Operating income	130,221	110,457	276,678	219,335
Interest expense	6,907	6,843	20,534	20,623
Interest income	(91)	(45)	(385)	(317)
Other (income) expense, net	(622)	1,311	(560)	1,718
Income before income taxes	124,027	102,348	257,089	197,311
Provision for income taxes	44,701	36,462	91,866	71,232
Net income	$ 79,326	$ 65,886	$ 165,223	$ 126,079
Basic net income per common share	$ 1.52	$ 1.24	$ 3.15	$ 2.36
Diluted net income per common share	$ 1.51	$ 1.23	$ 3.12	$ 2.34
Dividend declared and paid per common share	$ 0.22	$ 0.19	$ 0.66	$ 0.57

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	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Net income	$ 79,326	$ 65,886	$ 165,223	$ 126,079
Other comprehensive income (loss):				
Foreign currency translation adjustments	(4,205)	(3,577)	(10,443)	(3,545)
Comprehensive income	$ 75,121	$ 62,309	$ 154,780	$ 122,534

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 January 3, 2015	52,712,193	$ 527	$ —	$ (23,037)	$ 809,194	$ 786,684
Income tax benefit from stock-based compensation	—	—	7,963	—	—	7,963
Exercise of stock options	169,850	2	5,741	—	—	5,743
Withholdings from vesting of restricted stock	(146,467)	(1)	(12,574)	—	—	(12,575)
Restricted stock activity	125,300	1	(1)	—	—	—
Stock-based compensation expense	—	—	12,209	—	—	12,209
Issuance of common stock	10,933	—	1,095	—	—	1,095
Repurchase of common stock	(795,025)	(8)	(14,433)	—	(63,898)	(78,339)
Cash dividends declared and paid	—	—	—	—	(34,617)	(34,617)
Comprehensive income (loss)	—	—		(10,443)	165,223	154,780
Balance at October 3, 2015	52,076,784	$ 521	$ —	$ (33,480)	$ 875,902	$ 842,943

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	
	October 3, 2015	**September 27, 2014**
Cash flows from operating activities:		
Net income	$ 165,223	$ 126,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,187	42,831
Amortization of tradenames	5,422	14,157
Accretion of contingent consideration	809	900
Amortization of debt issuance costs	1,246	1,144
Non-cash stock-based compensation expense	13,304	13,883
Unrealized foreign currency exchange loss, net	221	—
Income tax benefit from stock-based compensation	(7,963)	(4,356)
Loss on disposal of property, plant, and equipment	80	541
Deferred income taxes	(1,801)	(8,963)
Effect of changes in operating assets and liabilities:		
Accounts receivable	(61,108)	(39,133)
Finished goods inventories	(73,724)	(104,143)
Prepaid expenses and other assets	(3,144)	2,373
Accounts payable and other liabilities	63,282	(20,386)
Net cash provided by operating activities	146,034	24,927
Cash flows from investing activities:		
Capital expenditures	(76,987)	(83,634)
Proceeds from sale of property, plant, and equipment	66	143
Net cash used in investing activities	(76,921)	(83,491)
Cash flows from financing activities:		
Payments of debt issuance costs	(1,495)	(145)
Borrowings under secured revolving credit facility	205,586	—
Payments on secured revolving credit facility	(205,237)	—
Repurchase of common stock	(78,339)	(62,769)
Payment of contingent consideration	(7,572)	(8,901)
Dividends paid	(34,617)	(30,453)
Income tax benefit from stock-based compensation	7,963	4,356
Withholdings from vesting of restricted stock	(12,575)	(4,472)
Proceeds from exercise of stock options	5,743	7,771
Net cash used in financing activities	(120,543)	(94,613)
Effect of exchange rate changes on cash	(948)	277
Net decrease in cash and cash equivalents	(52,378)	(152,900)
Cash and cash equivalents, beginning of period	340,638	286,546
Cash and cash equivalents, end of period	$ 288,260	$ 133,646

See accompanying notes to the unaudited condensed consolidated financial statements.

NOTE 1 – THE COMPANY

Carter's, Inc. and its wholly owned subsidiaries (collectively, the "Company," "its," "us" and "our") 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 the Company's own retail stores and websites that market its brand name merchandise and other licensed products manufactured by other companies. As of October 3, 2015, the Company operated 577 Carter's stores in the United States, 232 OshKosh stores in the United States, and 140 stores in Canada.

NOTE 2 – BASIS OF PREPARATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Carter's, Inc. and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC"). All intercompany transactions and balances have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary to state fairly the consolidated financial condition, results of operations, comprehensive income, statement of stockholder's equity, and cash flows of the Company for the interim periods presented. 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 October 3, 2015 are not necessarily indicative of the results that may be expected for the 2015 fiscal year ending January 2, 2016.

The preparation of these unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

The accompanying condensed consolidated balance sheet as of January 3, 2015 was 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 U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC and the instructions to Form 10-Q. The accounting policies the Company follows are set forth in the Company's Annual Report on Form 10-K for the 2014 fiscal year ended January 3, 2015. There have been no material changes to these accounting policies, except as disclosed in Note 10, *Fair Value Measurements*, to update the Company's accounting policy for foreign currency hedging activities.

The Company's fiscal year ends on the Saturday in December or January, nearest the last day of December, resulting in an additional week of results every five or six years. As a result, fiscal 2014, which ended on January 3, 2015, contained 53 weeks. Fiscal 2015, which will end on January 2, 2016, contains 52 weeks. The first, second and third quarters of fiscal 2015 and fiscal 2014 each contained 13 weeks.

Unless otherwise noted, "three quarters of fiscal 2015" refers to the first three fiscal quarters of fiscal 2015 covering the period January 4, 2015 through October 3, 2015, and "three quarters of 2014" refers to the first three fiscal quarters of fiscal 2014 covering the period December 29, 2013 through September 27, 2014.

NOTE 3 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components, net of applicable income taxes, of accumulated other comprehensive (loss) consisted of the following:

(dollars in thousands)	October 3, 2015	January 3, 2015	September 27, 2014
Cumulative foreign currency translation adjustments	$ (25,840)	$ (15,397)	$ (11,097)
Pension and post-retirement liability adjustments	(7,640)	(7,640)	(2,530)
Total accumulated other comprehensive loss	$ (33,480)	$ (23,037)	$ (13,627)

Changes in accumulated other comprehensive loss for the third quarter and three quarters of fiscal 2015 consisted of additional losses for foreign currency translation adjustments of approximately $4.2 million and $10.4 million, respectively. Changes consisted of loss for foreign currency translation adjustments of approximately $3.6 million and $3.5 million for the third quarter and three quarters of fiscal 2014, respectively. During the first, second and third quarters of both fiscal 2015 and fiscal 2014, no amounts were reclassified from accumulated other comprehensive loss to the statement of operations.

NOTE 4 – GOODWILL AND OTHER INTANGIBLE ASSETS

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

		October 3, 2015			January 3, 2015		
(dollars in thousands)	Weighted-average useful life	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	40,063	—	40,063	45,405	—	45,405
Total goodwill		$ 176,633	$ —	$ 176,633	$ 181,975	$ —	$ 181,975
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	2-20 years	42,012	35,903	6,109	42,073	30,541	11,532
Total tradenames		347,745	35,903	311,842	347,806	30,541	317,265
Non-compete agreements	4 years	208	208	—	257	225	32
Total tradenames and other intangibles, net		$ 347,953	$ 36,111	$ 311,842	$ 348,063	$ 30,766	$ 317,297

		September 27, 2014		
(dollars in thousands)	Weighted-average useful life	Gross amount	Accumulated amortization	Net amount
Carter’s goodwill	Indefinite	$ 136,570	$ —	$ 136,570
Bonnie Togs goodwill	Indefinite	47,626	—	47,626
Total goodwill		$ 184,196	$ —	$ 184,196
Carter’s tradename	Indefinite	$ 220,233	$ —	$ 220,233
OshKosh tradename	Indefinite	85,500	—	85,500
Other tradenames	2-3 years	38,548	28,286	10,262
Total tradenames		344,281	28,286	315,995
Non-compete agreements	4 years	270	219	51
Total tradenames and other intangibles, net		$ 344,551	$ 28,505	$ 316,046

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The change in the carrying value of the Bonnie Togs goodwill during fiscal 2015 was due solely to changes in foreign currency exchange rates between the Canadian and U.S. dollars that were used for translation in preparing the Company's consolidated financial statements.

The Company recorded approximately $1.0 million and $5.4 million in amortization expense for the fiscal quarter and three fiscal quarters ended October 3, 2015, respectively, and approximately $2.3 million and $14.2 million in amortization expense for the fiscal quarter and three fiscal quarters ended September 27, 2014, respectively. At October 3, 2015, the estimated future amortization expense for these assets is approximately $1.0 million for the remainder of fiscal 2015, $1.9 million for fiscal 2016, $0.2 million for each fiscal year 2017, 2018 and 2019, and $2.7 million thereafter.

NOTE 5 – COMMON STOCK

SHARE REPURCHASES

In the second quarter of fiscal 2013, the Company's Board of Directors authorized the repurchase of shares of the Company's stock in an amount up to $300 million, inclusive of amounts remaining under previous authorizations. In the third quarter of fiscal 2013, the Board approved an additional $400 million share repurchase authorization. The total remaining capacity under the repurchase authorizations as of October 3, 2015 was approximately $106.8 million, based on settled repurchase transactions. The authorizations have no expiration date.

Open Market Repurchases

The Company repurchased and retired shares in open market transactions in the following amounts for the fiscal periods indicated:

	Fiscal quarter ended		Three fiscal quarters ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Number of shares repurchased	290,800	367,948	795,025	867,099
Aggregate cost of shares repurchased - in millions $	$ 29.4	$ 26.7	$ 78.3	$ 62.8
Average price per share	$ 101.26	$ 72.54	$ 98.54	$ 72.39

Future repurchases may occur from time to time in the open market, in negotiated transactions, or otherwise. The timing and amount of any repurchases will be determined by the Company's management, based on its evaluation of market conditions, share price, other investment priorities, and other factors.

Accelerated Stock Repurchase Program

On August 29, 2013, the Company entered into two fixed-dollar accelerated stock repurchase agreements (the "ASR agreements") totaling $400 million. The ASR agreements were settled in January 2014. As of the date of settlement, the Company had received a total of approximately 5.6 million shares, of which one million shares were received in January 2014. All shares received under the ASR agreements were retired upon receipt.

DIVIDENDS

During the third quarter of fiscal 2015 and fiscal 2014, the Company paid cash dividends per share of $0.22 and $0.19, respectively. During the three quarters of fiscal 2015 and fiscal 2014, the Company paid cash dividends per share of $0.66 and $0.57, respectively. Future declarations of dividends and the establishment of future record and payment dates are at the discretion of the Company's Board of Directors and based on a number of factors including the Company's future financial performance and other investment priorities.

Provisions in the The William Carter Company's ("TWCC") indenture governing its senior notes and in TWCC's amended secured revolving credit facility could have the effect of restricting the Company's ability to pay future cash dividends on, or make future repurchases of, its common stock. Provisions related to the indenture governing the senior notes are described in the Company's Annual Report on Form 10-K for the 2014 fiscal year ended January 3, 2015. The Company's secured revolving credit facility was amended in September 2015 as described in the following note to these unaudited condensed consolidated financial statements.

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

(dollars in thousands)	October 3, 2015	January 3, 2015	September 27, 2014
Senior notes	$ 400,000	$ 400,000	$ 400,000
Secured revolving credit facility	185,278	186,000	186,000
Total long-term debt	$ 585,278	$ 586,000	$ 586,000

Amended and Restated Credit Facility

On September 16, 2015, the Company and a syndicate of lenders amended and restated the secured revolving credit facility (the "amended revolving credit facility") to, among other things: (i) refinance the Company's existing credit facility in order to achieve better pricing terms, and (ii) provide additional liquidity to be used for ongoing working capital purposes and for general corporate purposes. The aggregate principal amount of the amended revolving credit facility was increased from $375 million to $500 million to provide for (i) a $400 million U.S. dollar revolving facility (including a $175 million sub-limit for letters of credit and a swing line sub-limit of $50 million) available for borrowings by TWCC and (ii) a $100 million multicurrency revolving facility (including a $40 million sub-limit for letters of credit and a swing line sub-limit of $15 million), available for borrowing by TWCC and certain other subsidiaries of TWCC, in U.S. dollars, Canadian dollars, Euros, Pounds Sterling, or other currencies agreed to by the applicable lenders.

The Company's consolidated statement of cash flows shows the following gross sources and uses of financing cash flows related to the Company's revolving credit facility during fiscal 2015. In the first quarter, the Company replaced $20.0 million of outstanding borrowings under the then-existing amended revolving credit facility with CAD 25.5 million of borrowings, which approximated $20.3 million. Additionally, because of a change in the lead administrative agent and certain changes in commitment amounts among the lenders in the syndication, the third quarter amendment to the Company's secured revolving credit facility led to the repayment and simultaneous re-borrowing of the then-outstanding balance on the secured revolving credit agreement of approximately $185.2 million.

In connection with the amendment, the Company incurred approximately $1.7 million in debt issuance costs during the third quarter of fiscal 2015, of which approximately $1.5 million was paid during the third fiscal quarter of 2015. These newly-incurred debt issuance costs, together with certain existing unamortized debt issuance costs, are being amortized over the remaining term of the amended revolving credit facility (five years). The amended revolving credit facility matures September 16, 2020.

As of October 3, 2015, the interest rate margins applicable to the amended revolving credit facility were 1.375% for LIBOR (London Interbank Offered Rate) rate loans (which may be adjusted based on a leverage-based pricing grid ranging from 1.125% to 1.875%) and 0.375% for base rate loans (which may be adjusted based on a leverage-based pricing grid ranging from 0.125% to 0.875%).

As of October 3, 2015, the Company had approximately $185.3 million in outstanding borrowings under its amended revolving credit facility, exclusive of $9.9 million of outstanding letters of credit. As of October 3, 2015, there was approximately $304.9 million available for future borrowing.

As of October 3, 2015, U.S. dollar borrowings outstanding under the amended revolving credit facility accrued interest at a LIBOR rate plus the applicable base rate, which was equal to 1.58% on that date, and Canadian dollar borrowings accrued interest at a CDOR (Canadian Dollar Offered Rate) plus the applicable base rate, which was equal to 2.14% on that date.

Subject to certain customary exceptions, the amended revolving credit facility contains covenants that restrict the Company's ability to, among other things: (i) create or incur liens, debt, guarantees or other investments, (ii) engage in mergers and consolidations, (iii) pay dividends or other distributions to, and redemptions and repurchases from, equity holders, (iv) prepay, redeem or repurchase subordinated or junior debt, (v) amend organizational documents, and (vi) engage in certain transactions with affiliates.

The amended revolving credit facility also contains affirmative financial covenants. Specifically, the Company will not (i) permit at the end of any four consecutive fiscal quarters the Lease Adjusted Leverage Ratio (defined as, with certain adjustments, the ratio of the Company's consolidated indebtedness plus six times rent expense, as defined, to consolidated net income before interest, taxes, depreciation, amortization, and rent expense ("EBITDAR")) to exceed 4.00:1.00 (provided, however, that if any "Material

Acquisition" shall occur and the Lease Adjusted Leverage Ratio on a pro forma basis giving effect to the consummation of the Material Acquisition shall be less than 4.00:1.00, then the maximum Lease Adjusted Leverage Ratio may be increased to 4.50:1.00 for the fiscal quarter in which such Material Acquisition is consummated and the three fiscal quarters immediately following the fiscal quarter in which such Material Acquisition shall occur) or (ii) permit at the end of any four consecutive fiscal quarters the Consolidated Fixed Charge Coverage Ratio (defined as, with certain adjustments, the ratio of consolidated EBITDAR to consolidated fixed charges (defined as interest plus rent expense)), for any such period to be less than 2.25:1.00 (provided, however, that if any Material Acquisition shall occur and the Consolidated Fixed Charge Coverage Ratio on a pro forma basis giving effect to the consummation of the Material Acquisition shall be at least 2.25:1.00, then the minimum Consolidated Fixed Charge Coverage Ratio may be decreased to 2.00:1.00 for the fiscal quarter in which such Material Acquisition is consummated and the three fiscal quarters immediately following the fiscal quarter in which such Material Acquisition shall occur).

The amended revolving credit facility also provides that certain covenants fall away and that the liens over the collateral securing each of the Company and certain subsidiaries' collective obligations are released following, among other things, the achievement of, and during the maintenance of, investment grade ratings by Moody's Investor Services, Inc. and Standard & Poor's Ratings Services.

The amended revolving credit facility also provides for incremental facilities in an aggregate amount not to exceed $250 million, either in the form of a commitment increase under the existing credit facility or the incurrence of one or more tranches of term loans (with the aggregate U.S. dollar amount available to the Company not to exceed $200 million and the aggregate multicurrency amount available not to exceed $50 million).

As of October 3, 2015, the Company was in compliance with the financial and other covenants under the amended revolving credit facility.

Senior Notes

As of October 3, 2015, TWCC, a 100% owned subsidiary of Carter's, Inc., had outstanding $400 million principal amount of senior notes bearing interest at a fixed rate of 5.25% per annum and maturing on August 15, 2021. The senior notes are unsecured and are fully and unconditionally guaranteed by Carter's, Inc. and certain subsidiaries of TWCC.

