

CARTERS INC  
Form DEF 14A  
April 05, 2011  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Carter s, Inc.  
(Name of Registrant as Specified In Its Charter)

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

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(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
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April 5, 2011

Dear Shareholder,

It is my pleasure to invite you to attend our 2011 Annual Meeting of Shareholders on May 13, 2011. The meeting will be held at 8:00 a.m. at our offices located at 1170 Peachtree Street NE, 6th Floor, Atlanta, Georgia 30309.

The attached Notice of 2011 Annual Meeting of Shareholders and Proxy Statement describe the formal business to be conducted at the meeting. Whether or not you plan to attend the Annual Meeting, your shares can be represented if you promptly submit your voting instructions by telephone, over the internet, or by completing, signing, dating, and returning your proxy card in the enclosed envelope.

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

Sincerely,

Michael D. Casey

*Chairman of the Board of Directors and Chief Executive Officer*

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**1170 Peachtree Street NE, Suite 900**

**Atlanta, Georgia 30309**

**Tel: (404) 745-2700**

**Fax: (404) 892-3079**

**NOTICE OF 2011 ANNUAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the 2011 Annual Meeting of Shareholders of Carter's, Inc. (the Annual Meeting) will be held at 8:00 a.m. on May 13, 2011 at our offices located at 1170 Peachtree Street NE, 6th Floor, Atlanta, Georgia 30309. The business matters for the Annual Meeting are as follows:

- 1) The election of four Class II Directors;
- 2) An advisory vote on executive compensation;
- 3) An advisory vote on the frequency of an advisory vote on executive compensation;
- 4) Approval of the Company's Amended and Restated Equity Incentive Plan;
- 5) Approval of the Company's Amended and Restated Annual Incentive Compensation Plan;
- 6) The ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal 2011; and

7) Any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 25, 2011 are entitled to receive notice of, attend, and vote at the Annual Meeting. Your vote is very important. Whether or not you plan to attend the Annual Meeting, to ensure that your shares are represented at the Annual Meeting, please complete, sign, date, and return the proxy card in the envelope provided or submit your voting instructions by telephone or over the internet.

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

**Important Notice Regarding the Availability of Proxy Materials for the**

**2011 Annual Meeting of Shareholders of Carters, Inc. to be held on May 13, 2011:**

**The proxy materials and the Annual Report to Shareholders are available at**

**<http://www.carters.com/annuals>.**

By order of the Board of Directors,

Brendan M. Gibbons

*Senior Vice President of Legal & Corporate Affairs, General Counsel, and Secretary*

Atlanta, Georgia

April 5, 2011

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PROXY STATEMENT

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

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

The Board of Directors of Carter's, Inc. ( we, us, our, Carter's, or the Company ) is soliciting proxies for our 2011 Annual Meeting of Shareholders on May 13, 2011 (the Annual Meeting ). This proxy statement and accompanying proxy card are being mailed on or about April 5, 2011 to shareholders of record as of March 25, 2011 ( record date ).

You are receiving this proxy statement because you owned shares of Carter's common stock on the record date and are, therefore, entitled to vote at the Annual Meeting. By use of a proxy, you can vote regardless of whether or not you attend the Annual Meeting. This proxy statement provides information on the matters on which the Company's Board of Directors (the Board ) would like you to vote so that you can make an informed decision.

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

The purpose of the Annual Meeting is to address the following business matters:

1. The election of four Class II Directors (see page 12);
2. An advisory vote regarding executive compensation (the say-on-pay vote) (see page 32);
3. An advisory vote on frequency of the say-on-pay vote (see page 33);
4. Approval of the Company's Amended and Restated Equity Incentive Plan (see page 34);



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5. Approval of the Company's Amended and Restated Annual Incentive Compensation Plan (see page 39);
6. The ratification of the appointment of PricewaterhouseCoopers LLP ( PwC ) as the Company's independent registered public accounting firm for fiscal 2011 (see page 43); and
7. All other business that may properly come before the meeting.

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

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

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

All shareholders of record, or their duly appointed proxies, may attend the Annual Meeting. As of the record date, there were 57,761,103 shares of common stock issued and outstanding.

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

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

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

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

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



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***What is a broker non-vote?***

If you are a beneficial owner whose shares are held of record by a broker and you do not provide voting instructions to your broker, your shares will not be voted on any proposal on which the broker does not have discretionary authority to vote. This is called a broker non-vote. Your broker **only** has discretionary authority to vote on Proposal Number Six. Therefore, your broker will not have discretion to vote on Proposal Number One through Proposal Number Five unless you specifically instruct your broker on how to vote your shares by returning your completed and signed voting instruction card.

***What are my choices when casting a vote with respect to the election of Class II Directors, and what vote is needed to elect the Director nominees?***

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

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

***What are my choices when casting an advisory vote on executive compensation, commonly referred to as the say-on-pay vote?***

In voting on executive compensation (Proposal Number Two), shareholders may:

1. vote for the approval of compensation of the Company's named executive officers as described in this proxy statement,
2. vote against the approval of compensation of the Company's named executive officers as described in this proxy statement, or
3. abstain from voting on compensation of the Company's named executive officers as described in this proxy statement.

***What are my choices when casting an advisory vote on the frequency of the say-on-pay vote?***

In voting on the frequency of the say-on-pay vote (Proposal Number Three), shareholders may:

1. vote for the say-on-pay vote to be taken every year,
2. vote for the say-on-pay vote to be taken every two years,
3. vote for the say-on-pay vote to be taken every three years, or
4. abstain from voting on the frequency of the say-on-pay vote.

***What are my choices when voting on whether to approve the Amended and Restated Equity Incentive Plan?***

In voting on the Amended and Restated Equity Incentive Plan (the Equity Incentive Plan ) (Proposal Number Four), shareholders may:

1. vote for the Equity Incentive Plan,
2. vote against the Equity Incentive Plan, or
3. abstain from voting on the Equity Incentive Plan.

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***What are my choices when voting on whether to approve the Amended and Restated Annual Incentive Compensation Plan?***

In voting on the Amended and Restated Annual Incentive Compensation Plan (the Incentive Compensation Plan ) (Proposal Number Five), shareholders may:

1. vote for the Incentive Compensation Plan,
2. vote against the Incentive Compensation Plan, or
3. abstain from voting on the Incentive Compensation Plan.

***What are my choices when voting on the ratification of the appointment of PwC as the Company's independent registered public accounting firm for fiscal 2011?***

In voting on the ratification of PwC (Proposal Number Six), shareholders may:

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

***What constitutes a quorum?***

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

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

The Board recommends a vote:

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

**FOR** the approval of executive compensation of the Company's named executive officers as described in this proxy statement (Proposal Number Two);

**FOR** the say-on-pay vote to be taken every three years (Proposal Number Three);

**FOR** the approval of the Equity Incentive Plan (Proposal Number Four);

**FOR** the approval of the Incentive Compensation Plan (Proposal Number Five); and

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

***What are the vote requirements for approval of each of the Proposals?***

With respect to the approval of Proposal Number One, the four nominees for election as Class II Directors who receive the greatest number of votes will be elected as Class II Directors. The approval of Proposal Number Two, Proposal Number Four, Proposal Number Five, and Proposal Number Six requires the affirmative vote of a majority of the votes properly cast at our Annual Meeting. The approval of Proposal Number Three requires a plurality of the votes properly cast at our Annual Meeting. Votes that are withheld on Proposal Number One, votes to abstain on Proposals Number Two through Proposal Number Six, and broker non-votes with respect to all Proposals will be counted toward a quorum, but will be excluded entirely from the tabulation of votes and, therefore, will not affect the outcome of the vote on such Proposal.

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***How do I vote?***

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

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

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

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

***May I vote confidentially?***

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

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

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

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

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

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

We intend to announce preliminary voting results at the Annual Meeting and publish final results in our current report on Form 8-K within four business days after the Annual Meeting.

### *What is householding of the Annual Meeting materials?*

The Securities and Exchange Commission (the SEC) has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement to those shareholders. This process, which is commonly referred to as householding, potentially provides extra convenience for shareholders and cost savings for companies. The Company and some brokers household proxy materials, delivering a single proxy statement and annual report to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, or if you are receiving multiple copies of the proxy statement and annual report and wish to receive only one, please notify your broker if your shares are held in a brokerage account, or the Company if you hold shares registered directly in your name. You can notify the Company by sending a written request to Mr. Gibbons at the Company's address set forth in the Notice of the Annual Meeting or by calling us at (404) 745-2889.



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***How may I obtain a copy of the Company's Annual Report?***

A copy of our fiscal 2010 Annual Report accompanies this proxy statement and is available at <http://www.carters.com/annuals>. Shareholders may also obtain a free copy of our Annual Report by sending a request in writing to Mr. Gibbons at the Company's address set forth in the Notice of the Annual Meeting.

***When are shareholder proposals due for consideration in next year's proxy statement or at next year's annual meeting?***

Any proposals to be considered for inclusion in next year's proxy statement must be submitted in writing to Mr. Gibbons at the Company's address set forth in the Notice of the Annual Meeting, and must be received prior to the close of business on December 7, 2011. There are additional requirements under our by-laws and the proxy rules to present a proposal, including continuing to own a minimum number of shares of our stock until next year's annual meeting and appearing in person at the annual meeting to explain your proposal. Shareholders who wish to make a proposal to be considered at next year's annual meeting, other than proposals to be considered for inclusion in next year's proxy statement, must notify the Company in the same manner specified above no earlier than January 14, 2012 and no later than February 13, 2012.