NOTE 7 – STOCK-BASED COMPENSATION

The Company recorded stock-based compensation cost as follows:

	Fiscal quarter ended		Three fiscal quarters ended	
(dollars in thousands)	**October 3, 2015**	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Stock options	$ 1,015	$ 1,039	$ 3,359	$ 3,498
Restricted stock:				
Time-based awards	1,599	1,576	5,294	5,215
Performance-based awards	1,130	1,439	3,556	4,089
Stock awards	—	—	1,095	1,081
Total	$ 3,744	$ 4,054	$ 13,304	$ 13,883

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

NOTE 8 – EMPLOYEE BENEFIT PLANS

The Company maintains a defined contribution plan and two defined benefit plans. The two defined benefit plans include the OshKosh B'Gosh pension plan and a post-retirement life and medical plan.

OSHKOSH B'GOSH PENSION PLAN

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

	Fiscal quarter ended		Three fiscal quarters ended	
(dollars in thousands)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Interest cost	$ 623	$ 622	$ 1,869	$ 1,866
Expected return on plan assets	(785)	(798)	(2,355)	(2,394)
Recognized actuarial loss	161	21	483	63
Net periodic pension (benefit) cost	$ (1)	$ (155)	$ (3)	$ (465)

POST-RETIREMENT LIFE AND MEDICAL PLAN

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

	Fiscal quarter ended		Three fiscal quarters ended	
(dollars in thousands)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Service cost – benefits attributed to service during the period	$ 32	$ 28	$ 96	$ 84
Interest cost on accumulated post-retirement benefit obligation	45	57	135	171
Amortization net actuarial gain	(48)	(52)	(144)	(156)
Curtailment gain	—	(22)	—	(66)
Total net periodic post-retirement benefit cost	$ 29	$ 11	$ 87	$ 33

NOTE 9 – INCOME TAXES

During the first quarter of fiscal 2015, the Company recognized prior-year income tax benefits of approximately $1.8 million due to a favorable settlement of an IRS audit of fiscal 2011, 2012 and 2013, in addition to a favorable settlement of a state income tax audit. These settlements have decreased the Company's effective tax rate during fiscal 2015 compared to fiscal 2014.

As of October 3, 2015, the Company had gross unrecognized income tax benefits of approximately $9.6 million, of which $6.6 million, if ultimately recognized, may affect the Company’s effective tax rate in the periods 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.

Included in the reserves for unrecognized tax benefits at October 3, 2015 are approximately $1.5 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 2015 or fiscal 2016 along with the effective tax rate in the quarter in which the benefits are recognized.

The Company recognizes interest related to unrecognized tax benefits as a component of interest expense and recognizes penalties related to unrecognized tax benefits as a component of income tax expense. During the fiscal quarter and three fiscal quarters ended October 3, 2015 and September 27, 2014, interest expense recorded on uncertain tax positions was not significant. The Company had approximately $0.9 million, $0.9 million, and $0.9 million of interest accrued on uncertain tax positions as of October 3, 2015, January 3, 2015, and September 27, 2014, respectively.

NOTE 10 – FAIR VALUE MEASUREMENTS

INVESTMENTS

The Company invests in marketable securities, principally equity-based mutual funds, to mitigate the risk associated with the investment return on employee deferrals of compensation. All of the marketable securities owned by the Company are included in other assets on the Company's consolidated balance sheet. The Company had approximately $7.5 million, $7.6 million, and $6.9 million of such Level 1 investments as of October 3, 2015, January 3, 2015, and September 27, 2014, respectively.

Losses on the investments in marketable securities were $0.4 million for the fiscal third quarter and $0.1 million for the three fiscal quarters ended October 3, 2015. These amounts are included in Other (income) expense, net on the Company's consolidated statement of operations. Gains on the investments in marketable securities were not material for the fiscal quarter and three fiscal quarters ended September 27, 2014.

FOREIGN CURRENCY CONTRACTS

As part of the Company's overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily between the U.S. dollar and Canadian dollar, the Company's Canadian subsidiary may use currency contracts to hedge purchases that are made in U.S. dollars, primarily for inventory. As part of this hedging strategy, the Company uses foreign currency forward exchange contracts that have maturities of less than 12 months to provide continuing coverage throughout the hedging period. As currently designed, the Company's contracts are not designated for hedge accounting treatment, and therefore changes in the fair value of these contracts are recorded in Other (income) expense, net in the Company's consolidated statement of operations. Such foreign currency gains and losses include the mark-to-market fair value adjustments at the end of each reporting period related to open contracts, as well as any realized gains and losses on contracts settled during the reporting period. Fair values are calculated by using readily observable market inputs (market-quoted currency exchange rates in effect between U.S. and Canadian dollars), classified as Level 2 within the fair value hierarchy, and included in other current assets or other current liabilities on the Company's consolidated balance sheet. On the consolidated statement of cash flows, it is the Company's policy to include all activity, including cash settlement of the contracts, as a component of cash flows from operations.

At October 3, 2015, the fair values of the open contracts approximated $1.5 million and are included in the Company's consolidated balance sheet within prepaid expenses and other current assets and the notional value was approximately $60.0 million.

During the three quarters of fiscal 2015, the Company recorded unrealized gains of approximately $1.5 million related to the mark-to-market adjustments. Such amounts were not material during the third quarter of fiscal 2015.

The Company recorded realized gains of approximately $1.6 million and $1.9 million for contracts settled during the third quarter of fiscal 2015 and the three quarters of fiscal 2015, respectively. These amounts are included in Other (income) expense, net on the Company's consolidated statement of operations. The Company did not apply hedge accounting treatment on any of these foreign currency contracts.

During the first quarter of fiscal 2015 and in fiscal 2014, the Company did not utilize foreign exchange contracts.

CONTINGENT CONSIDERATION

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

	Fiscal quarter ended		Three fiscal quarters ended	
(dollars in thousands)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Balance at the beginning of period	$ 9,022	$ 16,848	$ 7,711	$ 16,348
Payments made	(8,568)	(8,901)	(8,568)	(8,901)
Accretion	—	444	809	900
Foreign currency translation adjustment	(454)	(762)	(1,029)	(718)
Final contingent adjustment	—	—	1,077	—
Balance at the end of period	$ —	$ 7,629	$ —	$ 7,629

The final payment under the earn-out obligation was paid during the third quarter of fiscal 2015, and at October 3, 2015, there was no remaining liability. For this final payment that approximated $8.6 million, approximately $7.6 million is reported in the Company's consolidated statement of cash flows as a financing activity and the remaining portion, which represents the contingency adjustment recognized in the second quarter of fiscal 2015, is reported as an operating activity.

In prior periods, the Company determined the fair value (Level 3 in the fair value hierarchy) of the contingent consideration based upon a probability-weighted discounted cash flow analysis that reflected a high probability that the earnings targets would be met, and a discount rate of 18%.

BORROWINGS

As of October 3, 2015, the fair value of the Company's $185.3 million in outstanding borrowings under its secured revolving credit facility approximated carrying value.

The fair value of the Company's senior notes at October 3, 2015 was approximately $408.0 million. The fair value of these senior notes with a notional value and carrying value of $400 million was estimated by obtaining market quotes given the trade levels of other bonds of the same general issuer type and market-perceived credit quality, and is therefore within Level 2 of the fair value hierarchy.

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	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Weighted-average number of common and common equivalent shares outstanding:				
Basic number of common shares outstanding	51,740,523	52,356,122	51,960,041	52,788,217
Dilutive effect of equity awards	507,815	470,842	512,861	476,893
Diluted number of common and common equivalent shares outstanding	52,248,338	52,826,964	52,472,902	53,265,110
Basic net income per common share (in thousands, except per share data):				
Net income	$ 79,326	$ 65,886	$ 165,223	$ 126,079
Income allocated to participating securities	(675)	(887)	(1,557)	(1,706)
Net income available to common shareholders	$ 78,651	$ 64,999	$ 163,666	$ 124,373
Basic net income per common share	$ 1.52	$ 1.24	$ 3.15	$ 2.36
Diluted net income per common share (in thousands, except per share data):				
Net income	$ 79,326	$ 65,886	$ 165,223	$ 126,079
Income allocated to participating securities	(669)	(880)	(1,545)	(1,695)
Net income available to common shareholders	$ 78,657	$ 65,006	$ 163,678	$ 124,384
Diluted net income per common share	$ 1.51	$ 1.23	$ 3.12	$ 2.34
Anti-dilutive shares excluded from dilutive earnings per share computation	*177,300*	*234,700*	*180,000*	*265,000*

NOTE 12 – OTHER CURRENT AND LONG-TERM LIABILITIES

Other current liabilities consisted of the following:

(dollars in thousands)	October 3, 2015	January 3, 2015	September 27, 2014
Accrued bonuses and incentive compensation	$ 12,574	$ 18,875	$ 11,793
Contingent consideration	—	7,711	7,629
Income taxes payable	25,902	692	19,609
Accrued workers' compensation	1,840	2,662	2,853
Accrued interest	2,771	8,106	2,746
Accrued sales and use taxes	7,421	5,318	8,037
Accrued salaries and wages	9,615	3,576	2,968
Accrued gift certificates	9,356	10,100	8,863
Accrued employee benefits	10,102	17,132	11,481
Accrued and deferred rent	12,286	11,879	10,981
Other current liabilities	13,332	11,677	13,513
Total	$ 105,199	$ 97,728	$ 100,473

Other long-term liabilities consisted of the following:

(dollars in thousands)	October 3, 2015	January 3, 2015	September 27, 2014
Deferred lease incentives	$ 70,778	$ 67,205	$ 65,731
Accrued and deferred rent	47,554	40,656	38,812
Accrued workers' compensation	6,016	4,717	4,270
OshKosh pension plan	11,029	11,031	3,303
Unrecognized tax benefits	10,540	12,230	12,928
Post-retirement life and medical plan	4,731	4,731	5,458
Deferred compensation	8,932	8,388	7,578
Other	1,947	1,947	105
Total	$ 161,527	$ 150,905	$ 138,185

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

NOTE 14 – SEGMENT INFORMATION

The table below presents certain information for our reportable segments and unallocated corporate expenses for the periods indicated:

	Fiscal quarter ended				Three fiscal quarters ended			
(dollars in thousands)	October 3, 2015	% of Total Net Sales	September 27, 2014	% of Total Net Sales	October 3, 2015	% of Total Net Sales	September 27, 2014	% of Total Net Sales
Net sales:								
Carter's Wholesale	$ 343,555	40.4%	$ 309,772	38.8%	$ 824,600	38.4%	$ 781,460	38.6 %
Carter's Retail (a)	294,928	34.7%	281,455	35.2%	799,635	37.2%	745,473	36.8 %
Total Carter's (U.S.)	638,483	75.1%	591,227	74.0%	1,624,235	75.6%	1,526,933	75.4 %
OshKosh Retail (a)	98,292	11.6%	91,427	11.4%	244,787	11.4%	222,500	11.0 %
OshKosh Wholesale	18,794	2.2%	25,107	3.1%	49,151	2.3%	52,342	2.6 %
Total OshKosh (U.S.)	117,086	13.8%	116,534	14.5%	293,938	13.7%	274,842	13.6 %
International (b)	94,237	11.1%	91,175	11.5%	229,162	10.7%	222,870	11.0 %
Total net sales	$ 849,806	100.0%	$ 798,936	100.0%	$ 2,147,335	100.0%	$ 2,024,645	100.0 %
Operating income (loss):		% of Segment Net Sales		% of Segment Net Sales		% of Segment Net Sales		% of Segment Net Sales
Carter's Wholesale	$ 74,347	21.6%	$ 55,762	18.0%	$ 172,485	20.9%	$ 133,489	17.1 %
Carter's Retail (a)	51,733	17.5%	54,501	19.4%	134,557	16.8%	137,659	18.5 %
Total Carter's (U.S.)	126,080	19.7%	110,263	18.6%	307,042	18.9%	271,148	17.8 %
OshKosh Retail (a)	6,171	6.3%	5,300	5.8%	3,396	1.4%	(883)	(0.4)%
OshKosh Wholesale	4,487	23.9%	2,240	8.9%	9,715	19.8%	5,125	9.8 %
Total OshKosh (U.S.)	10,658	9.1%	7,540	6.5%	13,111	4.5%	4,242	1.5 %
International (b) (c)	18,220	19.3%	15,896	17.4%	30,967	13.5%	27,039	12.1 %
Corporate expenses (d) (e)	(24,737)		(23,242)		(74,442)		(83,094)	
Total operating income	$ 130,221	15.3%	$ 110,457	13.8%	$ 276,678	12.9%	$ 219,335	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 related to the Company's 2011 acquisition of Bonnie Togs of approximately $1.9 million for the three-fiscal-quarter period ended October 3, 2015, and $0.4 million and $0.9 million for the fiscal quarter and the three-fiscal-quarter period ended September 27, 2014, respectively. Also includes expenses of approximately $0.5 million for the three quarters of fiscal 2014 related to the Company's 2014 exit from Japan retail operations.
(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:

	Fiscal quarter ended		Three fiscal quarters ended	
(dollars in millions)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Closure of distribution facility in Hogansville, GA (1)	$ —	$ 0.2	$ —	$ 0.9
Office consolidation costs	$ —	$ —	$ —	$ 6.6
Amortization of tradenames	$ 1.0	$ 2.3	$ 5.4	$ 14.2

(1) Continuing operating costs associated with the closure of the Company's distribution facility in Hogansville, Georgia. This facility was sold in December 2014.

NOTE 15 – FACILITY CLOSURES

OFFICE CONSOLIDATION

In 2013 and 2014, the Company consolidated its Shelton, Connecticut and Atlanta, Georgia offices, as well as certain functions from its other offices, into a new headquarters facility in Atlanta, Georgia. During the first and second quarter of fiscal 2014, approximately $2.0 million and $4.6 million of expense, respectively, were incurred related to the office consolidation project and recorded in SG&A expense. No such expenses were incurred during the third quarter of fiscal 2014, or during the three quarters of fiscal 2015. No additional expenses are expected to be incurred in the future.

The following table summarizes the restructuring reserves related to the office consolidation as of October 3, 2015:

(dollars in millions)	Severance	Other closure costs	Total
Balance at January 3, 2015	$ 0.8	$ 2.8	$ 3.6
Payments during fiscal 2015	(0.5)	(0.6)	(1.1)
Balance at October 3, 2015	$ 0.3	$ 2.2	$ 2.5

The severance reserve is included in other current liabilities and other closure costs are included in other short-term liabilities and other long-term liabilities in the accompanying unaudited condensed consolidated balance sheet. The Company has completed its consolidation efforts.

At September 27, 2014, restructuring reserves were approximately $4.3 million.

JAPAN RETAIL OPERATIONS

In 2013, the Company made the decision to exit retail operations in Japan based on revised forecasts that did not meet the Company's investment objectives. In connection with the plan to exit these operations, during the first two quarters of fiscal 2014 the Company recorded the following approximate amounts in selling, general and administrative expenses: $0.9 million of accelerated depreciation and $0.6 million in severance and other net costs. Also during the first two quarters of fiscal 2014, a recovery of approximately $1.0 million was recorded in cost of goods sold related to a favorable recovery on inventory. No such costs or recoveries were incurred during the third quarter of fiscal 2014. There were no exit costs or recoveries related to the former Japan operations during the three quarters of fiscal 2015, and no additional costs are expected in the future.

NOTE 16 – RECENT ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. The guidance is applicable to all contracts with customers regardless of industry-specific or transaction-specific fact patterns. Further, the guidance requires improved disclosures as well as additional disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard is effective for the Company beginning in the first quarter of fiscal 2018, including interim periods within that first fiscal year, and early adoption is now permitted for 2017. Upon becoming effective, the Company will apply the amendments in the updated standard either retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application. The Company is currently evaluating the impact of adopting this standard on its consolidated financial position, results of operations, and cash flows. Since the original issuance of ASU 2014-09, the FASB has issued several amendments to this guidance, and additional amendments are currently being considered by the FASB.

Presentation of Debt Issuance Costs for Term Debt

In April 2015, the FASB issued Accounting Standard Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). Upon adoption, ASU 2015-03 will require debt issuance costs associated with outstanding term debt to be presented in the balance sheet as a direct reduction in the carrying value of the associated debt liability, consistent with the current presentation of a debt discount. For fees paid to lenders to secure revolving lines of credit, such fees will continue to be presented as a deferred charge (asset) on the balance sheet, as clarified in August 2015 by the FASB's issuance of ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*. Under current guidance prior to ASU 2015-03, all debt issuance costs, for both term debt and revolving lines of credit, are presented in the balance sheet as a deferred charge (asset). ASU 2015-03 is limited to the presentation of debt issuance costs and will not affect the recognition and measurement of debt issuance costs. Upon adoption, ASU 2015-03 must be applied on a retrospective basis and is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. Since ASU 2015-03 involves balance sheet presentation only, its adoption will not have any impact on the Company's results of operations, financial condition, or cash flows.

Simplified Measurement Date for Defined Benefit Plan Assets and Obligations

In April 2015, the FASB issued Accounting Standard Update 2015-04, *Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets* ("ASU 2015-04"). Upon adoption, ASU 2015-04 will allow employers with fiscal year ends that do not coincide with a calendar month end to make an accounting policy election to measure defined benefit plan assets and obligations as of the end of the month closest to their fiscal year ends (i.e., on an alternative measurement date). An employer that makes this election must consistently apply the practical expedient from year to year and to all of its defined benefit plans. ASU 2015-04 will be effective for interim and fiscal periods beginning after December 15, 2015; prospective application is required and early adoption is permitted. The Company plans to adopt ASU 2015-04 at the beginning of fiscal 2016 and the Company does not expect the adoption to have a material impact on the Company's benefit plans or the Company's results of operations, financial condition, or cash flows.

Simplified Subsequent Measurement of Inventory

In July 2015, the FASB issue Accounting Standard Update 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* ("ASU 2015-11"). Upon adoption by an entity, ASU 2015-11 will simplify the subsequent measurement of inventory by replacing the current lower of cost or market test with a lower of cost and net realizable value test. The new guidance applies only to inventories for which cost is determined by methods other than last-in-first-out (LIFO) and the retail inventory method. For inventory within the scope of ASU 2015-11, entities will be required to compare the cost of inventory to only one measure, its net realizable value, and not the three measures required by current guidance ("market," "subject to a floor," and a "ceiling"). When evidence exists that the net realizable value of inventory is less than its cost (due to damage, physical deterioration, obsolescence, changes in price levels or other causes), entities will recognize the difference as a loss in earnings in the period in which it occurs. ASU 2015-11 is effective for public entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. At this time, the Company does not believe the adoption of ASU 2015-11 will have a material impact on its consolidated financial condition, results of operations, or cash flows.

NOTE 17 – GUARANTOR UNAUDITED CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

The Company’s senior notes constitute debt obligations of its wholly-owned subsidiary, The William Carter Company ("TWCC" or the “Subsidiary Issuer”), are unsecured and are fully and unconditionally guaranteed by Carter’s, Inc. (the “Parent”), by each of the Parent's current domestic subsidiaries (other than TWCC), and, subject to certain exceptions, future restricted subsidiaries that guarantee the Company’s amended revolving credit facility or certain other debt of the Company or the subsidiary guarantors. Under specific customary conditions, the guarantees are not full and unconditional because subsidiary guarantors can be released and relieved of their obligations under customary circumstances contained in the indenture governing the senior notes. These circumstances include among others the following, so long as other applicable provisions of the indentures are adhered to: any sale or other disposition of all or substantially all of the assets of any subsidiary guarantor, any sale or other disposition of capital stock of any subsidiary guarantor, or designation of any restricted subsidiary that is a subsidiary guarantor as an unrestricted subsidiary.

For additional information, refer to the Company's Annual Report on Form 10-K for the 2014 fiscal year ended January 3, 2015.

The unaudited condensed consolidating financial information for the Parent, the Subsidiary Issuer and the guarantor and non-guarantor subsidiaries has been prepared from the books and records maintained by the Company. The accompanying unaudited condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10. The financial information may not necessarily be indicative of the financial position, results of operations, comprehensive income (loss), and cash flows, had the Parent, Subsidiary Issuer, guarantor or non-guarantor subsidiaries operated as independent entities.

Intercompany revenues and expenses included in the subsidiary records are eliminated in consolidation. As a result of this activity, an amount due to/due from affiliates will exist at any time. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions. The Company has accounted for investments in subsidiaries under the equity method. The guarantor subsidiaries are 100% owned directly or indirectly by the Parent and, except as noted above, all guarantees are joint, several and unconditional.

CARTER'S, INC.

Condensed Consolidating Balance Sheets (unaudited)
As of October 3, 2015

(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 232,568	$ 17,434	$ 38,258	$ —	$ 288,260
Accounts receivable, net	—	208,369	29,210	8,986	—	246,565
Intercompany receivable	—	87,419	100,357	3,675	(191,451)	—
Intercompany loan receivable	—	15,000	—	—	(15,000)	—
Finished goods inventories	—	278,793	216,270	50,553	(34,096)	511,520
Prepaid expenses and other current assets	—	18,113	14,963	4,184	—	37,260
Deferred income taxes	—	22,739	11,192	964	—	34,895
Total current assets	—	863,001	389,426	106,620	(240,547)	1,118,500
Property, plant, and equipment, net	—	160,579	171,615	29,111	—	361,305
Goodwill	—	136,570	—	40,063	—	176,633
Tradenames and other intangibles, net	—	226,342	85,500	—	—	311,842
Deferred debt issuance costs, net	—	7,235	—	—	—	7,235
Other assets	—	11,358	784	383	—	12,525
Intercompany long-term receivable	—	—	264,618	—	(264,618)	—
Intercompany long-term note receivable	—	100,000	—	—	(100,000)	—
Investment in subsidiaries	842,943	614,624	19,118	—	(1,476,685)	—
Total assets	$ 842,943	$ 2,119,709	$ 931,061	$ 176,177	$ (2,081,850)	$ 1,988,040
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 100,487	$ 59,060	$ 14,047	$ —	$ 173,594
Intercompany payables	—	102,208	85,814	3,429	(191,451)	—
Intercompany loan payable	—	—	—	15,000	(15,000)	—
Other current liabilities	—	57,316	37,905	9,978	—	105,199
Total current liabilities	—	260,011	182,779	42,454	(206,451)	278,793
Long-term debt	—	566,000	—	19,278	—	585,278
Deferred income taxes	—	80,871	38,628	—	—	119,499
Intercompany long-term liability	—	264,618	—	—	(264,618)	—
Intercompany long-term note payable	—	—	100,000	—	(100,000)	—
Other long-term liabilities	—	71,170	78,658	11,699	—	161,527
Stockholders' equity	842,943	877,039	530,996	102,746	(1,510,781)	842,943
Total liabilities and stockholders' equity	$ 842,943	$ 2,119,709	$ 931,061	$ 176,177	$ (2,081,850)	$ 1,988,040

As of January 3, 2015

(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 311,078	$ 10,442	$ 19,118	$ —	$ 340,638
Accounts receivable, net	—	155,192	22,770	6,601	—	184,563
Intercompany receivable	—	58,402	106,137	2,012	(166,551)	—
Intercompany loan receivable	—	20,000	—	—	(20,000)	—
Finished goods inventories	—	240,702	191,953	48,463	(36,274)	444,844
Prepaid expenses and other current assets	—	15,143	13,059	6,586	—	34,788
Deferred income taxes	—	21,308	12,983	2,334	—	36,625
Total current assets	—	821,825	357,344	85,114	(222,825)	1,041,458
Property, plant, and equipment, net	—	158,017	147,076	28,004	—	333,097
Goodwill	—	136,570	—	45,405	—	181,975
Tradenames and other intangibles, net	—	231,765	85,500	32	—	317,297
Deferred debt issuance costs, net	—	6,677	—	—	—	6,677
Other assets	—	11,781	811	—	—	12,592
Intercompany long-term receivable	—	—	274,584	—	(274,584)	—
Intercompany long-term note receivable	—	100,000	—	—	(100,000)	—
Investment in subsidiaries	786,684	591,735	9,647	—	(1,388,066)	—
Total assets	$ 786,684	$ 2,058,370	$ 874,962	$ 158,555	$ (1,985,475)	$ 1,893,096
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 102,233	$ 37,869	$ 10,141	$ —	$ 150,243
Intercompany payables	—	105,940	55,812	4,799	(166,551)	—
Intercompany loan payables	—	—	—	20,000	(20,000)	—
Other current liabilities	—	15,782	67,793	14,153	—	97,728
Total current liabilities	—	223,955	161,474	49,093	(186,551)	247,971
Long-term debt	—	586,000	—	—	—	586,000
Deferred income taxes	—	81,406	40,130	—	—	121,536
Intercompany long-term liability	—	274,584	—	—	(274,584)	—
Intercompany long-term note payable	—	—	100,000	—	(100,000)	—
Other long-term liabilities	—	69,467	68,426	13,012	—	150,905
Stockholders' equity	786,684	822,958	504,932	96,450	(1,424,340)	786,684
Total liabilities and stockholders' equity	$ 786,684	$ 2,058,370	$ 874,962	$ 158,555	$ (1,985,475)	$ 1,893,096

As of September 27, 2014
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 106,699	$ 5,708	$ 21,239	$ —	$ 133,646
Accounts receivable, net	—	198,339	25,988	8,151	—	232,478
Intercompany receivable	—	89,704	86,256	10,153	(186,113)	—
Intercompany loan receivable	—	35,000	—	—	(35,000)	—
Finished goods inventories	—	270,504	236,235	58,259	(45,582)	519,416
Prepaid expenses and other current assets	—	9,151	15,053	7,054	—	31,258
Deferred income taxes	—	23,860	13,026	1,683	—	38,569
Total current assets	—	733,257	382,266	106,539	(266,695)	955,367
Property, plant, and equipment, net	—	158,401	146,908	27,566	—	332,875
Goodwill	—	136,570	—	47,626	—	184,196
Tradenames and other intangibles, net	—	230,495	85,500	51	—	316,046
Deferred debt issuance costs, net	—	7,043	—	—	—	7,043
Other assets	—	10,685	529	—	—	11,214
Intercompany long-term receivable	—	—	233,039	—	(233,039)	—
Intercompany long-term note receivable	—	100,000	—	—	(100,000)	—
Investment in subsidiaries	751,581	581,538	8,156	—	(1,341,275)	—
Total assets	$ 751,581	$ 1,957,989	$ 856,398	$ 181,782	$ (1,941,009)	$ 1,806,741
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 73,951	$ 32,008	$ 11,370	$ —	$ 117,329
Intercompany payables	—	88,637	93,747	3,729	(186,113)	—
Intercompany loan payables	—	—	—	35,000	(35,000)	—
Other current liabilities	—	39,007	47,401	14,065	—	100,473
Total current liabilities	—	201,595	173,156	64,164	(221,113)	217,802
Long-term debt	—	586,000	—	—	—	586,000
Deferred income taxes	—	70,230	42,943	—	—	113,173
Intercompany long-term liability	—	233,039	—	—	(233,039)	—
Intercompany long-term note payable	—	—	100,000	—	(100,000)	—
Other long-term liabilities	—	69,962	55,844	12,379	—	138,185
Stockholders' equity	751,581	797,163	484,455	105,239	(1,386,857)	751,581
Total liabilities and stockholders' equity	$ 751,581	$ 1,957,989	$ 856,398	$ 181,782	$ (1,941,009)	$ 1,806,741

Condensed Consolidating Statements of Operations (unaudited)

For the fiscal quarter ended October 3, 2015
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 539,181	$ 427,028	$ 71,068	$ (187,471)	$ 849,806
Cost of goods sold	—	380,427	263,009	39,180	(180,349)	502,267
Gross profit	—	158,754	164,019	31,888	(7,122)	347,539
Selling, general, and administrative expenses	—	49,317	169,379	20,708	(9,387)	230,017
Royalty income	—	(9,175)	(5,983)	—	2,459	(12,699)
Operating income (loss)	—	118,612	623	11,180	(194)	130,221
Interest expense	—	6,754	1,318	169	(1,334)	6,907
Interest income	—	(1,400)	—	(25)	1,334	(91)
(Income) loss in subsidiaries	(79,326)	(1,645)	(3,904)	—	84,875	—
Other expense (income), net	—	251	(269)	(604)	—	(622)
Income (loss) before income taxes	79,326	114,652	3,478	11,640	(85,069)	124,027
Provision for income taxes	—	35,132	6,098	3,471	—	44,701
Net income (loss)	$ 79,326	$ 79,520	$ (2,620)	$ 8,169	$ (85,069)	$ 79,326

For the fiscal quarter ended September 27, 2014
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 523,572	$ 410,161	$ 66,731	$ (201,528)	$ 798,936
Cost of goods sold	—	372,575	248,442	39,513	(182,800)	477,730
Gross profit	—	150,997	161,719	27,218	(18,728)	321,206
Selling, general, and administrative expenses	—	54,524	154,631	20,618	(7,834)	221,939
Royalty income	—	(8,607)	(5,628)	—	3,045	(11,190)
Operating income (loss)	—	105,080	12,716	6,600	(13,939)	110,457
Interest expense	—	6,841	1,298	145	(1,441)	6,843
Interest income	—	(1,465)	—	(21)	1,441	(45)
(Income) loss in subsidiaries	(65,886)	(5,451)	(3,256)	—	74,593	—
Other (income) expense, net	—	(89)	93	1,307	—	1,311
Income (loss) before income taxes	65,886	105,244	14,581	5,169	(88,532)	102,348
Provision for income taxes	—	25,419	9,648	1,395	—	36,462
Net income (loss)	$ 65,886	$ 79,825	$ 4,933	$ 3,774	$ (88,532)	$ 65,886

For the three fiscal quarters ended October 3, 2015
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 1,336,785	$ 1,137,585	$ 170,826	$ (497,861)	$ 2,147,335
Cost of goods sold	—	932,937	699,769	96,788	(476,645)	1,252,849
Gross profit	—	403,848	437,816	74,038	(21,216)	894,486
Selling, general, and administrative expenses	—	133,733	484,278	62,208	(29,723)	650,496
Royalty income	—	(24,555)	(14,462)	—	6,329	(32,688)
Operating income (loss)	—	294,670	(32,000)	11,830	2,178	276,678
Interest expense	—	20,189	3,994	425	(4,074)	20,534
Interest income	—	(4,402)	—	(57)	4,074	(385)
(Income) loss in subsidiaries	(165,223)	31,055	(7,466)	—	141,634	—
Other expense (income), net	—	56	(106)	(510)	—	(560)
Income (loss) before income taxes	165,223	247,772	(28,422)	11,972	(139,456)	257,089
Provision for income taxes	—	84,727	3,211	3,928	—	91,866
Net income (loss)	$ 165,223	$ 163,045	$ (31,633)	$ 8,044	$ (139,456)	$ 165,223

For the three fiscal quarters ended September 27, 2014
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 1,269,456	$ 1,057,542	$ 164,894	$ (467,247)	$ 2,024,645
Cost of goods sold	—	913,112	624,036	95,317	(436,228)	1,196,237
Gross profit	—	356,344	433,506	69,577	(31,019)	828,408
Selling, general, and administrative expenses	—	144,119	454,600	64,020	(24,390)	638,349
Royalty income	—	(22,584)	(13,823)	—	7,131	(29,276)
Operating income (loss)	—	234,809	(7,271)	5,557	(13,760)	219,335
Interest expense	—	20,620	3,909	189	(4,095)	20,623
Interest income	—	(4,386)	—	(26)	4,095	(317)
(Income) loss in subsidiaries	(126,079)	25,344	(10,034)	—	110,769	—
Other (income) expense, net	—	(224)	208	1,734	—	1,718
Income (loss) before income taxes	126,079	193,455	(1,354)	3,660	(124,529)	197,311
Provision for income taxes	—	53,616	15,569	2,047	—	71,232
Net income (loss)	$ 126,079	$ 139,839	$ (16,923)	$ 1,613	$ (124,529)	$ 126,079

Condensed Consolidating Statements of Comprehensive Income (unaudited)

For the fiscal quarter ended October 3, 2015
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 79,326	$ 79,520	$ (2,620)	$ 8,169	$ (85,069)	$ 79,326
Foreign currency translation adjustments	(4,205)	(4,205)	(69)	(4,205)	8,479	(4,205)
Comprehensive income (loss)	$ 75,121	$ 75,315	$ (2,689)	$ 3,964	$ (76,590)	$ 75,121

For the fiscal quarter ended September 27, 2014
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 65,886	$ 79,825	$ 4,933	$ 3,774	$ (88,532)	$ 65,886
Foreign currency translation adjustments	(3,577)	(3,577)	(7)	(3,577)	7,161	(3,577)
Comprehensive income (loss)	$ 62,309	$ 76,248	$ 4,926	$ 197	$ (81,371)	$ 62,309

For the three fiscal quarters ended October 3, 2015
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 165,223	$ 163,045	$ (31,633)	$ 8,044	$ (139,456)	$ 165,223
Foreign currency translation adjustments	(10,443)	(10,443)	(38)	(10,443)	20,924	(10,443)
Comprehensive income (loss)	$ 154,780	$ 152,602	$ (31,671)	$ (2,399)	$ (118,532)	$ 154,780

For the three fiscal quarters ended September 27, 2014
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 126,079	$ 139,839	$ (16,923)	$ 1,613	$ (124,529)	$ 126,079
Foreign currency translation adjustments	(3,545)	(3,545)	(140)	(3,545)	7,230	(3,545)
Comprehensive income (loss)	$ 122,534	$ 136,294	$ (17,063)	$ (1,932)	$ (117,299)	$ 122,534

Condensed Consolidating Statements of Cash Flows (unaudited)
For the three fiscal quarters ended October 3, 2015

(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows provided by operating activities:	$ —	$ 85,213	$ 38,022	$ 22,799	$ —	$ 146,034
Cash flows from investing activities:						
Capital expenditures	—	(21,953)	(46,876)	(8,158)	—	(76,987)
Intercompany investing activity	119,788	4,357	(2,607)	(8,582)	(112,956)	—
Issuance of intercompany loan	—	(15,000)	—	—	15,000	—
Proceeds from repayment of intercompany loan	—	20,000	—	—	(20,000)	—
Proceeds from sale of property, plant and equipment	—	59	—	7	—	66
Net cash provided by (used in) investing activities	119,788	(12,537)	(49,483)	(16,733)	(117,956)	(76,921)
Cash flows from financing activities:						
Intercompany financing activity	—	(127,475)	15,846	(1,327)	112,956	—
Repayment of intercompany loan	—	—	—	(20,000)	20,000	—
Borrowings from intercompany loan	—	—	—	15,000	(15,000)	—
Borrowings under secured revolving credit facility	—	166,000	—	39,586	—	205,586
Payments on secured revolving credit facility	—	(186,000)	—	(19,237)	—	(205,237)
Payment of debt issuance costs	—	(1,495)	—	—	—	(1,495)
Payment of contingent consideration	—	(7,572)	—	—	—	(7,572)
Dividends paid	(34,617)	—	—	—	—	(34,617)
Repurchase of common stock	(78,339)	—	—	—	—	(78,339)
Income tax benefit from stock-based compensation	—	5,356	2,607	—	—	7,963
Withholdings from vesting of restricted stock	(12,575)	—	—	—	—	(12,575)
Proceeds from exercise of stock options	5,743	—	—	—	—	5,743
Net cash (used in) provided by financing activities	(119,788)	(151,186)	18,453	14,022	117,956	(120,543)
Effect of exchange rate changes on cash	—	—	—	(948)	—	(948)
Net (decrease) increase in cash and cash equivalents	—	(78,510)	6,992	19,140	—	(52,378)
Cash and cash equivalents, beginning of period	—	311,078	10,442	19,118	—	340,638
Cash and cash equivalents, end of period	$ —	$ 232,568	$ 17,434	$ 38,258	$ —	$ 288,260