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

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

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**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION**

***Board of Directors***

The Board believes that each Director, including the nominees for election as Class II Directors (Proposal Number One), has valuable skills and experiences that, taken together, provide the Company with the variety and depth of knowledge, judgment, and strategic vision necessary to provide effective oversight of the Company's business operations. Our Directors have extensive experience in different fields, including apparel and retail (Ms. Castagna and Messrs. Casey, Eagle, Fulton, Pulver, and Whiddon); brand marketing (Ms. Brinkley, Ms. Castagna, and Messrs. Cleverly and Eagle); logistics and technology (Mr. Whiddon); global sourcing (Mr. Welch); and finance and accounting (Ms. Brinkley and Messrs. Casey, Montgoris, Pulver, and Whiddon).

The Board also believes that, as indicated in the following biographies, each Director has demonstrated significant leadership skills as chief executive officers (Ms. Castagna, Messrs. Casey and Pulver); division presidents (Ms. Brinkley, Messrs. Cleverly, Fulton, and Welch); and other senior executive officers (Ms. Brinkley, Messrs. Eagle, Montgoris, and Whiddon). In addition, each Director has significant experience in the oversight of public companies due to his or her services as a Director of Carter's, Inc. and other companies.

***Amy Woods Brinkley*** became a Director in February 2010. Ms. Brinkley is the Manager of AWB Consulting, LLC, which provides risk management consulting and executive coaching services. Ms. Brinkley retired from Bank of America Corporation in 2009 after spending more than 30 years with the company. Ms. Brinkley served as its Chief Risk Officer from 2002 through mid-2009. Prior to 2002, Ms. Brinkley served as President of the company's Consumer Products division and was responsible for the credit card, mortgage, consumer finance, telephone, and eCommerce businesses. Before that, Ms. Brinkley held positions of Executive Vice President and marketing executive overseeing the company's Olympic sponsorship and its national rebranding and name change. Ms. Brinkley is currently a director of TD Bank Group and the Bank of America Charitable Foundation. She also serves as a trustee for the Princeton Theological Seminary and on the board of commissioners for the Carolinas Healthcare System.

***Michael D. Casey*** became a Director in August 2008 and was named Chairman of the Board of Directors in August 2009. Mr. Casey joined the Company in 1993 as Vice President of Finance. Mr. Casey was named Senior Vice President of Finance in 1997, Senior Vice President and Chief Financial Officer in 1998, Executive Vice President and Chief Financial Officer in 2003, and Chief Executive Officer in 2008. Prior to joining the Company, Mr. Casey worked for 11 years with Price Waterhouse LLP, a predecessor firm to PricewaterhouseCoopers LLP. Mr. Casey serves as a director of National Vision, Inc.

***Vanessa J. Castagna*** became a Director in November 2009. Ms. Castagna served as Executive Chairwoman of Mervyns, LLC from 2005 until early 2007. Ms. Castagna previously served as Chairwoman and Chief Executive Officer of JCPenney Stores, Catalog and Internet for J. C. Penney Co. from 2002 through 2004. While at JCPenney, Ms. Castagna also served as its Chief Operating Officer from 1990 to 2002. Prior to that, Ms. Castagna held various senior-level merchandising positions at Target, Walmart, and Marshall's. Ms. Castagna is currently a director of Levi Strauss & Co. and SpeedFC, Inc.

***A. Bruce Cleverly*** became a Director in March 2008. Mr. Cleverly retired as President of Global Oral Care from Procter & Gamble Company/The Gillette Company in September 2007, a position he held since 2005. Mr. Cleverly joined The Gillette Company in 1975 as a

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Marketing Assistant and held positions of increasing responsibility in product management. In 2001, Mr. Cleverly became President of Gillette's worldwide Oral Care business. In October 2005, Mr. Cleverly became President of The Procter & Gamble Company's Global Oral Care division. Mr. Cleverly is a director of Rain Bird Corporation and a member of the Alumni Council of Phillips Academy.

**Jevin S. Eagle** became a Director in July 2010. Mr. Eagle currently serves as Executive Vice President, Merchandising & Marketing for Staples, Inc., where he held several leadership positions since 2002, including serving as the head of the Staples Brands Group and as the company's Senior Vice President, Strategy. Prior to joining Staples, Mr. Eagle worked for McKinsey & Company, Inc. from 1994 to 2001 in various positions, including, most recently, as a partner and one of the leaders of its retail practice.

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

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**William J. Montgoris** became a Director in August 2007. Mr. Montgoris retired as Chief Operating Officer of The Bear Stearns Companies, Inc. in 1999, a position he held since August 1993, after spending 25 years with the company. While at Bear Stearns, Mr. Montgoris also served as the company's Chief Financial Officer from April 1987 until October 1996. Mr. Montgoris currently serves as the non-executive chairman of the board of directors of Stage Stores, Inc. and a director of Office Max Incorporated. Mr. Montgoris is also on the board of directors of Colby College.

**David Pulver** became a Director in January 2002. Mr. Pulver has been a private investor for more than 25 years and is the President of Cornerstone Capital, Inc. Mr. Pulver was previously a director of Hearst-Argyle Television, Inc., where he served from 1997 through 2009 and Costco Wholesale Corporation, where he served from 1983 through 1993. Mr. Pulver currently serves as a trustee of Colby College and as a director of Bladder Cancer Advocacy Network (BCAN). Mr. Pulver was a founder of The Children's Place, Inc. and served as its Chairman and Co-Chief Executive Officer until 1982.

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

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

**Board Leadership Structure**

The Company's Corporate Governance Principles provide that positions of Chairman of the Board of Directors and Chief Executive Officer may be combined if the non-management Directors determine it is in the best interest of the Company. In August 2009, the non-management Directors appointed Mr. Casey, who was the then-current Chief Executive Officer and a sitting Board member, as Chairman. The Board believes it is appropriate to continue to combine the positions of the Chairman and Chief Executive Officer. Mr. Casey has 17 years of management, finance, and administrative leadership experience at the Company. In addition, Mr. Casey has extensive knowledge of, and experience with, all other aspects of the Company's business, including with its employees, customers, vendors, and shareholders. Having Mr. Casey serve as both Chairman and Chief Executive Officer helps promote unified leadership and direction for both the Board and management.

In connection with Mr. Casey's appointment as Chairman, the non-management Directors also created the position of Lead Independent Director and appointed Mr. Whiddon to serve in that role. The non-management Directors created the Lead Independent Director position to, among other things, ensure that the non-management Directors maintain proper oversight of management and Board process. The responsibilities of the Lead Independent Director include:

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- serving as an advisor to the Chief Executive Officer on Board, executive management, and other significant matters;
- serving as a liaison between non-management Directors and the Chief Executive Officer;
- providing annual Board assessment and other feedback to the Chief Executive Officer;
- advising the Chief Executive Officer on the Board's informational needs;
- consulting on Board meeting materials, schedules, and agendas;
- calling and presiding over executive sessions of non-management Directors;
- presiding at the Board meetings in the absence of the Chairman; and
- after consultation with the Chief Executive Officer, communicating with major shareholders or other interested parties, as appropriate.

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***Risk Oversight***

The Company's senior management has responsibility for assessing, managing, and mitigating the Company's strategic, financial, and operational risks, while the Board and its committees are responsible for overseeing management's efforts in these areas. The Board is responsible for strategic risk oversight, such as succession planning, growth plans, and product and channel diversification. The Board receives regular updates from senior management on such strategic risks at its Board meetings and more frequently, as appropriate. The Board's Audit Committee is responsible for overseeing the Company's policies and procedures for assessing, managing, and mitigating its financial and operational risks. The Audit Committee receives regular updates from the Company's risk management committee and senior management relating to the Company's efforts in these areas. The Board's Compensation Committee considers the risks associated with the Company's compensation policies and practices with respect to both executive compensation and compensation generally. In February 2011, our Compensation Committee reviewed the Company's compensation policies and practices to confirm that there are no risks arising from such compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

***Board Meetings***

Our Corporate Governance Principles require Carter's to have at least four regularly scheduled Board meetings each year, and each Director is expected to attend each meeting. The Board met five times during fiscal 2010. In fiscal 2010, no Director participated in less than 75% of the aggregate number of all of the Board and applicable committee meetings. Although the Company does not have a policy regarding Director attendance at annual meetings, each Director, except for Mr. Whiddon, attended the Company's annual meeting in fiscal 2010.

***Executive Sessions***

Executive sessions of non-management Directors are held at least four times a year. Any non-management Director can request that an additional executive session be scheduled. The Board's Lead Independent Director presides at the executive sessions of non-management Directors.

***Board Committees***

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

***Audit Committee***

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The members of our Audit Committee are Ms. Brinkley and Messrs. Montgoris, Pulver, and Whiddon. Ms. Brinkley was appointed to serve on the committee on August 12, 2010. Mr. Pulver serves as Chairman of the committee. During fiscal 2010, the Audit Committee held ten meetings. The primary responsibilities of the Audit Committee include:

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

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

The Audit Committee Report is included in this proxy statement on page 42.

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*Compensation Committee*

The members of our Compensation Committee are Messrs. Cleverly, Eagle, Fulton, and Welch. Mr. Eagle was appointed to serve on the committee on August 12, 2010. Mr. Fulton serves as Chairman of the committee. During fiscal 2010, the Compensation Committee held four meetings. The primary responsibilities of the Compensation Committee include:

- establishing the Company's philosophy, policies, and strategy relative to executive compensation, including the mix of base salary and short-term and long-term incentive compensation within the context of stated guidelines for compensation relative to peer companies;
- evaluating the performance of the Chief Executive Officer and other executive officers relative to approved performance goals and objectives;
- setting the compensation of the Chief Executive Officer and other executive officers based upon an evaluation of their performance;
- assisting the Board in developing and evaluating candidates for key executive positions and ensuring a succession plan is in place for the Chief Executive Officer and other executive officers;
- evaluating compensation plans, policies, and programs with respect to the Chief Executive Officer, other executive officers, and non-management Directors;
- monitoring and evaluating benefit programs for the Company's Chief Executive Officer and other executive officers; and
- producing an annual report on executive compensation for inclusion in the Company's annual proxy statement. This year's Compensation Committee Report is included in this proxy statement on page 23.

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



*Compensation Committee Interlocks and Insider Participation*

None of the members of our Compensation Committee serving during fiscal 2010 has been an officer or other employee of the Company. None of our executive officers has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board.

*Nominating and Corporate Governance Committee*

The members of our Nominating and Corporate Governance Committee are Ms. Castagna and Messrs. Cleverly, Welch, and Whiddon. Bradley M. Bloom served on the committee until he resigned from the Board effective May 13, 2010. Mr. Cleverly was appointed to serve on the committee on August 12, 2010. Mr. Welch serves as Chairman of the committee. During fiscal 2010, the Nominating and Corporate Governance Committee held three meetings. The primary responsibilities of the Nominating and Corporate Governance Committee include:

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

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

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***Consideration of Director Nominees***

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

When evaluating a potential candidate for membership on the Board, the Committee considers each candidate's skills and experience and assesses the needs of the Board and its committees at that point in time. Although the Committee does not have a formal policy on diversity, it believes that diversity is an important factor in determining the composition of the Board, and seeks to have Board members with diverse backgrounds, experiences, and points of view. In connection with its assessment of all prospective nominees, the Committee will determine whether to interview such prospective nominees, and if warranted, one or more members of the Committee, and others as appropriate, will interview such prospective nominees in person or by telephone. Once this evaluation is completed, if warranted, the Committee selects the nominees for election at the Annual Meeting.

***Interested Party Communications***

A shareholder or other interested party may submit a written communication to the Board, non-management Directors, or Lead Independent Director. The submission must be delivered to Mr. Gibbons at the Company's address set forth in the Notice of the Annual Meeting.

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

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

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

The Company is committed to conducting its business with the highest level of integrity and maintaining the highest standards of corporate governance. Our Corporate Governance Principles and our Code of Ethics provide the structure within which our Board and management operate the Company. The Company's Code of Ethics applies to all Directors and Company employees, including the Company's executive officers. Our Corporate Governance Principles and Code of Ethics are available on the Company's website at [www.carters.com](http://www.carters.com) or in print by

contacting Mr. Gibbons at the Company's address set forth in the Notice of the Annual Meeting.

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*Director Independence*

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

- (a) the Director is, or within the last three years has been, employed by the Company; or (b) an immediate family member of the Director is, or within the last three years has been, employed as an executive officer of the Company;
  
- the Director, or an immediate family member of the Director, has received, during any twelve-month period within the last three years, direct compensation from the Company exceeding \$120,000, other than Director or committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
  
- (a) the Director, or an immediate family member of the Director, is a current partner of a firm that is the Company's internal auditor or independent registered public accounting firm; (b) the Director is a current employee of such a firm; (c) the Director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance, or tax compliance (but not tax planning) practice; or (d) the Director, or an immediate family member of the Director, was, within the last three years (but is no longer), a partner or employee of such a firm and personally worked on the Company's audit within that time;
  
- the Director, or an immediate family member of the Director, is, or within the last three years has been, employed as an executive officer of another company where any of the Company's present executive officers serve or served on that company's compensation committee;
  
- the Director is a current employee, or has an immediate family member who is an executive officer, of another company that has made payments to, or receives payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1.0 million, or 2%, of such other company's consolidated gross revenues;
  
- the Director, or an immediate family member of the Director, is, or within the last three years has been, employed by a company that has a director who is an officer of the Company;
  
- the Director serves as an officer, director, or trustee, or as a member of a fund raising organization or committee of a not-for-profit entity to which the Company made, in any of the last three fiscal years, contributions in excess of the greater of (i) \$50,000, or (ii) 2% of the gross annual revenues or charitable receipts of such entity; or

- the Director is an executive officer of another company that is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other exceeds 1% of the total consolidated assets of such company.

Applying these standards, the Board has determined that all of our non-management Directors are independent.

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**PROPOSAL NUMBER ONE**  
**ELECTION OF CLASS II DIRECTORS**

The Board proposes that the four Class II Director nominees be re-elected to the Board to serve until 2014. The Company's Board is divided into three classes with each Director serving a three-year term or until his or her earlier resignation, death, or removal. In addition to the four Class II nominees, the Company's current Class I and Class III Directors are listed below. Each nominee currently serves as a Class II Director.

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

Name	Age
Amy Woods Brinkley	55
Michael D. Casey	50
A. Bruce Cleverly	65
Jevin S. Eagle	44

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

**Class III Directors Terms Expiring in 2012**

Name	Age
Paul Fulton	76
John R. Welch	79
Thomas E. Whiddon	58

**Class I Directors Terms Expiring in 2013**

Name	Age
Vanessa J. Castagna	61
William J. Montgoris	64
David Pulver	69

**The Board recommends a vote FOR the election of Amy Woods Brinkley, Michael D. Casey, A. Bruce Cleverly, and Jevin S. Eagle as Class II Directors.**

**Vote Required**

The four nominees for election as Class II Directors who receive the greatest number of votes will be elected as Class II Directors. Votes may be cast in favor of all nominees, withheld from all nominees, or in favor of all nominees except specific nominees. Votes that are withheld and broker non-votes will be counted toward a quorum, but will be excluded entirely from the tabulation of votes for each nominee, and, therefore, will not affect the outcome of the vote on this Proposal.

Table of Contents**COMPENSATION OF DIRECTORS**

Each of our non-management Directors receives an annual retainer and meeting fees, and each committee Chairman receives a separate retainer. The Board's philosophy is generally to target total compensation for each non-management Director at the fiftieth percentile of compensation paid to directors at companies in our peer group. With respect to each Director who served on the Board for the full fiscal 2010, each such Director's annual retainer was comprised of a \$30,000 cash payment and a grant of our common stock valued at approximately \$100,000. Mr. Eagle, who joined the Board on August 12, 2010, received a cash retainer and common stock grant, pro-rated for his time of service in fiscal 2010. Each Director received meeting fees of \$2,500 for each regularly scheduled Board meeting, \$1,000 for each special Board meeting, and \$1,000 for each regularly scheduled or special meeting of our standing Board committees.

In fiscal 2010, the Chairman of our Audit Committee and our Lead Independent Director each received \$20,000 cash retainers, and the Chairmen of our Compensation and Nominating and Corporate Governance Committees each received \$10,000 cash retainers. In addition, as a new non-management Director, Mr. Eagle was granted a one-time grant of restricted common stock valued at approximately \$100,000. This restricted stock vests on August 12, 2013, or three years after the date of grant.

We reimburse Directors for travel expenses incurred in connection with attending Board and committee meetings and for other expenses incurred while conducting Company business. Mr. Casey receives no additional compensation for serving on the Board. There are no family relationships among any of the Directors or our executive officers.

The following table provides information concerning the compensation of our non-management Directors for fiscal 2010.

**FISCAL 2010 DIRECTOR COMPENSATION TABLE**

Name	Fees Earned		Stock	Total
	or Paid in Cash		Awards	
	(b)	(c)	(d)	(e)
Bradley M. Bloom (a)	\$ 27,000	\$	\$	\$ 27,000
Amy Woods Brinkley	\$ 41,594	\$	200,006(d)	\$ 241,600
Vanessa J. Castagna	\$ 44,000	\$	100,003	\$ 144,003
A. Bruce Cleverly	\$ 47,000	\$	100,003	\$ 147,003
Jevin S. Eagle	\$ 22,000	\$	150,036(e)	\$ 172,036
Paul Fulton	\$ 55,000	\$	100,003	\$ 155,003
William J. Montgoris	\$ 56,000	\$	100,003	\$ 156,003
David Pulver	\$ 76,000	\$	100,003	\$ 176,003
John R. Welch	\$ 58,000	\$	100,003	\$ 158,003
Thomas E. Whiddon	\$ 75,500	\$	100,003	\$ 175,503

(a) All compensation earned by Mr. Bloom was paid to Berkshire Partners. Mr. Bloom resigned as a Director effective May 13, 2010.



(b) This column reports the amount of cash compensation earned in fiscal 2010 through annual cash retainers and meeting fees.

(c) On May 13, 2010, we issued each of our non-management Directors (except Mr. Eagle) 3,004 shares of common stock with a grant date fair value of \$33.29 per share.

(d) In connection with joining the Board, Ms. Brinkley was granted 3,004 shares of common stock and 3,004 shares of restricted stock, which vest on May 13, 2013, or three years after the date of grant. These shares had a grant date fair value of \$33.29 per share. In accordance with accounting guidance on share-based payments, we assume the restricted shares will fully vest in May 2013 and record the related expense ratably over the vesting period.