For the three fiscal quarters ended September 27, 2014
(dollars in thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows provided by (used in) operating activities:	$ —	$ 23,632	$ 9,458	$ (8,163)	$ —	$ 24,927
Cash flows from investing activities:						
Capital expenditures	—	(38,659)	(37,123)	(7,852)	—	(83,634)
Intercompany investing activity	89,923	14,700	(2,502)	(8,901)	(93,220)	—
Issuance of intercompany loan	—	(35,000)	—	—	35,000	—
Proceeds from sale of property, plant and equipment	—	140	—	3	—	143
Net cash provided by (used in) investing activities	89,923	(58,819)	(39,625)	(16,750)	(58,220)	(83,491)
Cash flows from financing activities:						
Intercompany financing activity	—	(129,182)	33,373	2,589	93,220	—
Proceeds from intercompany loan	—	—	—	35,000	(35,000)	—
Dividends Paid	(30,453)	—	—	—	—	(30,453)
Payment on debt issuance costs	—	(145)	—	—	—	(145)
Payment of contingent consideration	—	(8,901)	—	—	—	(8,901)
Income tax benefit from stock-based compensation	—	1,854	2,502	—	—	4,356
Repurchase of common stock	(62,769)	—	—	—	—	(62,769)
Withholdings from vesting of restricted stock	(4,472)	—	—	—	—	(4,472)
Proceeds from exercise of stock options	7,771	—	—	—	—	7,771
Net cash (used in) provided by financing activities	(89,923)	(136,374)	35,875	37,589	58,220	(94,613)
Effect of exchange rate changes on cash	—	—	—	277	—	277
Net (decrease) increase in cash and cash equivalents	—	(171,561)	5,708	12,953	—	(152,900)
Cash and cash equivalents, beginning of period	—	278,260	—	8,286	—	286,546
Cash and cash equivalents, end of period	$ —	$ 106,699	$ 5,708	$ 21,239	$ —	$ 133,646

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

Unless otherwise noted, "three quarters of fiscal 2015" refers to the first three fiscal quarters of fiscal 2015 covering the period January 4, 2015 through October 3, 2015, and "three quarters of 2014" refers to the first three fiscal quarters of fiscal 2014 covering the period December 29, 2013 through September 27, 2014.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 relating to our future performance, including, without limitation, statements with respect to our anticipated financial results for the fourth quarter of fiscal 2015 and fiscal year 2015, or any other future period, assessment of our performance and financial position, and drivers of our sales and earnings growth. 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 not materialize, or should any of the underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Certain of the risks and uncertainties that could cause actual results and performance to differ materially are described in our most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission from time to time under the headings “Risk Factors” and “Forward-Looking Statements.”

OVERVIEW

We are the largest branded marketer in the United States ("U.S.") and in Canada 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 eight. Established in 1895, *OshKosh* is a well-known brand, trusted by consumers for its line of apparel for children sizes newborn to 12, with a focus on playclothes for toddlers and young children. Given each brand's product category emphasis and brand aesthetic, we believe the brands provide a complementary product offering. 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.

The following is a discussion of our results of operations and current financial condition. This should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this Form 10-Q and our Annual Report on Form 10-K for the 2014 fiscal year ended January 3, 2015.

RESULTS OF OPERATIONS

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

	Fiscal quarter ended		Three fiscal quarters ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net sales				
Carter's Wholesale	40.4 %	38.8 %	38.4 %	38.6 %
Carter's Retail	34.7 %	35.2 %	37.2 %	36.8 %
Total Carter's (U.S.)	75.1 %	74.0 %	75.6 %	75.4 %
OshKosh Retail	11.6 %	11.4 %	11.4 %	11.0 %
OshKosh Wholesale	2.2 %	3.1 %	2.3 %	2.6 %
Total OshKosh (U.S.)	13.8 %	14.5 %	13.7 %	13.6 %
International	11.1 %	11.5 %	10.7 %	11.0 %
Consolidated net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	59.1 %	59.8 %	58.3 %	59.1 %
Gross margin	40.9 %	40.2 %	41.7 %	40.9 %
Selling, general, and administrative expenses	27.1 %	27.8 %	30.3 %	31.5 %
Royalty Income	(1.5)%	(1.4)%	(1.5)%	(1.4)%
Operating income	15.3 %	13.8 %	12.9 %	10.8 %
Interest expense	0.8 %	0.9 %	1.0 %	1.0 %
Interest income	— %	— %	— %	— %
Other expense (income), net	(0.1)%	0.1 %	— %	0.1 %
Income before income taxes	14.6 %	12.8 %	11.9 %	9.7 %
Provision for income taxes	5.3 %	4.6 %	4.2 %	3.5 %
Net income	9.3 %	8.2 %	7.7 %	6.2 %
Number of retail stores at end of period:				
Carter's - U.S.			577	525
OshKosh - U.S.			232	195
Canada			140	115
Total retail stores			949	835

Note: Results may not be additive due to rounding.

STORE COUNT DATA

		Carter's Retail	OshKosh Retail	Canada	Total
Third quarter of fiscal 2015:					
	Openings	15	12	7	34
	Closings	—	1	—	1
Three quarters of fiscal 2015:					
	Openings	48	36	16	100
	Closings	2	4	—	6
Projections for full fiscal 2015:					
	Openings	67	48	23	138
	Closings	4	6	—	10

Most all of the OshKosh retail store openings that have occurred, or are projected to occur, in fiscal 2015 are, or will be, in a "side-by-side" format with a Carter's retail store.

COMPARABLE SALES METRICS

Our comparable store sales metrics include sales for all stores and eCommerce websites that were open during the comparable fiscal period, including remodeled stores and certain relocated stores. A store becomes comparable following 13 consecutive full months of operations. If a store relocates within the same center with no business interruption or material change in square footage, the sales of such store will continue to be included in the comparable store metrics. If a store relocates to another center, or there is a material change in square footage, such store is treated as a new store. Stores that are closed during the relevant fiscal period are included in the comparable store sales metrics up to the last full fiscal month of operations.

U.S. Comparable Retail Sales ("Comps")

In the following table, the percentage changes for our U.S. direct-to-consumer ("DTC") comparable sales are based on adjusted 2014 periods that have been aligned to the corresponding 2015 fiscal periods: July 5 to October 3 for the third quarter of each year and January 4 to October 3 for the three quarters of each year. However, in the subsequent narrative discussions under the heading "Third Quarter and Three Fiscal Quarters Ended October 3, 2015 Compared to Third Quarter and Three Fiscal Quarters Ended September 27, 2014," the net sales amounts are based on the fiscal 2015 and 2014 periods used to prepare the unaudited condensed consolidated financial statements.

	U.S. Direct-to-Consumer Comparable Sales			
	Change for Fiscal Third Quarter		Change for Three Fiscal Quarters	
Increase (Decrease)	Carter's Retail	OshKosh Retail	Carter's Retail	OshKosh Retail
Stores	(5.6)%	(5.4)%	(3.7)%	(2.6)%
eCommerce	+6.2%	+14.1%	+12.0%	+21.9%
Total DTC	(3.2)%	(2.0)%	(0.7)%	+1.7%

The decreases in Carter's retail comparable store sales during both periods in fiscal 2015, and the decrease in OshKosh comparable retail store sales for the third quarter of fiscal 2015, were primarily due to decreases in the number of transactions and the average price per unit. The decrease in OshKosh retail comparable store sales during the three quarters of fiscal 2015 was primarily due to a decrease in the number of transactions. During fiscal 2015, we believe that total DTC comparable sales were negatively impacted by lower demand from international tourists shopping in our U.S. stores and eCommerce websites, driven by the strength of the U.S. dollar.

The increases in eCommerce comparable store sales during both periods in fiscal 2015 were primarily due to an increase in the number of transactions.

THIRD QUARTER AND THREE FISCAL QUARTERS ENDED OCTOBER 3, 2015 COMPARED TO THIRD QUARTER AND THREE FISCAL QUARTERS ENDED SEPTEMBER 27, 2014

CONSOLIDATED NET SALES

In the third quarter of fiscal 2015, consolidated net sales increased $50.9 million, or 6.4%, to $849.8 million from $798.9 million in the third quarter of fiscal 2014. For the three quarters of fiscal 2015, consolidated net sales increased $122.7 million, or 6.1%, to $2.1 billion from $2.0 billion in the three quarters of fiscal 2014. For both periods in fiscal 2015, the increases reflected sales growth in all of our segments except for the OshKosh wholesale segment, as presented below. Changes in foreign currency exchange rates in the third quarter and three quarters of fiscal 2015, as compared to the third quarter and three quarters of fiscal 2014, negatively impacted our consolidated net sales by approximately $12.7 million and $23.9 million, or 1.6% and 1.2%, respectively.

Net sales by segment, and each segment's percentage of consolidated net sales, were as follows:

	Fiscal quarter ended				Three fiscal quarters ended			
(dollars in thousands)	October 3, 2015	% of Total	September 27, 2014	% of Total	October 3, 2015	% of Total	September 27, 2014	% of Total
Net sales:								
Carter’s Wholesale	$ 343,555	40.4%	$ 309,772	38.8%	$ 824,600	38.4%	$ 781,460	38.6%
Carter’s Retail	294,928	34.7%	281,455	35.2%	799,635	37.2%	745,473	36.8%
Total Carter’s (U.S.)	638,483	75.1%	591,227	74.0%	1,624,235	75.6%	1,526,933	75.4%
OshKosh Retail	$ 98,292	11.6%	$ 91,427	11.4%	$ 244,787	11.4%	$ 222,500	11.0%
OshKosh Wholesale	18,794	2.2%	25,107	3.1%	49,151	2.3%	52,342	2.6%
Total OshKosh (U.S.)	117,086	13.8%	116,534	14.5%	293,938	13.7%	274,842	13.6%
International	94,237	11.1%	91,175	11.5%	229,162	10.7%	222,870	11.0%
Total net sales	$ 849,806	100.0%	$ 798,936	100.0%	$ 2,147,335	100.0%	$ 2,024,645	100.0%

CARTER’S WHOLESALE SALES (U.S.)

Carter’s wholesale segment sales increased $33.8 million, or 10.9%, in the third quarter of fiscal 2015 to $343.6 million from $309.8 million in the third quarter of fiscal 2014. This 10.9% increase in units was mainly driven by higher product demand, in part due to the timing of shipments when compared to the third quarter of fiscal 2014.

Carter's wholesale segment sales increased $43.1 million, or 5.5%, in the three quarters of fiscal 2015 to $824.6 million from $781.5 million in the three quarters of fiscal 2014. This increase was primarily due to a 3.0% rise in the number of units shipped driven by the same factor discussed above for the third quarter of fiscal 2015, and an increase of 2.4% in the average price per unit compared to the three quarters of fiscal 2014.

CARTER’S RETAIL SALES (U.S.)

Carter’s retail segment sales increased $13.5 million, or 4.8%, in the third quarter of fiscal 2015 to $294.9 million from $281.5 million in the third quarter of fiscal 2014. This increase in sales primarily reflected a/an:

- Increase of $16.1 million from new store openings;
- Increase of $6.8 million from eCommerce; and
- Decrease of $10.1 million in comparable store sales.

Carter's retail segment sales increased $54.2 million, or 7.3%, in the three quarters of fiscal 2015 to $799.6 million from $745.5 million in the three quarters of fiscal 2014. This increase in sales primarily reflected a/an:

- Increase of $51.8 million from new store openings;
- Increase of $21.5 million from eCommerce;
- Decrease of $17.0 million in comparable store sales; and
- Decrease of $3.1 million related to store closings.

OSHKOSH RETAIL SALES (U.S.)

OshKosh retail segment sales increased $6.9 million, or 7.5%, in the third quarter of fiscal 2015 to $98.3 million from $91.4 million in the third quarter of fiscal 2014. This increase in sales primarily reflected a/an:

- Increase of $9.0 million from new store openings;
- Increase of $3.1 million from eCommerce;
- Decrease of $2.9 million related to store closings; and
- Decrease of $2.6 million in comparable store sales.

OshKosh retail segment sales increased $22.3 million, or 10.0%, in the three quarters of fiscal 2015 to $244.8 million from $222.5 million in the three quarters of fiscal 2014. This increase in sales primarily reflected a/an:

- Increase of $20.1 million from new store openings;
- Increase of $9.4 million from eCommerce;
- Decrease of $5.5 million related to store closings; and
- Decrease of $2.0 million in comparable store sales.

OSHKOSH WHOLESALE SALES (U.S.)

OshKosh wholesale segment sales decreased $6.3 million, or 25.1%, in the third quarter of fiscal 2015 to $18.8 million from $25.1 million in the third quarter of fiscal 2014. This decrease was primarily due to a decline of 31.2% in the number of units shipped caused by a decline in sales to the off-price channel and lower seasonal bookings, partially offset by an increase of 8.8% in the average price per unit compared to the third quarter of fiscal 2014.

OshKosh wholesale segment sales decreased $3.2 million, or 6.1%, in the three quarters of fiscal 2015 to $49.2 million from $52.3 million in the three quarters of fiscal 2014. This decrease was primarily due to a decline of 10.6% in the number of units shipped due to the same factors discussed above for the third quarter of fiscal 2015, partially offset by an increase of 5.0% in the average price per unit compared to the three quarters of fiscal 2014.

INTERNATIONAL SALES

International segment sales increased $3.1 million, or 3.4%, in the third quarter of fiscal 2015 to $94.2 million from $91.2 million in the third quarter of fiscal 2014. Changes in foreign currency exchange rates, primarily between the U.S. dollar and the Canadian dollar, negatively impacted International segment net sales by approximately $12.7 million, or 14.0%, in the third quarter of fiscal 2015 compared to the third quarter of 2014.

The $3.1 million increase in sales primarily reflected a/an:

- Increase of $2.3 million from eCommerce due to the 2015 launch of our eCommerce website in China;
- Increase of $1.9 million from eCommerce driven by our Canadian website;
- Increase of $1.6 million from our Canadian retail stores; and
- Decrease of $2.7 million in our wholesale business primarily due to the Target Canada bankruptcy that occurred in early 2015.

International segment sales increased $6.3 million, or 2.8%, in the three quarters of fiscal 2015 to $229.2 million from $222.9 million in the three quarters of fiscal 2014. Changes in foreign currency exchange rates, primarily between the U.S. dollar and the Canadian dollar, negatively impacted International segment net sales by approximately $23.9 million, or 10.7%, in the three quarters of fiscal 2015 compared to the three quarters of fiscal 2014.

The $6.3 million increase in sales primarily reflected a/an:

- Increase of $7.0 million from our Canadian retail stores;
- Increase of $6.1 million from eCommerce driven by our Canadian website;
- Increase of $4.5 million from wholesale sales to locations other than Canada;
- Increase of $2.4 million from eCommerce due to the 2015 launch of our eCommerce website in China;
- Decrease of $8.8 million in our Canadian wholesale business primarily due to the Target Canada bankruptcy that occurred in early 2015; and
- Decrease of $4.4 million related to the exit of retail operations in Japan in the first quarter of fiscal 2014.

For the third quarter and three quarters of fiscal 2015, the increases in sales in our Canadian retail stores reflected a 4.8% increase and a 3.9% increase, respectively, in comparable store sales compared to the corresponding periods in fiscal 2014. These comparable sales growth percentages are based on adjusted 2014 periods that have been aligned to correspond to the comparable 2015 fiscal periods (July 4 to October 3 for the third quarter of each year and January 4 to October 3 for the three quarters of each year).

GROSS MARGIN AND GROSS PROFIT

Our consolidated gross margin increased from 40.2% in the third quarter of fiscal 2014 to 40.9% in the third quarter of fiscal 2015 primarily due primarily to margin improvements in our domestic wholesale and international segments, as previously discussed. Our consolidated gross profit increased $26.3 million, or 8.2%, to $347.5 million in the third quarter of fiscal 2015 from $321.2 million in the third quarter of fiscal 2014, primarily due to increased sales as previously discussed.

Our consolidated gross margin increased from 40.9% in the three quarters of fiscal 2014 to 41.7% in the three quarters of fiscal 2015 primarily due primarily to margin improvements in our domestic wholesale and international segments, as previously discussed. Our consolidated gross profit increased $66.1 million, or 8.0%, to $894.5 million in the three quarters of fiscal 2015 from $828.4 million in the three quarters of fiscal 2014, primarily due to increased sales as previously discussed.