(e) Upon joining the Board in August 2010, the Company issued Mr. Eagle 2,115 shares of common stock and 4,229 shares of restricted stock, which vest on August 12, 2013, or three years after the date of grant. These shares had a grant date fair value of \$23.65 per share. In accordance with accounting guidance on share-based payments, we assume the restricted shares will fully vest in August 2013 and record the related expense ratably over the vesting period.

For complete beneficial ownership information of our common stock for each Director, see heading Securities Ownership of Beneficial Owners, Directors, and Executive Officers on page 30.

Table of Contents**EXECUTIVE OFFICERS BIOGRAPHICAL INFORMATION AND EXPERIENCE**

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

<b>Name</b>	<b>Age</b>	<b>Position</b>
Michael D. Casey	50	Chairman of the Board of Directors, Chief Executive Officer, and President
Lisa A. Fitzgerald	48	Executive Vice President and Brand Leader for OshKosh B'gosh
William G. Foglesong	41	Senior Vice President of Marketing
Brendan M. Gibbons	35	Senior Vice President of Legal & Corporate Affairs, General Counsel, and Secretary
Brian J. Lynch	48	Executive Vice President and Brand Leader for Carter's
James C. Petty	52	President of Retail Stores
Richard F. Westenberger	42	Executive Vice President and Chief Financial Officer
Charles E. Whetzel, Jr.	60	Executive Vice President and Chief Supply Chain Officer
Jill A. Wilson	44	Senior Vice President of Human Resources and Talent Development

**Michael D. Casey** joined the Company in 1993 as Vice President of Finance. Mr. Casey was named Senior Vice President of Finance in 1997, Senior Vice President and Chief Financial Officer in 1998, Executive Vice President and Chief Financial Officer in 2003, and Chief Executive Officer in 2008. Mr. Casey became a Director in 2008 and was named Chairman of the Board of Directors in 2009. Prior to joining the Company, Mr. Casey worked for 11 years with Price Waterhouse LLP, a predecessor firm to PricewaterhouseCoopers LLP. Mr. Casey serves as a director of National Vision, Inc.

**Lisa A. Fitzgerald** joined the Company in 2010 as Executive Vice President and Brand Leader for OshKosh B'gosh. From 2000 to 2009, Ms. Fitzgerald was with Lands' End, Inc., a specialty apparel division of Sears Holdings Corporation, having served most recently as Executive Vice President of Merchandising, Design, and Creative, and as Interim President in 2008. Prior to that, Ms. Fitzgerald worked for Gymboree as Vice President and General Merchandise Manager for its Baby product line.

**William G. Foglesong** joined the Company in 2010 as Senior Vice President of Marketing. From 2008 to 2010, Mr. Foglesong was the Vice President of Marketing and Direct-To-Consumer at Spanx, Inc., a leading women's apparel company. From 2002 to 2008, Mr. Foglesong worked at The Home Depot, Inc. where he was General Manager of Home Depot Direct. Mr. Foglesong started his career with General Electric and gained additional experience at The Boston Consulting Group where he focused on building eCommerce strategies for his clients.

**Brendan M. Gibbons** joined the Company in 2004 as Vice President, General Counsel, and Secretary. In 2010, Mr. Gibbons was promoted to Senior Vice President of Legal & Corporate Affairs, General Counsel, and Secretary following the assumption of additional responsibilities. Mr. Gibbons joined the Company from Ropes & Gray LLP where, among other responsibilities, he counseled private and public companies on governance, compliance, and general corporate and securities matters.

**Brian J. Lynch** joined the Company in 2005 as Vice President of Merchandising. Mr. Lynch was promoted to Senior Vice President in 2008. In 2009, Mr. Lynch was promoted to Executive Vice President and Brand Leader for Carter's. Prior to joining the Company, Mr. Lynch was with The Walt Disney Company for nine years in various merchandising, brand management, and strategy roles in the Disney Parks & Resorts division. Prior to Disney, Mr. Lynch worked for Champion Products, a division of Hanesbrands Inc.

**James C. Petty** joined the Company in 2007 as President of Retail Stores. Prior to joining the Company, Mr. Petty served as President and Chief Executive Officer of PureBeauty, Inc. from 2005 to 2006. From 1997 to 2004, Mr. Petty held various positions at predecessors to Ascena Retail Group, Inc., a specialty retailer of apparel for women and tween girls, including President, General Manager Limited Too Division, Executive Vice President, Stores and Real Estate; Senior Vice President, Stores; and Vice President, Stores, Limited Too Division. Prior to 1997, Mr. Petty spent thirteen years at Gap, Inc. where he held various positions with Gap, Banana Republic and Old Navy brands, including as Vice President of Operations for Old Navy and prior to that as Vice President of Operations for Banana Republic.

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**Richard F. Westenberger** joined the Company in 2009 as Executive Vice President and Chief Financial Officer. Mr. Westenberger's responsibilities include management of the Company's finance and information technology functions. Prior to joining the Company, Mr. Westenberger served as Vice President of Corporate Finance and Treasurer of Hewitt Associates, Inc. from 2006 to 2008. Prior to Hewitt, Mr. Westenberger was Senior Vice President and Chief Financial Officer of Lands' End, Inc., a specialty apparel division of Sears Holdings Corporation. During his ten years at Sears, Mr. Westenberger held various other senior financial management positions, including Vice President of Corporate Planning and Analysis and Vice President of Investor Relations. Prior to Sears, Mr. Westenberger was with Kraft Foods, Inc. He began his career at Price Waterhouse LLP, a predecessor firm to PricewaterhouseCoopers LLP, and is a certified public accountant.

**Charles E. Whetzel, Jr.** joined the Company in 1992 as Executive Vice President of Operations. Mr. Whetzel was promoted to Executive Vice President of Manufacturing in 1997, Executive Vice President of Global Sourcing in 2000, and Executive Vice President and Chief Sourcing Officer in 2005. In 2010, Mr. Whetzel was promoted to Executive Vice President and Chief Supply Chain Officer. Mr. Whetzel began his career at Aileen, Inc. in 1971 in the Quality function and was later promoted to Vice President of Apparel. Following Aileen, Inc., Mr. Whetzel held positions of increased responsibility with Health-Tex, Inc., Mast Industries, Inc., and Wellmade Industries, Inc. In 1988, Mr. Whetzel joined Bassett-Walker, Inc. and was later promoted to Vice President of Manufacturing for The HD Lee Company, Inc.

**Jill A. Wilson** joined the Company in 2009 as Vice President of Human Resources. In 2010, Ms. Wilson was promoted to Senior Vice President of Human Resources and Talent Development. Ms. Wilson joined the Company after more than 20 years with The May Company and Macy's. While at Macy's, Ms. Wilson held various Human Resources positions of increasing responsibility, including Group Vice President of Human Resources. Ms. Wilson has extensive experience in a broad range of human resources disciplines, including talent management, organizational development, compensation, and talent acquisition.

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**COMPENSATION DISCUSSION AND ANALYSIS**

*Overview*

This Compensation Discussion and Analysis, or CD&A, is intended to provide information regarding the Company's executive compensation program and practices. This CD&A covers a variety of topics, including the Company's compensation philosophy regarding executive compensation, the role of our Compensation Committee in setting the compensation of our executive officers, including our named executive officers, and our executive compensation decisions for fiscal 2010.

Our named executive officers for fiscal 2010 were: Michael D. Casey, Chief Executive Officer; Richard F. Westenberger, Executive Vice President and Chief Financial Officer; Lisa A. Fitzgerald, Executive Vice President and Brand Leader for OshKosh B'gosh; James C. Petty, President of Retail Stores; and Charles E. Whetzel, Jr., Executive Vice President and Chief Supply Chain Officer. Ms. Fitzgerald joined the Company as Executive Vice President and Brand Leader for OshKosh B'gosh on February 1, 2010.

*Compensation Philosophy*

The Company is committed to achieving long-term, sustainable growth and increasing shareholder value. The Company's compensation program for our named executive officers is designed to support these objectives and encourage strong financial performance on an annual and long-term basis by linking a significant portion of our named executive officers' total compensation to Company performance in the form of incentive compensation. The principal elements of the compensation structure for our named executive officers, which are discussed in more detail below, are base salary, annual cash incentive compensation, and long-term equity incentive compensation.

Together, the Company refers to these three elements as total direct compensation. In addition, prior to 2010, the Company offered perquisites and other personal benefits to certain of our named executive officers. Starting in fiscal 2010, all of the perquisites and other personal benefits, with the exception of the Company's 401(k) matching program, as described below under the heading "Perquisites and Other Personal Benefits," have been eliminated. Our named executive officers may also receive special bonuses in recognition of special circumstances or for superior performance.

The Company's compensation philosophy is to set our named executive officers' compensation at levels that will attract, motivate, and retain superior executive talent in a highly competitive environment. In light of this philosophy, our Compensation Committee generally targets setting our named executive officers' total direct compensation between the fiftieth and seventy-fifth percentile of compensation paid to executives in similar positions at companies set forth in the Total Remuneration Survey (the "Retail Survey") conducted by the Hay Group, an independent compensation consultant engaged by our Compensation Committee. The Compensation Committee generally targets setting our named executive officers' maximum total direct compensation in the top quartile if superior performance is achieved. In setting compensation for our named executive officers, the Compensation Committee also references the proxy compensation data of companies in our peer group, particularly when there are directly comparable positions in our peer group to those of our named executive officers, such as our Chief Executive Officer and Chief Financial Officer.

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The Retail Survey is comprised of approximately 100 companies (listed in Appendix A) in the retail and wholesale industry and provides comparable compensation information by controlling for differences in companies' revenue size and in the scope of responsibility of different executives. Our peer group is generally comprised of companies in the retail or wholesale industries that primarily conduct business in apparel or related accessories, sell products under multiple brands through retail and outlet stores, and have net sales generally between one-half and two times the Company's net sales. In fiscal 2010, our peer group was comprised of the following companies:

Aeropostale, Inc.	Guess?, Inc.
American Eagle Outfitters, Inc.	The Gymboree Corp.
Ascena Retail Group, Inc.	J. Crew Group, Inc.
Chico's FAS, Inc.	Oxford Industries, Inc.
The Children's Place Retail Stores, Inc.	Pacific Sunwear of California, Inc.
Coach, Inc.	Quiksilver, Inc.
Coldwater Creek Inc.	The Timberland Company
Columbia Sportswear Company	The Warnaco Group, Inc.

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In August 2010, our Compensation Committee reviewed our peer group with the Hay Group and determined to replace Tween Brands, Inc. with Ascena Retail Group, Inc. (formerly The Dress Barn, Inc.) after its acquisition by Ascena Retail Group. Throughout fiscal 2010, our Compensation Committee reviewed compensation data from the Retail Survey and our peer group to compare the compensation of our named executive officers.

The Company's 401(k) matching program provides matching at the discretion of the Company based on the Company's performance. In February 2011, the Company announced that contributions made to the Company's 401(k) plan in fiscal 2010 would be matched 100% by the Company up to Internal Revenue Service limitations.

Although no changes were made to the Company's overall compensation philosophy or structure, the Company is taking measures in fiscal 2011 to control and reduce certain costs in response to a projected significant increase in the Company's product costs, driven by inflation in significant component costs such as raw cotton. These cost increases are expected to adversely affect the Company's profitability. The measures include, except for promotions and other performance-based increases, holding our employees' base salaries and annual cash incentive compensation targets consistent with fiscal 2010 levels, including the salaries of our named executive officers.

***Role of the Compensation Committee***

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

To maintain the effectiveness of our executive compensation program, and to keep it consistent with our compensation philosophy, our Compensation Committee regularly reviews the reasonableness of compensation for our executive officers, including our named executive officers, and compares it with compensation data from the Retail Survey and our peer group.

In making compensation determinations for our named executive officers, our Compensation Committee principally takes into account:

- (i) the nature and scope of each officer's responsibilities;
  
- (ii) the Company's performance; and

(iii) the comparative compensation data of companies in the Retail Survey and our peer group.

Our Compensation Committee also considers the recommendations of our Chief Executive Officer regarding the base salary, annual cash incentive compensation, and long-term equity incentive compensation of our named executive officers, other than himself. In addition, our Chief Executive Officer makes recommendations to the Compensation Committee regarding the structure of our executive compensation program.

***Total Direct Compensation***

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



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In fiscal 2010, as set forth in more detail in the Fiscal 2010 Summary Compensation Table, the total direct compensation of each of our named executive officers was as follows:

Named Executive Officer	Total Direct Compensation	
Michael D. Casey	\$	5,114,031
Richard F. Westenberger	\$	1,337,076
Lisa A. Fitzgerald	\$	2,611,489
James C. Petty	\$	1,648,932
Charles E. Whetzel, Jr.	\$	1,458,922

**Base Salary**

The Company's compensation philosophy is generally to target our named executive officers' base salaries at approximately the fiftieth percentile of the base salaries paid to executives in similar positions set forth in the Retail Survey and our peer group, as appropriate, while making adjustments in light of the objective and subjective factors discussed above. Ms. Fitzgerald's base salary for 2010 was approved by the Compensation Committee based on Ms. Fitzgerald's compensation prior to joining the Company, negotiations with Ms. Fitzgerald at the time she was hired, and taking into consideration the data for similar positions at companies set forth in the Retail Survey and the proxy peer group. As discussed above under the heading "Compensation Philosophy," fiscal 2011 base salaries for our named executive officers will remain at fiscal 2010 levels.

The following table details the base salaries we provided in fiscal 2010 to each of our named executive officers and their corresponding base salaries for fiscal 2011:

Named Executive Officer	Base Salary	
	Fiscal 2010	Fiscal 2011
Michael D. Casey Chairman of the Board and Chief Executive Officer	\$ 760,000	\$ 760,000
Richard F. Westenberger Executive Vice President and Chief Financial Officer	\$ 425,000	\$ 425,000
Lisa A. Fitzgerald Executive Vice President and Brand Leader for OshKosh B'gosh	\$ 500,000	\$ 500,000
James C. Petty President of Retail Stores	\$ 480,000	\$ 480,000
Charles E. Whetzel, Jr. Executive Vice President and Chief Supply Chain Officer	\$ 475,000	\$ 475,000

**Annual Cash Incentive Compensation**

The Company makes annual cash incentive compensation a significant component of our named executive officers' targeted total direct compensation, while maintaining the Company's compensation philosophy generally to target total direct compensation between the fiftieth and seventy-fifth percentile of compensation paid to executives in similar positions set forth in the Retail Survey and our peer group, as appropriate, and in the top quartile when superior performance is achieved. We believe this compensation program design aligns the interests of our named executive officers with the interests of our shareholders.

For each named executive officer, our Compensation Committee approves a target annual cash incentive compensation that is a percentage of such named executive officer's base salary. In establishing these annual cash incentive compensation targets, the Compensation Committee considers our named executive officers' potential total direct compensation in light of the Company's compensation philosophy and comparative compensation data. In February 2010, our Compensation Committee set the following fiscal 2010 annual cash incentive compensation targets for our named executive officers: 150% of base salary for Mr. Casey, and 75% of base salary for Ms. Fitzgerald and Messrs. Westenberger, Petty, and Whetzel.

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The named executive officers can earn their annual cash incentive compensation based upon the Company's achievement of financial performance targets pre-determined by the Compensation Committee.

In accordance with our Incentive Compensation Plan, for fiscal 2010, the Compensation Committee used three financial performance metrics to determine the amount, if any, of annual cash incentive compensation to be paid under our Incentive Compensation Plan: net sales (weighted at 25%), earnings before interest and taxes ( EBIT ), adjusted, if applicable, in the same manner as for presentation to the financial markets (weighted at 25%), and earnings per share ( EPS ), adjusted, if applicable, in the same manner as for presentation to the financial markets, (weighted at 50%). Our Compensation Committee selected net sales, EBIT, and EPS as performance metrics because it believes they are key financial measures that are aligned with the interests of our shareholders and help to measure the quality of our earnings.

Our Compensation Committee has the discretion not to award annual cash incentive compensation, even if the Company achieves its financial performance targets, and to take into account personal performance in determining the percentage of each named executive officer's annual cash incentive compensation to be paid, if any.

Our named executive officers could have earned from 0% to 200% of their target cash incentive compensation in fiscal 2010 based upon the Company's achievement of the following financial targets, weighted at the following percentages:

	Net Sales (\$ in billions) (25%)		EBIT (\$ in millions) (25%)		EPS (50%)
25% of Target Cash Incentive Compensation	\$	1.614	\$	229.5	\$ 2.25
100% of Target Cash Incentive Compensation	\$	1.675	\$	237.5	\$ 2.36
200% of Target Cash Incentive Compensation	\$	1.723	\$	242.7	\$ 2.41

Based on the Company's fiscal 2010 net sales of \$1.749 billion, EBIT of \$243.3 million, and EPS of \$2.46, our named executive officers earned 200% of their cash incentive compensation targets for fiscal 2010.

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

Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to a company's principal executive officer and the company's three most highly compensated executive officers, other than its principal financial officer. This limitation generally does not apply to performance-based compensation that is awarded under a plan that is approved by the shareholders of a company and that also meets certain other technical requirements. Our compensation program for our named executive officers is intended to operate within the deductibility requirements under Section 162(m). However, the Compensation Committee may decide, from time to time, to award compensation that is not fully deductible under Section 162(m) to ensure that our executive officers are compensated at a competitive level or for other reasons consistent with our compensation policies and philosophies.

***Long-Term Equity Incentive Compensation***

Our Equity Incentive Plan allows for various types of equity awards, including stock options, restricted stock, stock appreciation rights, and deferred stock. Awards under our Equity Incentive Plan are granted to recruit, motivate, and retain employees and in connection with promotions or increased responsibility. Our Compensation Committee has only awarded time and performance-based stock options and time and performance-based restricted stock, although it could use other forms of equity awards in the future.

All awards under our Equity Incentive Plan must be approved by our Compensation Committee. Our Compensation Committee determines the type, timing, and amount of equity awards granted to each of our named executive officers after considering their previous equity awards, base salary, and target annual cash incentive compensation in light of the Company's compensation philosophy. Our Compensation Committee also considers the comparative compensation data in the Retail Survey and our peer group, and our desire to retain and motivate our named executive officers and to align their goals with the long-term goals of our shareholders. Our Compensation Committee's practice is to approve grants of stock options and restricted stock at regularly scheduled meetings. Our Compensation Committee may also make equity grants at special meetings or by unanimous written consent. Our Compensation Committee could select a date subsequent to a regularly scheduled meeting on which to grant equity awards. Our Compensation Committee sets the exercise prices of equity awards at the closing price of our common stock on the NYSE on the date of grant.