We include distribution costs in selling, general, and administrative ("SG&A") expenses. Accordingly, our gross margin and gross profit may not be comparable to other entities that include such distribution costs in their cost of goods sold.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Consolidated SG&A expenses in the third quarter of fiscal 2015 increased $8.1 million, or 3.6%, to $230.0 million from $221.9 million in the third quarter of fiscal 2014. However, as a percentage of net sales, SG&A expenses decreased from 27.8% in the third quarter of fiscal 2014 to 27.1% in the third quarter of fiscal 2015.

The decrease in SG&A expenses, as a percentage of net sales, in the third quarter of fiscal 2015 primarily reflected:

- $4.4 million in lower expenses for fulfillment and distribution;
- $1.4 million in lower expenses for legal services;
- $1.3 million in reduced amortization for the H.W. Carter & Sons trademark;
- $1.2 million in lower provisions for accounts receivable;
- $1.0 million of reimbursement for business interruption costs;
- $0.9 million in lower expenses related to our wholesale management; and
- $0.5 million in lower expenses related to domestic eCommerce operations;

which were partially offset by:

- $7.8 million in higher expenses related to retail store operations, primarily due to new stores;

- $5.4 million in higher expenses related to marketing and brand management; and
- $2.7 million in higher personnel-related expenses.

Consolidated SG&A expenses in the three quarters of fiscal 2015 increased $12.1 million, or 1.9%, to $650.5 million from $638.3 million in the three quarters of fiscal 2014. However, as a percentage of net sales, SG&A expenses decreased from 31.5% in the three quarters of fiscal 2014 to 30.3% in the three quarters of fiscal 2015.

The decrease in SG&A expenses, as a percentage of net sales, in the three quarters of fiscal 2015 reflected:

- $8.9 million in reduced amortization for the H.W. Carter & Sons trademark;
- $6.6 million decrease in expenses related to office consolidations in prior periods;
- $5.0 million in lower expenses for fulfillment and distribution;
- $4.7 million in lower provisions for accounts receivable;
- $3.0 million in lower expenses for legal services;
- $1.2 million in lower expenses related to our wholesale management;
- $1.5 million in lower expenses related to our exit from Japan retail operations in the first quarter of fiscal 2014; and
- $0.7 million in lower expenses related to domestic eCommerce operations;

which were partially offset by:

- $21.6 million in higher expenses related to retail store operations, primarily due to new stores;
- $7.5 million in higher expenses related to marketing and brand management; and
- $4.2 million in higher personnel-related expenses.

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 for the third quarter and three quarters of fiscal 2015 was approximately $12.7 million and $32.7 million, respectively. This reflects an increase of $1.5 million, or 13.5%, and $3.4 million, or 11.7%, respectively, from $11.2 million and $29.3 million in the third quarter and three quarters of fiscal 2014, respectively. The increases in the fiscal 2015 periods reflected growth in both our domestic Carter's and OshKosh licensing revenues, along with timing of favorable settlements with our licensees in the first half of fiscal 2015.

OPERATING INCOME

Consolidated operating income increased $19.8 million, or 17.9%, to $130.2 million in the third quarter of fiscal 2015 from $110.5 million in the third quarter of fiscal 2014. Consolidated operating income increased $57.3 million, or 26.1%, to $276.7 million in the three quarters of fiscal 2015 from $219.3 million in the three quarters of fiscal 2014. The table below summarizes the changes in each of our segments' operating results and unallocated corporate expenses for the fiscal periods indicated:

(dollars in thousands)	Carter's Wholesale	Carter's Retail	OshKosh Wholesale	OshKosh Retail	International	Corporate Expenses	Total
Operating income (loss) for third quarter of fiscal 2014	$ 55,762	$ 54,501	$ 2,240	$ 5,300	$ 15,896	$ (23,242)	$ 110,457
Increase (decrease) in:							
Gross profit	15,078	4,572	1,244	3,095	2,829	(485)	26,333
Royalty income	736	290	393	179	(89)	—	1,509
SG&A expenses	2,771	(7,630)	610	(2,403)	(416)	(1,010)	(8,078)
Operating income (loss) for third quarter of fiscal 2015	**$ 74,347**	**$ 51,733**	**$ 4,487**	**$ 6,171**	**$ 18,220**	**$ (24,737)**	**$ 130,221**
	(a)	(b)	(c)	(d)	(e)	(f)	

(dollars in thousands)	Carter's Wholesale	Carter's Retail	OshKosh Wholesale	OshKosh Retail	International	Corporate Expenses	Total
Operating income (loss) for the three quarters of fiscal 2014	$ 133,489	$ 137,659	$ 5,125	$ (883)	$ 27,039	$ (83,094)	$ 219,335
Increase (decrease) in:							
Gross profit	28,861	20,682	3,473	9,833	4,473	(1,244)	66,078
Royalty income	1,203	653	983	284	289	—	3,412
SG&A expenses	8,932	(24,437)	134	(5,838)	(834)	9,896	(12,147)
Operating income (loss) for the three quarters of fiscal 2015	**$ 172,485**	**$ 134,557**	**$ 9,715**	**$ 3,396**	**$ 30,967**	**$ (74,442)**	**$ 276,678**
	(aa)	(bb)	(cc)	(dd)	(ee)	(ff)	

(a) Carter's wholesale segment operating income in the third quarter of fiscal 2015 increased $18.6 million, or 33.3%, to $74.3 million from $55.8 million in the third quarter of fiscal 2014. The segment's operating margin increased from 18.0% in the third quarter of fiscal 2014 to 21.6% in the third quarter of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $15.1 million primarily due to higher net sales as previously discussed and lower product costs, partially offset by higher provisions for inventory;
- Increase in royalty income of $0.7 million; and
- Decrease in SG&A expenses of $2.8 million primarily due to a decrease of $2.2 million in distribution expenses and a decrease of $1.0 million in provisions for accounts receivables.

(aa) Carter's wholesale segment operating income in the three quarters of fiscal 2015 increased $39.0 million, or 29.2%, to $172.5 million from $133.5 million in the three quarters of fiscal 2014. The segment's operating margin increased from 17.1% in the three quarters of fiscal 2014 to 20.9% in the three quarters of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $28.9 million primarily due to higher net sales, as previously discussed;
- Increase in royalty income of $1.2 million; and
- Decrease in SG&A expenses of $8.9 million driven primarily by a decrease of $4.1 million in distribution expenses, a decrease of $3.3 million in provisions for accounts receivable, and a decrease of $1.2 million in provisions for bad debt.

(b) Carter's retail segment operating income decreased by $2.8 million, or 5.1%, to $51.7 million in the third quarter of fiscal 2015 from $54.5 million in the third quarter of fiscal 2014. This segment's operating margin decreased from 19.4% in the third quarter of fiscal 2014 to 17.5% in the third quarter of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $4.6 million primarily due to higher sales as previously discussed, partially offset by higher provisions for inventory; and
- Increase of $7.6 million in SG&A expenses primarily due to an increase of $5.8 million in expenses for new retail stores and eCommerce in fiscal 2015 and an increase of $3.6 million in marketing expenses, partially offset by a decrease of $1.6 million in distribution expenses.

(bb) Carter's retail segment operating income decreased by $3.1 million, or 2.3%, to $134.6 million in the three quarters of fiscal 2015 from $137.7 million in the three quarters of fiscal 2014. This segment's operating margin decreased from 18.5% in the three quarters of fiscal 2014 to 16.8% in the three quarters of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $20.7 million primarily due to higher sales as previously discussed, partially offset by higher provisions for inventory; and
- Increase of $24.4 million in SG&A expenses primarily due to an increase of $19.8 million in expenses for new retail stores and eCommerce in fiscal 2015 and an increase of $4.8 million in marketing expenses.

(c) OshKosh wholesale segment operating income increased by $2.2 million to $4.5 million in the third quarter of fiscal 2015 from $2.2 million in the third quarter of fiscal 2014. This segment's operating margin increased from 8.9% in the third quarter of fiscal 2014 to 23.9% in the third quarter of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $1.2 million primarily due to the improvement in the gross margin due to lower product costs and lower inventory provisions, despite lower sales volume as previously discussed; and
- Decrease of $0.6 million in SG&A expenses.

(cc) OshKosh wholesale segment operating income increased by $4.6 million, or 89.6%, to $9.7 million in the three quarters of fiscal 2015 from $5.1 million in the three quarters of fiscal 2014. This segment's operating margin increased from 9.8% in the three quarters of fiscal 2014 to 19.8% in the three quarters of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $3.5 million primarily due to the improvement in the gross margin due to lower product costs and lower inventory provisions, despite lower sales volume as previously discussed; and
- Increase in royalty income of $1.0 million.

(d) OshKosh retail segment operating income increased by $0.9 million, or 16.4%, from $5.3 million in the third quarter of fiscal 2014 to $6.2 million in the third quarter of fiscal 2015. The segment's operating margin increased from 5.8% in the third quarter of fiscal 2014 to 6.3% in the third quarter of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $3.1 million due primarily to higher sales, as previously discussed; and
- Increase in SG&A expenses of $2.4 million primarily due to an increase of $2.8 million in expenses for new retail stores and eCommerce in fiscal 2015 and an increase of $0.8 million in marketing expenses, partially offset by a decrease of $0.8 million in distribution expenses.

(dd) OshKosh retail segment operating income increased by $4.3 million to $3.4 million in the three quarters of fiscal 2015 from an operating loss of $0.9 million in the three quarters of fiscal 2014 . The segment's operating margin increased from(0.4)% in the three quarters of fiscal 2014 to 1.4% in the three quarters of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $9.8 million due primarily to higher sales, as previously discussed; and
- Increase in SG&A expenses of $5.8 million primarily due to an increase of $6.6 million in expenses for new retail store and eCommerce in fiscal 2015, partially offset by a decrease of $1.3 million in distribution expenses.

(e) International segment operating income increased by $2.3 million, or 14.6%, to $18.2 million in the third quarter of fiscal 2015 from $15.9 million in the third quarter of 2014. This segment's operating margin increased from 17.4% in the third quarter of fiscal 2014 to 19.3% in the third quarter of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $2.8 million due primarily to higher sales as previously discussed; and
- Increase of $0.4 million in SG&A expenses primarily due to an increase of $1.3 million in expenses for new retail stores in Canada and the launch of eCommerce in China, partially offset by a decrease of $0.7 million in expenses related to wholesale management.

(ee) International segment operating income increased by $3.9 million, or 14.5%, to $31.0 million in the three quarters of fiscal 2015 from $27.0 million in the three quarters of fiscal 2014. The segment's operating margin increased from 12.1% in the three quarters of fiscal 2014 to 13.5% in the three quarters of fiscal 2015. The primary drivers of the change in operating income were comprised of a/an:

- Increase in gross profit of $4.5 million due primarily to higher sales as previously discussed; and
- Increase of $0.8 million in SG&A expenses primarily due to an increase of $2.5 million in expenses associated with new retail stores in Canada, an increase of $1.0 million in expenses related to the launch of eCommerce in China, and an increase of $1.0 million in accretion and revaluation of the contingent consideration for the 2011 Bonnie Togs acquisition in Canada, partially offset by a decrease of $3.9 million in expenses in fiscal 2015 associated with the exit from our former Japan retail operations in the first quarter of fiscal 2014 and expenses related to the international retail operations management.

(f) Corporate expenses increased by $1.5 million, or 6.4%, in the third quarter of fiscal 2015 compared to the third quarter of fiscal 2014. Corporate expenses as a percentage of consolidated net sales was both 2.9% for both the third quarter of fiscal 2015 and fiscal 2014. The increase in corporate expenses primarily reflected a/an:

- Increase of $2.7 million in expenses related to human resources and employee benefits;
- Increase of $1.6 million in expenses related to information technology;
- Decrease of $1.4 million in administrative and legal expenses; and
- Decrease of $1.3 million in amortization of the H.W. Carter & Sons tradename.

(ff) Corporate expenses decreased by $8.7 million, or 10.4%, in the three quarters of fiscal 2015 compared to the three quarters of fiscal 2014. Corporate operating expenses as a percentage of net sales decreased from 4.1% in the three quarters of fiscal 2014 to 3.5% in the three quarters of fiscal 2015. The decrease in corporate expenses primarily reflected a/an:

- Decrease of $8.9 million in amortization expense for the H.W. Carter & Sons tradename;
- Decrease of $6.6 million in expenses related to the office consolidation in prior periods;
- Decrease of $2.6 million in administrative and legal expenses;
- Increase of $5.1 million in expenses related to information technology; and
- Increase of $4.2 million in expenses related to human resources and employee benefits.

INTEREST EXPENSE

Interest expense and effective interest rates calculations include the amortization of debt issuance costs.

Interest expense in the third quarter of fiscal 2015 and 2014 was approximately $6.9 million and $6.8 million, respectively. Weighted-average borrowings for the third quarter of fiscal 2015 were approximately $585.5 million with an effective interest rate of 4.69%, compared to weighted-average borrowings for the third quarter of fiscal 2014 of $586.0 million with an effective interest rate of 4.65%. The increase in the effective interest rate for the third quarter of fiscal 2015 compared to the third quarter of fiscal 2014 was due primarily to a higher interest rate on the new Canadian portion of the outstanding borrowings on our revolving credit agreement in 2015 plus higher debt issuance costs, partially offset by a lower interest rate on the U.S. borrowings outstanding on our revolving credit facility.

Interest expense in the three quarters of fiscal 2015 and 2014 was approximately $20.5 million and $20.6 million, respectively. Weighted-average borrowings for the three quarters of fiscal 2015 were approximately $586.1 million with an effective interest rate of 4.62%, compared to weighted-average borrowings for the three quarters of fiscal 2014 of approximately $586.0 million with an effective interest rate of 4.65%. The decrease in the effective interest rate for the three quarters of fiscal 2015 compared to the three quarters of fiscal 2014 was due primarily to a lower interest rate on the U.S. borrowings outstanding on our revolving credit agreement, partially offset by a higher interest rate on the new Canadian portion of our outstanding borrowings in 2015 on our revolving credit agreement plus higher debt issuance costs.

INCOME TAXES

Our consolidated effective income tax rate for the third quarter of fiscal 2015 was 36.0% compared to 35.6% for the third quarter of fiscal 2014. Our consolidated effective income tax rate for the three quarters of fiscal 2015 was 35.7% compared to 36.1% for the three quarters of fiscal 2014. The decrease in the effective rate for the three quarters of fiscal 2015 compared to the three quarters of fiscal 2014 was primarily due to favorable settlements of federal and state tax audits for 2011, 2012 and 2013 during the first quarter of fiscal 2015.

For the full fiscal year 2015, we expect our consolidated effective income tax rate to be approximately 36%.

NET INCOME

Our consolidated net income for the third quarter of fiscal 2015 increased by $13.4 million, or 20.4%, to $79.3 million compared to $65.9 million in the third quarter of fiscal 2014. Consolidated net income in the three quarters of fiscal 2015 increased by $39.1 million, or 31.0%, to $165.2 million compared to $126.1 million in the three quarters of fiscal 2014.

FINANCIAL CONDITION, CAPITAL RESOURCES, AND LIQUIDITY

Our primary cash needs are for working capital and capital expenditures. We expect that our primary sources of liquidity will continue to be cash and cash equivalents on hand, cash flow from operations, and borrowings available under our secured revolving credit facility. We expect that these sources will fund our ongoing requirements for the foreseeable future. Further, we do not expect current economic conditions to prevent us from meeting our cash requirements. These sources of liquidity may be affected by events described in our risk factors, as further discussed in Item 1.A., *Risk Factors*, in our Annual Report on Form 10-K for the 2014 fiscal year ended January 3, 2015.

As of October 3, 2015, the Company had approximately $288.3 million of cash and cash equivalents in major financial institutions, including approximately $38.3 million in financial institutions located outside of the United States. We maintain cash deposits with major financial institutions that exceed the insurance coverage limits provided by the Federal Deposit Insurance Corporation in the United States and by similar insurers for deposits located outside the United States. To mitigate this risk, we utilize a policy of allocating cash deposits among major financial institutions that have been evaluated by us and third-party rating agencies.

BALANCE SHEET

Net accounts receivable at October 3, 2015 were $246.6 million compared to $232.5 million at September 27, 2014 and $184.6 million at January 3, 2015. The increase of $14.1 million, or 6.1%, at October 3, 2015 compared to September 27, 2014 primarily reflected higher sales in fiscal 2015 and higher non-trade receivables such as supply chain rebates and tenant allowances. Due to the seasonal nature of our operations, the net accounts receivable balance at October 3, 2015 is not comparable to the net accounts receivable balance of $184.6 million at January 3, 2015.

Inventories at October 3, 2015 were $511.5 million compared to $519.4 million at September 27, 2014 and $444.8 million at January 3, 2015. The decrease of $7.9 million, or 1.5%, at October 3, 2015 compared to September 27, 2014 primarily reflected product cost decreases, partially offset by business growth. Due to the seasonal nature of our operations, the inventories balance at October 3, 2015 is not comparable to the inventories balance of $444.8 million at January 3, 2015.

CASH FLOW

Net cash provided by operating activities for the three quarters of fiscal 2015 was $146.0 million compared to net cash provided by operating activities of $24.9 million in the three quarters of fiscal 2014. This 2015 increase in operating cash flow primarily reflected higher net income and favorable movements in net working capital due mainly to the timing of payments for inventories and trade payables, partially offset by unfavorable changes in the timing of receivable collections.