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In considering the value of equity awards, we calculate the value of stock option awards by using the Black-Scholes option pricing valuation method and the value of restricted stock awards equal to the closing price of our common stock on the date of grant. In addition, our Compensation Committee regularly reviews the equity ownership of our named executive officers compared to the Company's minimum ownership guidelines.

Under the Company's minimum ownership guidelines, no named executive officer may sell Company stock (other than to cover the tax obligations resulting from the vesting of Company restricted stock or from exercising vested stock options) unless he or she owns shares of Company stock with a total market value in excess of a multiple of his or her base salary. The multiples for our named executive officers are as follows: Chief Executive Officer - seven times his base salary; Chief Financial Officer, Brand Leader for OshKosh B'gosh, and President of Retail Stores - three times their base salaries; and Chief Supply Chain Officer - five times his base salary. Each of our named executive officers has complied with these ownership guidelines.

Our equity retention policy for the named executive officers requires that any restricted stock granted to a named executive officer after January 1, 2009 be held for the entire vesting period from the date of grant prior to sale, except for any withholding to cover tax obligations resulting from the vesting of such shares. The policy also requires that options granted after January 1, 2009 be held for at least one year from the date of vesting.

In February 2010, based on the criteria described below, our Compensation Committee approved option and restricted stock grants for each named executive officer. Messrs. Casey, Westenberger, Petty, and Whetzel received an annual grant of time-based stock options of 80,000, 13,000, 21,000, and 13,000 shares, respectively, and an annual grant of restricted stock of 40,000, 4,000, 7,000, and 4,000 shares, respectively. Ms. Fitzgerald received a grant of 40,000 time-based stock options and 20,000 restricted stock shares in February 2010, representing an initial equity grant for joining the Company in early 2010. Ms. Fitzgerald's option and restricted stock grants were approved by the Compensation Committee based on Ms. Fitzgerald's compensation prior to joining the Company, negotiations with Ms. Fitzgerald at the time she was hired, and taking into consideration the data for similar positions at companies set forth in the Retail Survey and the proxy peer group.

In February 2011, taking into consideration the Company's financial performance in fiscal 2010, equity ownership levels of the Company's named executive officers, retention needs, and the comparative compensation data presented by the Hay Group indicating that the total direct compensation for the named executive officers was below the fiftieth to seventy-fifth percentile targeted by the Compensation Committee, our Compensation Committee approved annual grants of time-based stock options and restricted stock in the following amounts: 80,000 time-based stock options and 40,000 shares of restricted stock for Mr. Casey and 12,000 time-based stock options and 16,000 shares of restricted stock for Ms. Fitzgerald and Messrs. Westenberger, Petty, and Whetzel. In March 2011, the Compensation Committee also approved a grant of 80,000 performance-based restricted shares for Mr. Casey. His restricted shares are eligible to vest in fiscal 2014 in varying percentages (between 25% and 100%) if the Company's earnings per share (as may be adjusted from time to time) have compound annual growth, measured from fiscal 2010 to fiscal 2014, between 4% and 10%.

All of the time-based stock option and restricted stock awards granted to our named executive officers in fiscal 2010 and fiscal 2011 are subject to the equity retention policy described above and vest in four equal, annual installments on the anniversary of the grant date, contingent on the executive officer's continued employment with the Company.

***Severance and Employment Agreements***

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Each of Mr. Casey, Mr. Westenberger, Ms. Fitzgerald, and Mr. Petty has a severance agreement with the Company. Mr. Whetzel has an employment agreement with the Company. The agreement with Mr. Whetzel automatically renews for one-year periods unless earlier terminated in accordance with its provisions.

In the event that a named executive officer is terminated by the Company for cause, retires, becomes disabled, or dies, the executive or his or her estate will be provided his or her base salary and medical and other benefits through the termination of his or her employment.

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If a named executive officer is terminated without cause, or a named executive officer terminates for good reason (with cause and good reason defined in each executive's respective agreement and summarized below) the Company will be obligated to pay such executive's base salary, medical, dental and life insurance benefits for 24 months in the case of: Messrs Casey, Whetzel, or Petty, and for 12 months in the case of: Ms. Fitzgerald or Mr. Westenberger. The Company is also obligated to pay Messrs. Casey, Petty, and Westenberger and Ms. Fitzgerald a pro-rated annual cash incentive compensation amount that would have been earned by each such executive if he or she had been employed at the end of the year in which his or her employment was terminated. In the case of Mr. Whetzel, any annual cash incentive compensation will not be pro-rated. The determination of whether an annual cash incentive compensation is payable to the named executive officer will not take into account any individual performance goals and shall be based solely on the extent to which Company performance goals have been met.

In the event that within two years following a change of control (with change of control defined in each executive's agreement) the Company terminates the named executive officer's employment, other than for cause or such executive terminates his or her employment for good reason, the Company shall pay such named executive officer base salary, medical, dental and life insurance benefits for 36 months in the case of Mr. Casey, and 24 months in the case of: Mr. Westenberger, Ms. Fitzgerald, or Mr. Petty. In the event of a change of control of the Company, all unvested stock options and all unvested shares of restricted stock held by the named executive officers shall fully vest.

Severance payments made to the named executive officers are subject to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

Under the agreements with each of our named executive officers, cause is generally deemed to exist when the named executive officer has: (i) been convicted of a felony or entered a plea of guilty or no contest to a felony; (ii) committed fraud or other act involving dishonesty for personal gain which is materially injurious to the Company; (iii) materially breached his or her obligations of confidentiality, intellectual property assignment, non-competition, non-solicitation, or non-disparagement against the Company after a cure period, provided such breach by its nature was curable; (iv) willfully engaged in gross misconduct which is injurious to the Company; or, (v) after a cure period, willfully refused to substantially perform his duties or is grossly negligent in performance of such duties.

Under the agreements with our named executive officers, good reason is generally deemed to exist when there is (i) a material reduction in executive's title, duties, or responsibilities; (ii) a material change in the geographic location at which the executive must perform services; or (iii) a material breach of the executive's agreement by the Company.

***Potential Payments Upon a Termination and Change of Control***

*Termination*

As described in more detail above under the heading Severance and Employment Agreements, we have entered into certain agreements and maintain certain plans that may require us to make certain payments and provide certain benefits to our named executive officers in the event of a termination of employment.

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For purposes of the table below, a hypothetical termination without cause or for good reason is assumed to have occurred as of January 1, 2011, the last day of fiscal 2010. However, none of our named executive officers were terminated on January 1, 2011. There can be no assurance that a termination of employment of any of our named executive officers would produce the same or similar results as those set forth below on any other date. The terms without cause and good reason are defined in the agreements with our executives and summarized above under the heading Severance and Employment Agreements.

	<b>Michael D. Casey</b>	<b>Richard F. Westenberger</b>	<b>Lisa A. Fitzgerald</b>	<b>James C. Petty</b>	<b>Charles E. Whetzel, Jr.</b>
Base Salary	\$ 1,520,000	\$ 425,000	\$ 500,000	\$ 960,000	\$ 950,000
Cash Incentive Compensation (a)	2,280,000	637,500	750,000	720,000	712,500
Health and Other Benefits	32,123	16,320	16,320	32,640	11,466
<b>Total</b>	<b>\$ 3,832,123</b>	<b>\$ 1,078,820</b>	<b>\$ 1,266,320</b>	<b>\$ 1,712,640</b>	<b>\$ 1,673,966</b>

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(a) Cash incentive compensation calculations are based on cash incentive compensation targets achieved in fiscal 2010 described in more detail under the heading Annual Cash Incentive Compensation above.



Table of Contents*Termination Following a Change of Control*

As described in more detail above under the heading *Severance and Employment Agreements*, we have entered into certain agreements that may require us to make certain payments and provide certain benefits to our named executive officers in the event of a change of control (with change of control defined in each executive's agreement).

For purposes of the table below, we have assumed that all stock options and all unvested shares of restricted stock have fully vested immediately prior to a change of control on January 1, 2011, the last day of fiscal 2010, and that a termination without cause occurred immediately following a change of control on January 1, 2011. However, neither a change of control nor a termination without cause occurred on January 1, 2011, and none of the stock options or restricted stock awards was accelerated. The closing price on the NYSE of the Company's common stock on the last trading day of fiscal 2010 was \$29.51 per share, and the intrinsic value of accelerated stock option vesting would have been as set forth below. There can be no assurance that a change of control would produce the same or similar results as those set forth below on any other date or at any other price.

	<b>Michael D. Casey</b>	<b>Richard F. Westenberger</b>	<b>Lisa A. Fitzgerald</b>	<b>James C. Petty</b>	<b>Charles E. Whetzel, Jr.</b>
Base Salary	\$ 2,280,000	\$ 850,000	\$ 1,000,000	\$ 960,000	\$ 950,000
Cash Incentive Compensation (a)	2,280,000	637,500	750,000	720,000	712,500
Health and Other Benefits	48,184	32,640	32,640	32,640	11,466
Option Value	1,717,935	209,160	58,800	843,433	496,260
Restricted Stock Value	4,588,805	339,365	590,200	804,148	376,253
<b>Total</b>	<b>\$ 10,914,924</b>	<b>\$ 2,068,665</b>	<b>\$ 2,431,640</b>	<b>\$ 3,360,221</b>	<b>\$ 2,546,479</b>

(a) Cash incentive compensation calculations are based on cash incentive compensation targets achieved in fiscal 2010 described in more detail under the heading *Annual Cash Incentive Compensation* above.

*Perquisites and Other Benefits*

Except for the 401(k) matching program, our named executive officers do not receive any perquisites or other benefits.