Capital expenditures were $77.0 million in the three quarters of fiscal 2015 compared to $83.6 million in the three quarters of fiscal 2014, primarily reflecting 2015 expenditures of approximately $48.2 million for our U.S. and international retail store openings and re-modelings, $13.0 million for information technology initiatives, $4.7 million for wholesale fixtures, and $7.9 million for distribution and office facilities.

We plan to invest approximately $120.0 million in total capital expenditures for all fiscal 2015, primarily for our U.S. and international retail store openings and re-modelings, and information technology.

Net cash used in financing activities was $120.5 million in the three quarters of fiscal 2015 compared to $94.6 million in the three quarters of fiscal 2014. This increase in fiscal 2015 primarily reflected increases in repurchases of our common stock, increases in the payment of cash dividends, and increases in payments of withholding taxes for vested restricted shares issued under our employee stock-based compensation plan. There was little net impact related to the activities with our revolving credit facility, which involved the following cash transactions during fiscal 2015: 1) in the first quarter, we replaced $20.0 million of outstanding borrowings with CAD 25.5 million of borrowings, which approximated $20.3 million and 2) in the third quarter, we amended and extended our revolving credit agreement and because of a change in the lead administrative agent and certain changes in commitment amounts among the lenders in the syndication, the amendment led to the repayment and simultaneous re-borrowing of the then-outstanding balance on the revolving credit agreement of approximately $185.2 million.

AMENDED AND RESTATED CREDIT FACILITY

On September 16, 2015, we and a syndicate of lenders amended and restated our secured revolving credit facility (the "amended revolving credit facility") to, among other things: (i) refinance amounts outstanding on our existing credit facility in order to achieve better pricing terms, and (ii) provide additional liquidity to be used for our ongoing working capital purposes and for general corporate purposes. The aggregate principal amount of the amended credit facility was increased from $375 million to $500 million to provide for (i) $400 million U.S. dollar revolving facility (including a $175 million sub-limit for letters of credit and a swing line sub-limit of $50 million) available for borrowings and (ii) a $100 million multicurrency revolving facility (including a $40 million sub-limit for letters of credit and a swing line sub-limit of $15 million), available for borrowings denominated in U.S. dollars, Canadian dollars, Euros, Pounds Sterling, or other currencies agreed to by the applicable lenders. In connection with the amendment, we incurred approximately $1.7 million in debt issuance costs which, together with the certain existing unamortized debt issuance costs, is being amortized over the remaining term of the amended facility (five years). Our amended secured revolving credit facility matures September 16, 2020.

The interest rate margins applicable to our amended revolving credit facility are presently 1.375% for LIBOR rate loans (which may be adjusted based on a leverage-based pricing grid ranging from 1.125% to 1.875%) and 0.375% for base rate loans (which may be adjusted based on a leverage-based pricing grid ranging from 0.125% to 0.875%).

Our amended revolving credit facility also provides for incremental facilities in an aggregate amount not to exceed $250 million, either in the form of a commitment increase under the existing credit facility or the incurrence of one or more tranches of term loans (with the aggregate U.S. dollar amount available to us not to exceed $200 million and the aggregate multicurrency amount available not to exceed $50 million).

As of October 3, 2015, we had $185.3 million in outstanding borrowings under our amended revolving credit facility, exclusive of $9.9 million of outstanding letters of credit. As of October 3, 2015, there was approximately $304.9 million available for future borrowing.

As of October 3, 2015, U.S. dollar borrowings outstanding under the amended revolving credit facility accrued interest at a LIBOR rate plus the applicable base rate, which was equal to 1.58% on that date, and Canadian borrowings accrued interest at a CDOR (Canadian Dollar Offered Rate) plus the applicable base rate, which was 2.14% on that date.

As of October 3, 2015, we were in compliance with the financial and other covenants under our amended revolving credit facility.

SENIOR NOTES

As of October 3, 2015, our wholly-owned operating subsidiary TWCC had $400.0 million principal amount of senior notes outstanding, bearing interest at a fixed rate of 5.25% per annum, and maturing on August 15, 2021. The senior notes are unsecured and are fully and unconditionally guaranteed by Carter's, Inc. and certain subsidiaries of TWCC.

BONNIE TOGS ACQUISITION

On August 31, 2015, we made a final payment of approximately $8.6 million related to the contingent earnout associated with our 2011 acquisition of Bonnie Togs in Canada. Accordingly, at October 3, 2015, there was no remaining liability related to the Bonnie Togs acquisition. For this final payment that approximated $8.6 million, approximately $7.6 million is reported in the our consolidated statement of cash flows as a financing use of cash and the remaining portion, which represented a contingency adjustment that was recognized in the second quarter of fiscal 2015, was reported as an operating use of cash.

SHARE REPURCHASES

Open Market Purchases

Pursuant to the previously announced share repurchase authorizations by our Board of Directors, in the three quarters of fiscal 2015, the Company repurchased and retired 795,025 shares in open market transactions for approximately $78.3 million at an average price of $98.54 per share. In the three quarters of fiscal 2014, the Company repurchased and retired 867,099 shares in open market transactions for approximately $62.8 million, at an average price of $72.39 per share. The total remaining capacity under the repurchase authorizations as of October 3, 2015 was approximately $106.8 million. Future repurchases may be made in the open market or in privately negotiated transactions, with the level and timing of activity being at management's discretion depending on market conditions, share price, other investment priorities, and other factors. The share repurchase authorizations have no expiration date.

DIVIDENDS

In each of the first, second and the third quarters of fiscal 2015, we paid quarterly cash dividends of $0.22 per share. For the corresponding quarters in fiscal 2014, we paid quarterly dividends of $0.19 per share. Future declarations of quarterly dividends and the establishment of future record and payment dates are at the discretion of our Board of Directors and will be based on a number of factors, including our future financial performance and other investment priorities.

Provisions in our secured revolving credit facility (as amended) and 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.

SEASONALITY

We experience seasonal fluctuations in our sales and profitability due to the timing of certain holidays and key retail shopping periods, which generally have resulted in declines in our net sales and gross profit in the first half of our fiscal year versus the second half. Accordingly, our results of operations during any interim period during the fiscal year may not be indicative of the results we expect for the full fiscal 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 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 materially from these estimates under different assumptions or conditions.

Our significant accounting policies are described in Note 2, *Summary of Significant Accounting Policies*, to our audited consolidated financial statements included in our most recent Annual Report on Form 10-K for the 2014 fiscal year ended January 3, 2015. Our critical accounting policies and estimates are those policies that require management’s most difficult and subjective judgments and may result in the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies and estimates include: revenue recognition and accounts receivable allowance, 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 material changes in our critical accounting policies and estimates from those described in our most recent Annual Report on Form 10-K, except to update the Company's accounting policy for foreign currency hedging activities as disclosed in Note 10, *Fair Value Measurements*, to the accompanying unaudited condensed consolidated financial statements contained in Item 1 of this Quarterly Report on Form 10-Q.

Information related to pending adoption of recently issued accounting standards is provided in Note 16, *Recent Accounting Pronouncements*, to the accompanying unaudited condensed consolidated financial statements contained in Item 1 of this Quarterly Report on Form 10-Q.

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 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. 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.

The financial statements of our foreign subsidiaries that are denominated in functional currencies other than the U.S. dollar are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted-average exchange rates for revenues and expenses. Gains and losses resulting from translating assets and liabilities from the functional currency to U.S. dollars are included in Accumulated Other Comprehensive Income (Loss).

Transactions by our Canadian subsidiary may be denominated in a currency other than the entity’s functional currency, which is the Canadian dollar. Fluctuations in exchange rates, primarily between the United States dollar and the Canadian dollar, may affect our results of operations, financial position, and cash flows. We employ foreign exchange contracts to hedge a portion of foreign currency exchange rate risk associated with the procurement of U.S. 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.

For our then-existing amended revolving credit facility, during the first quarter of fiscal 2015 we replaced approximately $20.0 million of outstanding borrowings with CAD $25.5 million of borrowings. Outstanding borrowings under our current amended revolving credit facility that are repayable in a currency other than the U.S. dollar are subject to future changes in currency exchange rates.

Our operating results are subject to risk from interest rate fluctuations on our amended revolving credit facility, which carries variable interest rates. Weighted-average variable rate borrowings outstanding as of October 3, 2015 were $185.3 million. An increase or decrease of 1% in the effective interest rate on that amount would have increased or decreased our annual pretax interest cost by approximately $1.9 million.

Other Risks

We enter into various purchase order commitments with our suppliers. We have the ability to 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 October 3, 2015.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the third quarter of fiscal 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

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

The risks described in Item1A. Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended January 3, 2015, could materially and adversely affect our business operations and no material changes in the risk factors discussed in that Form 10-K have occurred. The risks and uncertainties described in that Form 10-K 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 those risks actually occur, our operating results, financial condition and cash flows may be affected.

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

Share Repurchases

The following table provides information about share repurchases during the third quarter of fiscal 2015:

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
July 5, 2015 through August 1, 2015	115,400	$107.09	115,400	$123,885,345
August 2, 2015 through August 29, 2015	81,499	$99.45	79,500	$115,978,961
August 30, 2015 through October 3, 2015	95,900	$95.73	95,900	$106,798,249
Total	292,799		290,800	

(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 1,999 shares surrendered between July 5, 2015 and October 3, 2015.

(2) Share purchases during the third quarter of fiscal 2015 were made in compliance with all applicable rules and regulations and in accordance with the share repurchase authorizations described in Note 5 to our accompanying unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

N/A

ITEM 4. MINE SAFETY DISCLOSURES

N/A

ITEM 5. OTHER INFORMATION

N/A

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibits
3.1	Certificate of Incorporation of Carter's, Inc., as amended on May 12, 2006.
3.2	Amended and Restated By-Laws of Carter's, Inc. (incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 26, 2015).
10.1	Third Amended and Restated Credit Agreement, dated as of September 16, 2015, by and among The William Carter Company, as U.S. Borrower, The Genuine Canadian Corp., as Canadian Borrower, Carter’s Holdings B.V., as Dutch Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, U.S. Dollar Facility Swing Line Lender, U.S. Dollar Facility L/C Issuer and Collateral Agent, JPMorgan Chase Bank N.A., Toronto Branch, as Canadian Agent, Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, J.P. Morgan Europe Limited, as European Agent, JPMorgan Chase Bank, N.A., London Branch, as a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, Bank of America, N.A., as Syndication Agent, J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arrangers and Bookrunners, Bank of Montreal, Branch Banking & Trust Company, Royal Bank of Canada, SunTrust Bank and U.S. Bank National Association, as Co-Documentation Agents and certain other lenders party thereto (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 22, 2015).
10.2	Form of severance agreement entered into from time to time between The William Carter Company and executive officers.
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.
101	Interactive Data File

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.

October 29, 2015	/s/ MICHAEL D. CASEY
	Michael D. Casey *Chief Executive Officer* *(Principal Executive Officer)*
October 29, 2015	/s/ RICHARD F. WESTENBERGER
	Richard F. Westenberger *Executive Vice President and* *Chief Financial Officer* *(Principal Financial and Accounting Officer)*

Exhibit 3.1

CERTIFICATE OF INCORPORATION

OF

CARTER'S, INC.

ARTICLE I

The name of this corporation is Carter's, Inc.

ARTICLE II

The registered office of this corporation in the State of Delaware is located at 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of this corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

ARTICLE IV

The name and mailing address of the incorporator is as follows:

William M. Shields
Ropes & Gray LLP
One International Place
Boston, MA 02110

ARTICLE V

The total number of shares of all classes of stock that this corporation shall have authority to issue is 150,100,000 shares, consisting of (i) 150,000,000 shares of Common Stock, $.01 par value per share ("Common Stock"), and (ii) 100,000 shares of Preferred Stock, $.01 par value per share ("Preferred Stock").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of this corporation.

1. Common Stock.

A. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon issuance of any such Preferred Stock. The holders of the Common Stock shall have no preemptive rights to subscribe for any shares of any class of stock of this corporation whether now or hereafter authorized.

B. Voting. Each share of Common Stock shall be entitled to one vote. There shall be no cumulative voting.

C. Number. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the DGCL.

D. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors.

E. Liquidation. Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock.

2. Preferred Stock.

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the corporation as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased or acquired by the corporation may be reissued except as otherwise provided by law or this Certificate of Incorporation. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors as hereinafter provided.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by resolution or resolutions providing for the issue of the shares thereof, to determine and fix such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the DGCL. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law and this Certificate of Incorporation. Except as otherwise provided in this Certificate of Incorporation, no vote of the holders of the Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of any shares of any series of the Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation, the right to have such vote being expressly waived by all present and future holders of the capital stock of the corporation.

ARTICLE VI

This corporation shall have a perpetual existence.

ARTICLE VII

In furtherance of and not in limitation of the powers conferred by statute, the Board of Directors, acting by majority vote of the entire Board, is expressly authorized to adopt, amend or repeal the By-Laws of this corporation, subject to the right of the stockholders entitled to vote with respect thereto to adopt additional By-Laws and to alter or repeal the By-Laws adopted or amended by the Board of Directors.

ARTICLE VIII

Except to the extent that the DGCL prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the corporation or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

ARTICLE IX

1. Indemnification. The corporation shall, to the maximum extent permitted under the DGCL and except as set forth below, indemnify and upon request advance expenses to each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was, or has agreed to become, a director or officer of the corporation, or is or was serving, or has agreed to serve, at the request of the corporation, as a director, officer, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise, including any employee benefit plan (all such persons being referred to hereafter as an “Indemnitee”), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Notwithstanding anything to the contrary in this Article, the corporation shall not indemnify an

Indemnitee seeking indemnification in connection with any action, suit, proceeding, claim or counterclaim, or part thereof, initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the corporation.

2. Determination of Entitlement to Indemnification. Any indemnification under paragraph 1 of this Article (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because such Indemnitee has met the applicable standard of conduct set forth in this Article and that the amount requested has been actually and reasonably incurred. Such determination shall be made:

A. by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum; or

B. by a committee of such directors designated by a majority vote of such directors, even though less than a quorum; or

C. if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion; or

D. by the holders of the Common Stock.

3. Advance of Expenses. Notwithstanding any other provisions of this Certificate of Incorporation, the By-Laws of the corporation, or any agreement, vote of stockholders or disinterested directors, or arrangement to the contrary, the corporation may advance payment of expenses incurred by an Indemnitee in advance of the final disposition of any matter only to the extent such advance is not prohibited by applicable law and, then, only upon receipt of an undertaking by or on behalf of the Indemnitee to repay amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the corporation as authorized in this Article. Such undertaking shall be accepted without reference to the financial ability of the Indemnitee to make such repayment.

4. Subsequent Amendment. No amendment, termination or repeal of this Article or of the relevant provisions of the DGCL or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

5. Other Rights. This corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the corporation or other persons serving the corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

6. Merger or Consolidation. If this corporation is merged into or consolidated with another corporation and this corporation is not the surviving corporation, the surviving corporation shall assume the obligations of this corporation under this Article with respect to any action, suit,

proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to such merger or consolidation.

7. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each Indemnitee as to any expenses, including attorneys' fees, judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

8. Scope of Article. Indemnification and advancement of expenses, as authorized by the preceding provisions of this Article, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. The indemnification and advancement of expenses provided by or granted pursuant to this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an authorized representative and shall inure to the benefit of the heirs, executors and administrators of such a person.

9. Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, trustee, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against the person and incurred by the person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article.

ARTICLE X

The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute and this Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE XI

This Article is inserted for the management of the business and for the conduct of the affairs of the corporation.

1. Number of Directors. The board of directors of the corporation shall consist of one or more members, each of whom shall be a natural person. The exact number of directors within the limitations specified in the preceding sentence shall be fixed from time to time by, or in the manner provided in, the By-Laws of the corporation.

2. <u>Classes of Directors</u>. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class. If a fraction is contained in the quotient arrived at by dividing the designated number of directors by three, then, if such fraction is one-third, the extra director shall be a member of Class III, and if such fraction is two-thirds, one of the extra directors shall be a member of Class III and one of the extra directors shall be a member of Class II, unless otherwise provided from time to time by resolution adopted by the Board of Directors.

3. <u>Election of Directors</u>. Elections of directors need not be by written ballot except as and to the extent provided in the By-Laws of the Corporation.

4. <u>Terms of Office</u>. Except as provided in Section 7 of this Article, each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; <u>provided</u>, <u>however</u>, that each initial director in Class I shall serve for a term ending on the date of the annual meeting in 2004; each initial director in Class II shall serve for a term ending on the date of the annual meeting in 2005; and each initial director in Class III shall serve for a term ending on the date of the annual meeting in 2006; and <u>provided</u>, <u>further</u>, that the term of each director shall be subject to the election and qualification of his successor and to his earlier death, resignation or removal.

5. <u>Allocation of Directors Among Classes in the Event of Increases or Decreases in the Number of Directors</u>. In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as a director of the class of which he is a member and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to ensure that no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated directorships shall be subtracted from those classes whose terms of offices are to expire at the earliest dates following such allocation, unless otherwise provided from time to time by resolution adopted by the Board of Directors.

6. <u>Removal</u>. The directors of the corporation may be removed with or without cause by the affirmative vote of the holders of a majority of the shares of the capital stock of the corporation issued and outstanding and entitled to vote generally in the election of directors cast at a meeting of the stockholders called for that purpose.

7. <u>Vacancies; Newly Created Directorships</u>. Any vacancy in the Board of Directors, however occurring, and any newly created directorship resulting from an enlargement of the Board, shall be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of his successor and to his earlier death, resignation or removal.

8. Stockholder Nominations and Introduction of Business, Etc. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before either an annual or special meeting of stockholders shall be given in the manner provided by the By-Laws of this corporation.

ARTICLE XII

Except as otherwise provided in the By-Laws, the stockholders of the corporation and the Board of Directors may hold their meetings and have an office or offices outside of the State of Delaware and, subject to the provisions of the laws of said State, may keep the books of the corporation outside of said State at such places as may, from time to time, be designated by the Board of Directors or by the By-Laws of this corporation.

ARTICLE XIII

The Board of Directors of this corporation, when evaluating any offer of another party to make a tender or exchange offer for any equity security of the corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of the corporation as a whole, be authorized to give due consideration to any such factors as the Board of Directors determines to be relevant, including without limitation: (i) the interests of the stockholders of the Corporation; (ii) whether the proposed transaction might violate federal or state laws; (iii) the consideration being offered in the proposed transaction, in relation to any of (a) the then current market price for the outstanding capital stock of the corporation, (b) the market price for the capital stock of the corporation over a period of years, (c) the estimated price that might be achieved in a negotiated sale of the corporation as a whole or in part or through orderly liquidation, (d) the premiums over market price for the securities of other corporations in similar transactions, (e) current political, economic and other factors bearing on securities prices and (f) the corporation’s financial condition and future prospects; and (iv) the social, legal and economic effects upon employees, suppliers, customers and others having similar relationships with the corporation, and the communities in which the corporation conducts its business.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and to engage in such legal proceedings as the Board of Directors may determine.

ARTICLE XIV

The corporation expressly elects not to be governed by Section 203 of the Delaware General Corporation Law.

ARTICLE XV

To the maximum extent permitted from time to time under the law of the State of Delaware, this corporation renounces any interest or expectancy of the corporation in, or in being offered an opportunity to participate in, business opportunities that are from time to time presented to its officers or directors, other than those officers or directors who are employees of this corporation. No amendment or repeal of this Article XV shall apply to or have any effect on the liability or alleged liability of any officer or director of the corporation for or with respect to any opportunities of which such officer or director becomes aware prior to such amendment or repeal.

Exhibit 32

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 October 3, 2015 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.

October 29, 2015	/s/ MICHAEL D. CASEY
	Michael D. Casey
	Chief Executive Officer
October 29, 2015	/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.

FORM OF SEVERANCE AGREEMENT

This Severance Agreement (“Agreement”) is made as of August ___, 2015 (the “Effective Date”), by and between The William Carter Company (the “Company”) and [_______________] (the “Executive”).

WHEREAS, the Company has determined that given the key nature of the Executive’s position, the interests of the Company will be best served by entering into an agreement with respect to certain aspects of the employment relationship and by providing the Executive the assurance of severance pay and benefits in the event that the Executive’s employment is terminated in specified circumstances.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein and for other good and valuable consideration, the parties agree as follows:

1. **Position and Duties**. During employment, the Executive shall serve as [______________] of the Company and shall have the normal duties, responsibilities and authority of such position, subject to any limitations imposed by the bylaws of the Company and to the power of the boards of directors and other senior officers of the Company or its Company Affiliates to expand or limit such duties, responsibilities and authority and to override actions of Executive. Executive shall devote Executive’s best efforts and Executive’s full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company. Executive shall perform Executive’s duties and responsibilities to the best of Executive’s abilities in a diligent, trustworthy, businesslike and efficient manner.

2. **Base Salary and Bonus Opportunity**. During the term of Executive's employment hereunder, Executive's initial base salary shall be at an annual rate of $[________]. The Company's Board of Directors may, in its discretion, increase Executive's base salary at such times and in such amounts as it determines but at no time shall Executive's base salary, in effect from time to time, be decreased. Base salary shall be payable by the Company in regular installments in accordance with the Company's general payroll practices. During the term of Executive's employment hereunder, Executive shall participate in the Company's Amended and Restated Annual Incentive Compensation Plan (the "Bonus Plan"), as in effect from time to time, in accordance with the terms of such Bonus Plan. Executive's target bonus shall be equivalent to a percentage of base salary that is no less than fifty percent of base salary.

3. **Term and Termination**. The Executive's employment hereunder shall continue until terminated in accordance with this Section 3.

(a) The Executive's employment shall terminate automatically in the event of the Executive's death.

(a) The Company may terminate the Executive's employment hereunder, upon notice to the Executive, in the event that the Executive becomes disabled during the Executive's employment hereunder through any illness, injury, accident or condition of either a physical or psychological nature and, as a result, is unable to perform substantially all of the Executive's duties and responsibilities hereunder (notwithstanding the provision of any reasonable accommodation) for one hundred eighty (180) days during any period of three hundred and sixty-five (365) consecutive calendar days. The Board may designate another employee to act in the Executive's place during any period of the Executive's disability (and such designation shall not constitute Good Reason, as such term is defined in Section 12). If any question shall arise as to whether during any period the Executive is disabled, the Executive may, and at the request of the Company shall, submit to a medical examination by a physician selected by the Company to determine whether the Executive is so disabled and such determination shall for the purposes of this Agreement be conclusive. If such question shall arise and the Executive shall fail to submit to such medical examination, the Company's determination of the issue shall be binding on the Executive.

(b) The Company may terminate the Executive's employment hereunder (i) for Cause (as defined in Section 12) at any time upon notice to the Executive setting forth in reasonable detail the nature of such Cause, or (ii) at any time, without Cause, upon notice to the Executive.

(c) The Executive may terminate employment hereunder (i) for Good Reason (as defined and in accordance with the timing and procedural requirements set forth in Section 12) or (ii) without Good Reason at any time upon sixty (60) days' prior written notice, which notice period (or any portion thereof) may be waived by the Company without any further payment to the Executive.

4. Payments and Benefits Upon Termination.

(a) In the event of termination of employment, however so caused, the Company will pay the Executive (i) any base salary earned but not paid during the final payroll period of Executive's employment through the date of termination of employment (the "Separation Date"); (ii) pay for any vacation time earned but not used through the Separation Date, as reflected in Company records; and (iii) any business expenses incurred by the Executive but unreimbursed on the Separation Date, provided that such expenses and any required substantiation are submitted consistent with the terms of Company policy and that such expenses are reimbursable under Company policy (clauses (i), (ii) and (iii) together, "Final Compensation"). Other than business expenses described in Section 4(a)(iii) (which shall be paid in accordance with Company policy), Final Compensation shall be paid to the Executive (or the Executive's designated beneficiary or estate) within thirty (30) days following the Separation Date. The Company shall not have any further obligations to the Executive, except as set forth in Section 4(b) below.

(b) In the event that the Company terminates the Executive's employment other than for Cause (as defined in Section 12), or the Executive terminates employment for Good Reason (as defined in Section 12), in addition to Final Compensation, the Company will provide the Executive the following (clauses (i) through (iv), in the aggregate, the "Severance Benefits"), provided that the Executive meets all eligibility requirements for such Severance Benefits as set forth in this Agreement:

(i) the Company will continue to pay the Executive base salary, at the same rate as was in effect on the Separation Date, for the period of 12 months following the Separation Date. Subject to Sections 5 and 6 below, such payments shall be in the form of salary continuation, payable in accordance with the normal payroll practices of the Company for its executives, with the first payment, which shall be retroactive to the day immediately following the Separation Date, being due and payable on the Company's next regular payday for executives that follows the expiration of sixty (60) calendar days from the date the Executive's employment terminates.

(i) the Company will pay the Executive a pro-rata bonus for the fiscal year in which the Separation Date occurs, determined following the end of the fiscal year in which the Separation Date occurs. The amount of any such bonus shall be determined by multiplying the amount of the bonus that would have been paid to the Executive pursuant to the Company's Bonus Plan in effect on the Separation Date had the Executive remained employed for the full fiscal year (which determination shall disregard any individual performance goals which may have been set for Executive pursuant to the Company's Bonus Plan, and shall be based solely on the extent to which Company performance goals have been met) by a fraction, the numerator of which is the number of days the Executive was employed during the fiscal year in which the Separation Date occurs and the denominator of which is 365 (the "Pro-Rata Bonus"). The Pro-Rata Bonus will be payable at the time provided for, and in accordance with the provisions of, the Bonus Plan, but in no event earlier than January 1st or later than December 31st of the year following the year in which the Separation Date occurs.

(ii) provided that the Executive and the Executive's dependents are eligible to continue participation in the Company's group health and dental plans following the date the Executive's employment terminates under the federal law commonly known as "COBRA" and elect to do so in a timely manner, then, until the earlier of (A) twelve (12) months following the Separation Date, (B) the date the Executive becomes eligible for coverage under the health and/or dental plans of another employer, or (C) the date the

Executive otherwise ceases to be eligible to continue participation in the Company's health and dental plans under COBRA, the Company will pay to the Executive each month within the period set forth above, within ten (10) days after the first day of each such month, an amount equal to the full monthly COBRA premium for such month minus the monthly cost for such health and dental plan coverage that is paid by active executives, provided, however, that to the extent that it would not violate applicable law, result in any penalty, fine or tax to the Company, or result in the Company failing to comply with Section 105(h) or any similar provision of the Code or Section 409A of the Code, then, subject to the Executive meeting the eligibility requirements as set forth above, the Company, rather than paying the monthly premiums described above to the Executive, may in its discretion, instead contribute the same amount directly to its group health and dental plans at the same time it otherwise would have paid the monthly premiums to the Executive. To the extent that the payment of the monthly premiums described above would result in the imposition of any additional tax on the Executive, the Company will pay to the Executive each such month, within ten (10) days after the first day of such month, an additional amount, as determined by the Company, equal to the federal, state and local income taxes that the Executive is reasonably expected to be obligated to pay as a result of the payments of the monthly premiums described above. No additional amount shall be paid to the Executive pursuant to the preceding sentence in the event that the amount of the federal, state and local income taxes that the Executive ultimately owes to the relevant taxing authority is greater than the amount paid to the Executive pursuant to the preceding sentence. In the event that the Executive becomes eligible for coverage under the health and/or dental plans of another employer, the Executive shall inform the Company within ten (10) days of such occurrence.

(iii) for the twelve (12) month period following the Separation Date, subject to applicable plan terms and applicable law, the Company shall provide the Executive with continued monthly employer contributions toward the premium cost of the Executive's basic life insurance coverage, in the same percentage and amount as if the Executive remained employed (subject to such insurance coverage not having terminated), such employer contributions to be made on a monthly basis at the same time and on the same schedule as employer contributions are made for active employees of the Company. For the avoidance of doubt, as of the Separation Date, the Executive shall be solely responsible for any costs associated with supplemental life insurance coverage and the Company shall have no continuing obligation or liability with respect thereto.

(c) In the event that within two (2) years following a Change of Control (as defined in Section 12), the Company terminates the Executive's employment other than for Cause (as defined in Section 12), or the Executive terminates employment for Good Reason (as defined in Section 12) (such termination, a "Qualifying Termination") in addition to Final Compensation and the Severance Benefits provided pursuant to Section 4(b) of this Agreement, the Company will provide the Executive the following benefits (“Additional Severance Benefits”), provided that the Executive meets all eligibility requirements for such Additional Severance Benefits as set forth in this Agreement:

(i) the Company will continue to pay the Executive’s base salary, at the same rate as was in effect on the Separation Date, for an additional period of twelve (12) months, following the completion of the salary continuation payments provided for in Section 4(b)(i) above. Subject to Sections 5 and 6 below, such payments shall be in the form of salary continuation, payable in accordance with the normal payroll practices of the Company for its executives;

(ii) subject to the conditions set forth in Section 4(b)(iii) above having initially been satisfied, in the event that, following the expiration of the twelve (12) month anniversary of such Qualifying Termination, the Executive has not yet become eligible for coverage under the health and/or dental plans of another employer, within ten (10) days after the first day of each such month, the Company will, for an additional six (6) month period, pay to the Executive each month within the period set forth above an amount equal to the COBRA premium, provided, however, that for the period until the eighteen (18) month anniversary of such Qualifying Termination, to the extent that it would not violate applicable law, result in any penalty, fine or tax to the Company, or result in the Company failing to comply with Section 105(h) or any similar provision of the Code or Section 409A of the Code, then, subject to the Executive meeting the eligibility requirements as set forth above, the Company, rather than paying the monthly premiums described above to the Executive, may in its discretion, instead contribute the same amount directly to its group health and dental plans at the same time it otherwise would have paid the monthly premiums to the Executive. To the extent that the payment of the monthly premiums described above would result in the imposition of any additional tax on the Executive, the Company will pay to the Executive each such month, within ten (10) days after the first day of such month, any additional amount that may be due with respect to such payments. Upon the eighteen (18) anniversary of the Qualifying Termination, if the Executive has not yet become eligible for coverage under the health and/or dental plans of another employer, then for the six (6) month period thereafter (or, if earlier, until the date the Executive becomes eligible for coverage under the health and/or dental plans of another employer), the Company will pay to the Executive each month within such period, within ten (10) days after the first day of such month, an amount equal to COBRA premium, as calculated at the end of the eighteen (18) month period following the Qualifying Termination, together with any additional amount that may be due to the Executive with respect to such payments. In the event that the Executive becomes eligible for coverage under the health and/or dental plans of another employer, the Executive shall inform the Company within ten (10) days of such occurrence; and

(iii) following a Qualifying Termination, the Company shall, in addition to providing for life insurance premium contributions pursuant to Section 4(b)(iv) for twelve (12) months, shall provide for such payment for an additional period of twelve (12) months, which payments shall be made in accordance with the terms set forth in Section 4(b)(iv) and subject to the conditions set forth in such Section.

5. Conditions to Eligibility, Exclusivity of Benefits, Offset.

(a) Any obligation of the Company to provide the Executive the Severance Benefits or the Additional Severance Benefits, in each case, is conditioned on (i) the Executive signing and returning to the Company (without revoking) a timely and effective release of claims in the form provided by the Company by the deadline specified therein, which in all events shall be no later than the fifty-third (53rd) calendar day following the date of termination (any such release submitted by such deadline, the "Release of Claims"), (ii) the Executive maintaining complete compliance with the Executive's obligations to the Company and its Company Affiliates during employment, including without limitation under Sections 8, 9, 10 and 11 of this Agreement, and (iii) the Executive's continued compliance with Executive's obligations to the Company and its Company Affiliates that survive termination of Executive's employment, including without limitation under Sections 8, 9, 10 and 11 of this Agreement. The Release of Claims required for Separation Benefits creates legally binding obligations on the part of the Executive and the Company therefore advises the Executive to seek the advice of an attorney before signing the Release of Claims. It is expressly agreed and understood that no Severance Benefits or Additional Severance Benefits shall be required to be paid or provided unless and until the foregoing Release of Claims requirement is satisfied.

(b) In the event the Company determines, in its discretion, that Executive has failed to fulfill any of Executive's obligations, either during Executive's employment or after termination of employment (howsoever caused), the Company may cease payment of all Severance Benefits and Additional Severance Benefits and shall likewise be entitled to the immediate forfeiture and recapture of all Severance Benefits and Additional Severance Benefits paid to the Executive prior to its discovery of the same. For the avoidance of doubt, if the Executive fails to satisfy the conditions for the receipt of the Severance Benefits, the Executive shall not be entitled to any Additional Severance Benefits hereunder.

(c) The Executive agrees that the Severance Benefits and Additional Severance Benefits to be provided in accordance with the terms and conditions of this Agreement are exclusive and the Executive acknowledges and agrees that the Executive will not be eligible to participate in or receive benefits under any other plan, program, or policy of the Company or any of its Company Affiliates providing for severance or termination pay or benefits, including but not limited to the Company's Severance Pay Plan. The Executive also agrees that the Severance Benefits and

Additional Severance Benefits shall be reduced by any other payments or benefits to which the Executive is entitled under applicable law as a result of termination of employment, including without limitation any federal, state or local law with respect to plant closing, mass layoffs or group benefits plan continuation following termination or the like.

6. 409A Compliance.

(a) Separation from Service. For purposes of this Agreement, references to termination of employment, Separation Date (as defined in Section 4(a) of this Agreement), retirement, separation from service and similar or correlative terms mean a "separation from service" (as defined at Section 1.409A-1(h) of the Treasury Regulations) from the Company and from all other corporations and trades or businesses, if any, that would be treated as a single "service recipient" with the Company under Section 1.409A-1(h)(3) of the Treasury Regulations. A termination of employment for Good Reason or by the Company without Cause under this Agreement is intended to satisfy the meaning of “involuntary separation from service” (as defined in Section 1.409A-1(n) of the Treasury Regulations).

(b) Section 409A Exemption. Without limiting the generality of the foregoing, so much of the Executive’s Severance Benefits and Additional Severance Benefits as does not exceed the "exempt amount" as hereinafter defined shall in no event be paid later than by December 31 of the second calendar year following the calendar year in which the involuntary separation from service occurs. For purposes of the immediately preceding sentence, the Executive’s "exempt amount" means the lesser of (i) the Executive's total separation pay, if any, or (ii) the lesser of (A) two times the applicable limit under Section 401(a)(17) of the Internal Revenue Code of 1986 as amended (the “Code”) for the year in which the involuntary separation from service occurs, or (B) two times the Executive’s annualized compensation determined under applicable Treasury Regulations by reference to the Executive’s annual rate of pay for the calendar year preceding the calendar year in which the separation from service occurs. For purposes of the Treasury Regulations under Section 409A of the Code, each payment described in this Section shall be treated as a separate payment. Any amounts that exceed the exempt amount will be paid in accordance with the schedule of payments in Section 6(c).