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**COMPENSATION COMMITTEE REPORT**

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

**Submitted by the Compensation Committee**

Mr. Paul Fulton, Chairman

Mr. A. Bruce Cleverly

Mr. Jevin S. Eagle

Mr. John R. Welch

Table of Contents**FISCAL 2010 SUMMARY COMPENSATION TABLE**

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

In the **Salary** column, we disclose the base salary paid to each of our named executive officers during fiscal 2010, 2009, and 2008.

In the **Bonus** column, we disclose the cash bonuses earned during fiscal 2010, 2009, and 2008, other than amounts earned pursuant to the Company's Incentive Compensation Plan.

In the **Stock Awards** and **Option Awards** columns, we disclose the total fair value of the grants made in fiscal 2010, 2009, and 2008, without a reduction for assumed forfeitures. For restricted stock, the fair value is calculated using the closing price on the NYSE of our stock on the date of grant. For time-based and performance-based stock options, the fair value is calculated based on assumptions summarized in Note 6 to our audited consolidated financial statements, which are included in our fiscal 2010 Annual Report on Form 10-K.

In the column **Non-Equity Incentive Plan Compensation**, we disclose the dollar value of all compensation earned in fiscal 2010, 2009, and 2008 pursuant to the Company's Incentive Compensation Plan.

In the column **All Other Compensation**, we disclose the dollar value of all other compensation that could not properly be reported in other columns of the Fiscal 2010 Summary Compensation Table, including perquisites, amounts reimbursed for the payment of taxes, and insurance premiums paid by the Company for the benefit of our named executive officers.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total (\$)
				(\$)	(\$)	(\$)	(\$)	
Michael D. Casey Chairman of the Board of Directors and Chief Executive Officer	2010	\$ 739,231	\$	\$ 1,121,600	\$ 951,200	\$ 2,280,000	\$ 22,000	\$ 5,114,031
	2009	\$ 700,000	\$	\$ 907,000	\$ 763,000	\$ 1,960,426	\$ 110,315	\$ 4,440,741
	2008	\$ 540,385(a)	\$	\$ 1,344,000	\$ 891,250	\$ 651,000	\$ 121,500	\$ 3,548,135
Richard F. Westenberger Executive Vice President and Chief Financial Officer	2010	\$ 416,346	\$	\$ 112,160	\$ 154,570	\$ 637,500	\$ 16,500	\$ 1,337,076
	2009	\$ 376,923	\$ 200,000(e)	\$ 168,400	\$ 141,000	\$ 600,000	\$ 161,920	\$ 1,648,243
Lisa A. Fitzgerald (g) Executive Vice President and Brand Leader for OshKosh B'gosh	2010	\$ 451,923	\$ 250,000(f)	\$ 560,800	\$ 475,600	\$ 750,000	\$ 123,166	\$ 2,611,489

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James C. Petty	2010	\$	460,962	\$		\$	196,280	\$	249,690	\$	720,000	\$	22,000	\$	1,648,932
President of Retail Stores	2009	\$	425,000	\$		\$	126,980	\$	190,750	\$	637,500	\$	9,800	\$	1,390,030
	2008	\$	412,500	\$	593,596(e)	\$	354,500	\$	436,500	\$	200,000	\$	91,899	\$	2,088,995
Charles E. Whetzel, Jr.	2010	\$	457,692	\$		\$	112,160	\$	154,570	\$	712,500	\$	22,000	\$	1,458,922
Executive Vice President and	2009	\$	425,000	\$		\$	90,700	\$	152,600	\$	694,318	\$	159,230	\$	1,521,848
Chief Supply Chain Officer	2008	\$	417,308	\$		\$	141,800	\$	232,800	\$	230,563	\$	164,220	\$	1,186,691

(a) Prior to Mr. Casey's promotion to Chief Executive Officer on August 1, 2008, his base salary for the 2008 fiscal year was \$450,000. After his promotion and for the balance of the 2008 fiscal year, his base salary was \$700,000.

(b) The amounts disclosed in this column for Messrs. Casey, Westenberger, Petty, and Whetzel, and Ms. Fitzgerald reflect the total grant date fair value for the following grants:

(i) Mr. Casey was granted 75,000 shares of performance-based restricted stock on August 7, 2008 with a grant date fair value of \$17.92 per share. Fifty percent of these shares vested on March 2, 2011. The remaining 50% of these shares will then vest in equal amounts on December 31, 2011 and December 31, 2012 based on Mr. Casey's continued employment with the Company. Mr. Casey was also granted 50,000 shares of restricted stock on March 12, 2009 with a grant date fair value of \$18.14 per share and 40,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04 per share. These grants vest in four equal, annual installments following the date of grant.

(ii) Mr. Westenberger was granted 10,000 shares of restricted stock on February 6, 2009 with a grant date fair value of \$16.84 per share and 4,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04 per share. These grants vest in four equal, annual installments following the date of grant.

(iii) Ms. Fitzgerald was granted 20,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04 per share. These shares vest in four equal, annual installments following the date of grant.

(iv) Mr. Petty was granted 25,000 shares of restricted stock on July 1, 2008 with a grant date fair value of \$14.18 per share, 7,000 shares of restricted stock on March 12, 2009 with a grant date fair value of \$18.14, and 7,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04. These grants vest in four equal, annual installments following the date of grant.

(v) Mr. Whetzel was granted 10,000 shares of restricted stock on July 1, 2008 with a grant date fair value of \$14.18 per share, 5,000 shares of restricted stock on March 12, 2009 with a grant date fair value of \$18.14, and 4,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04. These grants vest in four equal, annual installments following the date of grant.

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(c) The amounts disclosed in this column represent the total grant date fair value for the following grants:

(i) Mr. Casey was granted 125,000 time-based stock options on August 6, 2008 with a Black-Scholes fair value of \$7.13 per share and an exercise price of \$17.90 per share, 100,000 time-based stock options on March 12, 2009 with a Black-Scholes fair value of \$7.63 per share and an exercise price of \$18.14 per share, and 80,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. These grants vest in four equal, annual installments following the date of grant.

(ii) Mr. Westenberger was granted 20,000 time-based stock options on February 6, 2009 with a Black-Scholes fair value of \$7.05 per share and an exercise price of \$16.84 per share, and 13,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. These grants vest in four equal, annual installments following the date of grant.

(iii) Ms. Fitzgerald was granted 40,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. These shares vest in four equal, annual installments following the date of grant.

(iv) Mr. Petty was granted 75,000 time-based stock options on July 1, 2008 with a Black-Scholes fair value of \$5.82 per share and an exercise price of \$14.18 per share, 25,000 time-based stock options on March 12, 2009 with a Black-Scholes fair value of \$7.63 per share and an exercise price of \$18.14 per share, and 21,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. These grants vest in four equal, annual installments following the date of grant.

(v) Mr. Whetzel was granted 40,000 time-based stock options on July 1, 2008 with a Black-Scholes fair value of \$5.82 per share and an exercise price of \$14.18 per share, 20,000 time-based stock options on March 12, 2009 with a Black-Scholes fair value of \$7.63 per share and an exercise price of \$18.14 per share, and 13,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. These grants vest in four equal, annual installments following the date of grant.

(d) The amounts shown as All Other Compensation for fiscal 2010 consist of the following:

Name	401(k) Company		Tax Gross-Ups		Total
	Match	Relocation	(i)		
Michael D. Casey	\$ 22,000	\$	\$	\$	\$ 22,000
Richard F. Westenberger	\$ 16,500	\$	\$	\$	\$ 16,500
Lisa A. Fitzgerald	\$ 16,154	\$ 69,389	\$ 37,623	\$	\$ 123,166
James C. Petty	\$ 22,000	\$	\$	\$	\$ 22,000
Charles E. Whetzel, Jr.	\$ 22,000	\$	\$	\$	\$ 22,000

(i) Ms. Fitzgerald's gross-up is comprised of \$37,623 for relocation reimbursements.

(e) Special one-time bonus for Mr. Westenberger related to the reimbursement of lost value on the sale of his former residence in connection with his relocation. Special one-time bonus for Mr. Petty related to the reimbursement of lost value on the sale of his former residence and associated tax gross-ups in connection with his relocation.

(f) Special one-time sign-on bonus for Ms. Fitzgerald.

(g) Ms. Fitzgerald joined the Company on February 1, 2010.

Table of Contents**FISCAL 2010 GRANTS OF PLAN-BASED AWARDS**

The following table provides information concerning each grant of plan-based awards made to a named executive officer in fiscal 2010. This includes incentive compensation awards granted under our Incentive Compensation Plan and stock option and restricted stock awards granted under our Equity Incentive Plan. The threshold, target, and maximum columns reflect the range of estimated payouts under these plans for fiscal 2010. The exercise price disclosed is equal to the closing market price of our common stock on the date of grant. The last column reports the aggregate grant date fair value of all awards made in fiscal 2010 as if they were fully vested on the grant date.