(c) Specified Employee. If at the time of separation from service the Executive is a specified employee as hereinafter defined, any and all amounts payable in connection with such separation from service that constitute deferred compensation subject to Section 409A of the Code, as determined by the Company in its sole discretion, and that would (but for this sentence) be payable within six months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six (6) months and one day. For purposes of the preceding sentence, the term "specified employee" means an individual who is determined by the Company to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A of the Code. The Company may, but need not, elect in writing, subject to the applicable limitations under Section 409A of the Code, any of the special elective rules prescribed in Section 1.409A-1(i) of the Treasury Regulations for purposes of determining "specified employee" status. Any such written election shall be deemed part of this Agreement.

(d) 409A Compliance. Notwithstanding any other provision hereunder, this Agreement and all compensation payments hereunder are intended to comply with the requirements of Section 409A, including the regulations, notices and exemptive provisions thereunder, and shall be construed and administered accordingly. In no event shall the Company have any liability relating to any payment or benefit under this Agreement failing to comply with, or be exempt from, the requirements of Section 409A.

7. Effect of Termination.

(a) Except as otherwise expressly provided in Sections 4(b)(iii) and 4(b)(iv) above or as may be required by applicable law, the Executive's participation in all employee benefit plans of the Company will terminate, in accordance with the terms of those plans, based on the Separation Date.

(b) Other than the Severance Benefits and Additional Severance Benefits, the Executive shall have no further rights to any other compensation or benefits on or after the termination of employment.

(c) Provisions of this Agreement shall survive any termination of the Executive's employment if so provided herein or if necessary or desirable to fully accomplish the purposes of other surviving provisions, including without limitation the Executive's obligations under Sections 8, 9, 10 and 11 hereof.

8. Confidential Information.

(a) Executive acknowledges that the Company and its Company Affiliates continually develop trade secrets and Confidential Information (as defined in Section 12 below), that the Executive may have in the past and may in the future develop trade secrets and/or Confidential Information for the Company or its Company Affiliates, and that the Executive may learn of trade secrets and Confidential Information during the course of employment. Executive acknowledges that the information obtained or created by him while employed by the Company or any Company Affiliate concerning the business or affairs of the Company or any Company Affiliate is the exclusive property of the Company or such Company Affiliate. The Executive shall comply with the policies and procedures of the Company and its Company Affiliates for protecting trade secrets and Confidential Information. For purposes of this Agreement, the term "Confidential Information" does not include information that Executive can demonstrate (a) was in Executive's possession prior to Executive's initial employment with the Company or any Company Affiliate, provided that such information is not subject to another confidentiality agreement with, or other obligation of confidentiality to, the Company or any other party, (b) is generally known by the public and became generally known by the public other than as a result of any act by the Executive, or (c) became available to Executive on a non-confidential basis from a third party, provided that such third party is not known by Executive to be bound by a confidentiality agreement with, or other obligation of secrecy to, the Company or another party or is not otherwise prohibited from providing such information to Executive by a contractual, legal or fiduciary obligation. Executive agrees that Executive will not disclose trade secrets or Confidential Information to any person (other than employees of the Company or any of its Company Affiliates or any other person expressly authorized by an appropriate officer of the Company to receive trade secrets or Confidential Information). Executive shall not use for Executive's own account trade secrets or any Confidential Information, other than for a legitimate business purpose for the Company or its Company Affiliates. The Executive acknowledges and agrees that the Executive's obligations under this Agreement with respect to trade secrets shall remain in effect for as long as such information shall remain a trade secret under applicable law, and that the Executive's obligations with regard to Confidential Information shall remain in effect while employed by the Company and for three years after the Separation Date, regardless of the reason for termination of employment.

(b) Executive shall deliver to the Company on the Separation Date, or at any other time the Company's Chief Executive Officer may request in writing, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof, including electronic copies), whether or not containing trade secrets or Confidential Information or Work Product, which Executive may then possess or have under Executive's control.

9. Work Product. Executive agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, reports and all similar or related information which relate to the Company's or any of its Company Affiliates' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by Executive while employed with the Company ("Work Product") belong to the Company or such Company Affiliate. Executive hereby assigns and agrees to assign to the Company (or as otherwise directed by the Company) the Executive's full right, title and interest in and to all Work Product. Executive will promptly disclose such Work Product to the Company's Chief Executive Officer and perform all actions reasonably requested by the Company's Chief Executive Officer (whether during or after the Employment Period) to assign the Work Product to the Company and to otherwise establish and confirm such ownership.

10. Non-Competition, Non-Solicitation, Non-Disparagement, Compliance.

(a) Executive acknowledges that in the course of Executive's employment with the Company or its Company Affiliates Executive has become and will become in the future familiar with the trade secrets and other Confidential Information of the Company and its Company Affiliates and that Executive's services will be of special, unique and extraordinary value to the Company. Therefore, Executive agrees that, during Executive's employment and for one year following the Separation Date, regardless of the basis or timing of termination (the "Restricted Period"), Executive shall not, directly or indirectly, provide services in a Restricted Capacity (as defined below) in the Restricted Territory (as defined below) to any person or entity with respect to any product or service of such person or entity which competes with any aspect of the Business of the Company or any of its Company Affiliates with respect to which Executive has had access to Confidential Information or customer goodwill as a result of Executive's employment or other association with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than one percent (1%) of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) For purposes of this Agreement,

1.the "Business of the Company or any of its Company Affiliates" shall include the wholesale and retail sale (including without limitation, electronic commerce) of children's apparel and related accessories;

2."Restricted Territory" means each state in the United States;

3."Restricted Capacity" means the provision of services to a competitor of the Company which is the same or comparable to the services the Executive provided to the Company or any of its Company Affiliates or in which the Confidential Information, trade secrets or customer goodwill which the Executive created or to which the Executive had access during the Executive's employment with the Company or any of its Company Affiliates would give that competitor an unfair competitive advantage.

(c) During the Restricted Period, Executive shall not, directly or indirectly through another entity, (i) induce or attempt to induce any employee of the Company or any of its Company Affiliates to leave the employ of such person, (ii) solicit or encourage any independent contractor providing services to the Company or any of its Company Affiliates to terminate or diminish its relationship with them; or (iii) induce or attempt to induce any customer, supplier, licensee or other person having a business relationship with the Company or any of its Company Affiliates (the "Service Recipients") to cease doing business with the Company or such Company Affiliate or seek to persuade any such Service Recipient to conduct with any other person or entity any business or activity which is conducted or could be conducted with the Company; provided, however, that the restrictions in clause (iii) shall apply (A) only with respect to those Service Recipients who have been such at any time within the immediately preceding two year period or whose business has been solicited on behalf of the Company or any of its Company Affiliates within said two year period, other than by form letter, blanket mailing or published advertisement, and (B) only if the Executive had a business relationship with such Service Recipient as a result of the Executive's employment, or otherwise had access to Confidential Information as a result of the Executive's employment which would assist in the solicitation of such Service Recipient; and provided further that the restrictions in clauses (i) and (ii) shall apply only to employees and independent contractors who have provided services to the Company or any of its Company Affiliates within the two years preceding the Separation Date.

(d) Notification. Until 45 days after the conclusion of the Restricted Period, the Executive shall give notice to the Company of each new business activity the Executive plans to undertake, at least fourteen days prior to beginning such an activity. The Executive shall provide the Company with such pertinent information concerning such business activity as the Company may reasonably request in order to determine the Executive's continued compliance with obligations under Sections 8, 9, 10 and 11 hereof.

(e) Non-Disparagement. The Executive agrees that the Executive will not disparage the Company or any of its Company Affiliates, or any of their respective management, products or services and will not do or say anything that could reasonably be expected to disrupt the good morale of the employees of the Company or otherwise harm the business interests or reputation of the Company; provided, however, that nothing in this Agreement shall preclude the Executive from providing truthful testimony in any court or regulatory action or proceeding or otherwise making good faith statements in connection with legal investigations or other proceedings. The Executive understands and agrees that this restriction shall continue to apply after the termination of the Executive's employment, howsoever caused. The Company and any of its Company Affiliates agree they will not, and they shall cause their officers and directors not to, make any public statement or criticism, nor take any action which is intended to disparage the Executive, or that would reasonably cause the Executive public embarrassment or humiliation or otherwise cause or contribute to his being held in disrepute by the public or by his employer, employees, clients or customers.

(f) Compliance. The Executive agrees at all times during the pendency of the Executive's employment to comply with all state and federal laws, and conduct himself with the highest degree of fidelity to the Company, committing no acts of theft, embezzlement, misappropriation, insider trading or other forms of misconduct contrary to the interests of the Company.

11. Enforcement of Covenants. The Executive acknowledges that the Executive has carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed upon him pursuant to Sections 8, 9, 10 and 11 hereof. The Executive agrees without reservation that each of the restraints contained herein is necessary for the reasonable and proper protection of the goodwill, Confidential Information, trade secrets, and other legitimate interests of the Company and its Company Affiliates; that each and every one of those restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent him from obtaining other suitable employment during the period in which the Executive is bound by these restraints. The Executive further agrees that the Executive will never assert, or permit to be asserted on the Executive's behalf, in any forum, any position contrary to the foregoing. The Executive further acknowledges that, were the Executive to breach any of the covenants contained in Sections 8, 9, 10 or 11 hereof, the damage to the Company would be irreparable. The Executive therefore agrees that in the event of the breach or a threatened breach by Executive of any of the provisions of Sections 8, 9, 10 or 11 hereof, the Company, in addition and supplementary to other rights and remedies existing in its favor (including pursuant to Section 3(c) hereof), may apply to any court of law or equity of competent jurisdiction for specific performance or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security), and will additionally be entitled to an award of attorney's fees incurred in connection with securing any relief hereunder. The parties further agree that if, at the time of enforcement of Sections 8, 9, 10 or 11, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. The Executive agrees that the Restricted Period shall be tolled, and shall not run, during any period of time in which the Executive is in violation of the terms thereof, in order that the Company and its Company Affiliates shall have all of the agreed-upon temporal protection recited herein. No breach of any provision of this Agreement by the Company, or any other claimed breach of contract or violation of law, or change in the nature or scope of the Executive's employment relationship with the Company, shall operate to extinguish the Executive's obligation to comply with Sections 8, 9, 10 and 11 hereof.

12. Definitions. As used in this Agreement, the following terms shall have the meaning set forth below:

(a) "Affiliate" means with respect to any specified Person, any other Person which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise).

(b) "Carter's" means Carter's, Inc., a Delaware corporation.

(c) "Cause" means (a) conviction of Executive for a felony, or the entry by Executive of a plea of guilty or nolo contendere to a felony, (b) a material breach by Executive of Sections 8, 9, 10 or 11 of this Agreement, (c) the commission of an act of fraud or other act involving dishonesty which such act of dishonesty is materially injurious to the Company or any Company Affiliate, (d) the willful and continued refusal by Executive to substantially perform Executive's duties for the Company or any of its Company Affiliates (other than any such refusal resulting from Executive's incapacity due to mental illness or physical illness or injury), or gross negligence in the performance of such duties, after a demand for substantial performance is delivered to Executive by the Company's Chief Executive Officer, or (e) the willful engaging by Executive in gross misconduct injurious to the Company or any of its Company Affiliates.

(d) "Change of Control" means (i) any transaction or series of related transactions in which any Person who is not a Company Affiliate, or any two or more such Persons acting as a Group, and all Affiliates of such Person or Persons, who prior to such time did not own shares of the Common Stock of Carter's representing fifty percent (50%) or more of the voting power at elections for the Board of Directors of Carter's, shall (A) acquire, whether by purchase, exchange, tender offer, merger, consolidation, recapitalization or otherwise, or (B) otherwise be the owner of (as a result of a redemption of shares of the Common Stock of Carter's or otherwise) shares of the Common Stock of Carter's or its subsidiaries (or shares in a successor corporation by merger, consolidation or otherwise) such that following such transaction or transactions, such Person or Group and their respective Affiliates beneficially own fifty percent (50%) or more of the voting power at elections for the Board of Directors of Carter's or the Company or any successor corporation, or (ii) the sale or transfer of all or substantially all the assets of either the Company or Carter's.

(e) "Common Stock" means the common stock of Carter's, Inc., a Delaware corporation, par value $.01 per share.

(f) "Company Affiliate" means Carter's, Inc. and its subsidiaries.

(g) "Confidential Information" means any and all information of the Company and its Company Affiliates, other than trade secrets, that is not generally known by others with whom they compete or do business, or with whom they plan to compete or do business and any and all information, publicly known in whole or in part or not, which, if disclosed by the Company or any of its Company Affiliates would assist in competition against them. Confidential Information includes without limitation such information relating to (i) the development, research, testing, manufacturing, marketing and financial activities of the Company and its Company Affiliates, (ii) the products and services offered by the Company or any of its Company Affiliates, (iii) the costs, sources of supply, financial performance and strategic plans of the Company and its Company Affiliates, (iv) the identity and special needs of the customers of the Company and its Company Affiliates and (v) the people and organizations with whom the Company and its Company Affiliates have business relationships and the nature and substance of those relationships. Confidential Information also includes information that the Company or any of its Company Affiliates has received, or may receive hereafter, belonging to others or which was received by the Company or any of its Company Affiliates with any understanding, express or implied, that it would not be disclosed.

(h) "Good Reason" means, unless Executive shall have consented in writing thereto, any of the following:

(i) a material reduction in Executive's title, duties, or responsibilities, as compared to such title, duties, or responsibilities on the Effective Date;

(ii) a material change in the geographic location at which the Executive must perform services (provided, that for the avoidance of doubt, any change in location within the greater Atlanta metropolitan area shall not be a material change); or

(iii) any material breach of this Agreement by the Company;

provided, however, that Executive shall not have the right to terminate Executive's employment for "Good Reason" unless Executive shall have given thirty (30) days prior written notice to the Board of Directors of the Company within thirty (30) days following the first occurrence (for the Executive) of such condition in which Executive sets forth in reasonable detail the circumstances that Executive believes constitute "Good Reason" pursuant to the preceding clauses (i) through (iii) and the Company shall not have remedied the matter within said thirty (30) day period; it shall not constitute "Good Reason" unless the Executive separates from service not later than ninety (90) days following the end of the Company's thirty (30) day cure period; and provided, further, however that the fact that the Company does or does not so remedy said matter shall not be deemed an admission by the Company that such circumstances constitute "Good Reason". It shall not be deemed to be "Good Reason" if the Board of Directors, for any reason, designates an officer other than the Chief Executive Officer as the officer to whom Executive shall report.

(i) "Group" means any two or more Persons who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring or holding securities of the Company or its Company Affiliates.

(a) "Person" means any individual, partnership, corporation, association, limited liability company, trust, joint venture, unincorporated organization or entity, or any government, governmental department or agency or political subdivision thereof.

13. Withholding. Payments by the Company under this Agreement shall be reduced by all taxes and other amounts which the Company is required to withhold under applicable law.

14. Miscellaneous

(a) This Agreement is not a contract of employment for a definite term and does not otherwise restrict the Executive's right, or that of the Company, to terminate the Executive's employment, with or without notice or Cause.

(b) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior communications, agreements and understandings, written or oral, with respect thereto; provided, however, that this Agreement shall not supersede or otherwise terminate any effective assignment the Executive has made of any invention or other intellectual property to the Company or any of its Company Affiliates on or before the date of execution of this Agreement; nor shall this Agreement supersede or otherwise terminate any rights or remedies of the Company or any of its Company Affiliates arising from the Executive's obligations pursuant to any agreement with respect to confidentiality, non-competition, non-solicitation or the like in effect prior to the date of execution of this Agreement or under applicable law, all of which assignments and rights shall remain in full force and effect.

(c) No modification or amendment of this Agreement shall be valid unless in writing and signed by the Executive and a duly authorized representative of the Company. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

(d) Neither the Company nor the Executive may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, that in the event that the Company shall hereafter affect a reorganization, consolidate with, or merge into any entity or transfer all or substantially all of its properties or assets to any entity, the Company may assign its rights and obligations under this Agreement to such entity. This Agreement shall inure to the benefit of and be binding upon the Executive and the Company, and each of their respective successors, executors, administrators, heirs and permitted assigns.

15. Choice of Law. This Agreement will be governed by and construed in accordance with the laws of the State of Georgia, without giving effect to any choice or conflict of law provision or rule (whether of the State of Georgia or any other jurisdiction) that would cause the application of the laws of any other jurisdiction. By executing this Agreement, the parties hereby irrevocably submit to the jurisdiction of the state and federal courts located in the State of Georgia for the purpose of any action or dispute between the parties to this Agreement arising in whole or in part under or in connection with this Agreement or the subject matter of this Agreement (other than an action brought to enforce a judgment by any such court), hereby waive and agree not to assert any defense that venue in such courts is improper, invalid or inconvenient (or any similar defense) and agree not to commence any action or dispute arising in whole or in part under or in connection with this Agreement in any court other than the above-named Georgia courts.

[The remainder of this page has been left blank intentionally]

IN WITNESS WHEREOF, this Agreement has been executed as a sealed instrument by the Company, by a duly authorized representative, and by the Executive, as of the Effective Date.

THE EXECUTIVE: THE COMPANY:

__________________________ By: _________________________
[Name]   Name:
Title:

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.

October 29, 2015	/s/ MICHAEL D. CASEY
	Michael D. Casey
	Chief Executive Officer

Exhibit 31.2

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.

October 29, 2015

/s/ RICHARD F. WESTENBERGER

Richard F. Westenberger

Chief Financial Officer