Name	Award Type	Equity Award Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (a)			Estimated Future Payouts Under Equity Incentive Plan Awards			Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Michael D. Casey	Cash Incentive Compensation		\$ 285,000	\$ 1,140,000	\$ 2,280,000				\$	\$
	Shares (b)	2/16/2010	\$	\$	\$		40,000	40,000	\$	\$ 1,121,600
	Options (c)	2/16/2010	\$	\$	\$		80,000	80,000	\$ 28.04	\$ 951,200
Richard F. Westenberger	Cash Incentive Compensation		\$ 79,687	\$ 318,750	\$ 637,500				\$	\$
	Shares (b)	2/16/2010	\$	\$	\$		4,000	4,000	\$	\$ 112,160
	Options (c)	2/16/2010	\$	\$	\$		13,000	13,000	\$ 28.04	\$ 154,570
Lisa A. Fitzgerald	Cash Incentive Compensation		\$ 93,750	\$ 375,000	\$ 750,000				\$	\$
	Shares (b)	2/16/2010	\$	\$	\$		20,000	20,000	\$	\$ 560,800
	Options (c)	2/16/2010	\$	\$	\$		40,000	40,000	\$ 28.04	\$ 475,600
James C. Petty	Cash Incentive Compensation		\$ 90,000	\$ 360,000	\$ 720,000				\$	\$
	Shares (b)	2/16/2010	\$	\$	\$		7,000	7,000	\$	\$ 196,280
	Options (c)	2/16/2010	\$	\$	\$		21,000	21,000	\$ 28.04	\$ 249,690
Charles E. Whetzel, Jr.	Cash Incentive Compensation		\$ 89,062	\$ 356,250	\$ 712,500				\$	\$
	Shares (b)	2/16/2010	\$	\$	\$		4,000	4,000	\$	\$ 112,160
	Options (c)	2/16/2010	\$	\$	\$		13,000	13,000	\$ 28.04	\$ 154,570

(a) The amounts shown under the **Threshold** column represent 25% of the target cash incentive compensation, assuming threshold level performance is achieved under the financial performance measures. The amounts shown under the **Target** column represent 100% of the target cash incentive compensation, assuming target level performance is achieved under the financial performance measures. The amounts shown under the **Maximum** column represent 200% of the target cash incentive compensation, assuming maximum level performance is achieved under the financial performance measures.

(b) Shares of restricted stock granted to Messrs. Casey, Westenberger, Petty, and Whetzel, and Ms. Fitzgerald on February 16, 2010 pursuant to the Company's Equity Incentive Plan. These restricted shares vest ratably in four equal, annual installments following the date of grant.

(c) Time-based stock options granted to Messrs. Casey, Westenberger, Petty, and Whetzel, and Ms. Fitzgerald on February 16, 2010 pursuant to the Company's Equity Incentive Plan. These stock options vest ratably in four equal, annual installments following the date of grant.



Table of Contents**OPTION EXERCISES AND STOCK VESTED IN FISCAL 2010**

The following table provides information concerning our named executive officers' exercises of stock options and vesting of restricted stock during fiscal 2010. The table reports, on an aggregate basis, the number of securities acquired upon exercise of stock options, the dollar value realized upon exercise of stock options, the number of shares of restricted stock that have vested, and the dollar value realized upon the vesting of restricted stock.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) (a)
Michael D. Casey		\$	18,500	\$ 548,590
Richard F. Westenberger		\$	2,500	\$ 65,500
Lisa A. Fitzgerald		\$		\$
James C. Petty		\$	10,500	\$ 296,088
Charles E. Whetzel, Jr.		\$	3,750	\$ 105,100

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

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The following table provides information regarding unexercised stock options, stock that has not yet vested, and equity incentive plan awards for each named executive officer outstanding as of the end of fiscal 2010. Each outstanding award is represented by a separate row that indicates the number of securities underlying the award.

Name	Option Awards Equity Incentive Plan Awards:			Stock Awards Equity Incentive Plan Awards:			
	Number of Securities Underlying Unexercised Options (#) (Exercisable)	Number of Securities Underlying Unexercised Options (#) (a) (Unexercisable)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Unearned Shares, Other Rights That Have Not Vested (#) (b)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (c)
Michael D. Casey	243,488			\$ 3.08	8/15/2011		\$
	200,000			\$ 14.81	3/22/2014		\$
	12,000			\$ 34.32	2/16/2016		\$
	9,000	3,000		\$ 22.19	2/15/2017		\$
	62,500	62,500		\$ 17.90	8/6/2018		\$
	25,000	75,000		\$ 18.14	3/12/2019		\$
	80,000		\$ 28.04	2/16/2020		\$	
					155,500	\$ 4,588,805	
Richard F. Westenberger	5,000	15,000		\$ 16.84	2/6/2019		\$
		13,000		\$ 28.04	2/16/2020		\$
						11,500	\$ 339,365
Lisa A. Fitzgerald		40,000		\$ 28.04	2/16/2020		\$
						20,000	\$ 590,200
James C. Petty	30,000	10,000		\$ 27.06	6/5/2017		\$
	37,500	37,500		\$ 14.18	7/1/2018		\$
	6,250	18,750		\$ 18.14	3/12/2019		\$
		21,000		\$ 28.04	2/16/2020		\$
					27,250	\$ 804,148	
Charles E. Whetzel, Jr.	269,688			\$ 3.08	8/15/2011		\$
	60,000			\$ 22.01	5/13/2015		\$
	20,000	20,000		\$ 14.18	7/1/2018		\$
	5,000	15,000		\$ 18.14	3/12/2019		\$
		13,000		\$ 28.04	2/16/2020		\$
					12,750	\$ 376,253	

(a) Unexercisable options relate to the following awards:

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- (i) Mr. Casey was granted 12,000 time-based stock options on February 15, 2007 with a Black-Scholes fair value of \$10.01 per share and an exercise price of \$22.19 per share. In addition, Mr. Casey was granted 125,000 time-based stock options on August 6, 2008 with a Black-Scholes fair value of \$7.13 per share and an exercise price of \$17.90 per share, 100,000 time-based stock options on March 12, 2009 with a Black-Scholes fair value of \$7.63 per share and an exercise price of \$18.14 per share, and 80,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. These stock option grants vest in four equal, annual installments following the date of grant.
- (ii) Mr. Westenberger was granted 20,000 time-based stock options on February 6, 2009 with a Black-Scholes fair value of \$7.05 per share and an exercise price of \$16.84 per share, and 13,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. These stock options vest in four equal, annual installments following the date of grant.
- (iii) Ms. Fitzgerald was granted 40,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. This stock option grant vests in four equal, annual installments following the date of grant.
- (iv) Mr. Petty was granted 40,000 time-based stock options on June 5, 2007 with a Black-Scholes fair value of \$12.15 per share and an exercise price of \$27.06 per share, 75,000 time-based stock options on July 1, 2008 with a Black-Scholes fair value of \$5.82 per share and an exercise price of \$14.18 per share, 25,000 time-based stock options on March 12, 2009 with a Black-Scholes fair value of \$7.63 per share and an exercise price of \$18.14 per share, and 21,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. These stock option grants vest in four equal, annual installments following the date of grant.
- (v) Mr. Whetzel was granted 40,000 time-based stock options on July 1, 2008 with a Black-Scholes fair value of \$5.82 per share and an exercise price of \$14.18 per share, 20,000 time-based stock options on March 12, 2009 with a Black-Scholes fair value of \$7.63 per share and an exercise price of \$18.14 per share, and 13,000 time-based stock options on February 16, 2010 with a Black-Scholes fair value of \$11.89 per share and an exercise price of \$28.04 per share. All grants vest in four equal, annual installments following the date of grant.

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

- (i) Mr. Casey was granted 12,000 shares of restricted stock on February 15, 2007 with a grant date fair value of \$22.19 per share. These grants vest in four equal, annual installments following the date of grant. Mr. Casey was also granted 75,000 shares of performance-based restricted stock on August 7, 2008 with a grant date fair value of \$17.92 per share. Fifty percent of these shares vested on March 2, 2011. The remaining 50% of these shares will then vest in equal amounts on December 31, 2011 and December 31, 2012 based on Mr. Casey's continued employment with the Company. Mr. Casey was also granted 50,000 shares of restricted stock on March 12, 2009 with a grant date fair value of \$18.14 per share and 40,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04 per share. These grants vest in four equal, annual installments following the date of grant.
- (ii) Mr. Westenberger was granted 10,000 shares of restricted stock on February 6, 2009 with a grant date fair value of \$16.84 per share and 4,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04 per share. These grants vest in four equal, annual installments following the date of grant.
- (iii) Ms. Fitzgerald was granted 20,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04 per share. This grant vests in four equal, annual installments following the date of grant.
- (iv) Mr. Petty was granted 10,000 shares of restricted stock on June 5, 2007 with a grant date fair value of \$27.06 per share, 25,000 shares of restricted stock on July 1, 2008 with a grant date fair value of \$14.18 per share, 7,000 shares of restricted stock on March 12, 2009 with a grant date fair value of \$18.14, and 7,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04. All grants vest in four equal, annual installments following the date of grant.
- (v) Mr. Whetzel was granted 10,000 shares of restricted stock on July 1, 2008 with a grant date fair value of \$14.18 per share, 5,000 shares of restricted stock on March 12, 2009 with a grant date fair value of \$18.14, and 4,000 shares of restricted stock on February 16, 2010 with a grant date fair value of \$28.04. All grants vest in four equal, annual installments following the date of grant.

(c) Amount based on the closing market price per share of the Company's common stock on Friday, December 31, 2010 of \$29.51.

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DIRECTORS, AND EXECUTIVE OFFICERS**

The following table sets forth the number of shares of the Company's common stock owned by each of the following parties as of March 25, 2011, or as of such other date as indicated: (a) each person known by the Company to own beneficially more than five percent of the outstanding common stock; (b) the Company's named executive officers; (c) each Director; and (d) all Directors and executive officers as a group. Unless otherwise indicated below, the holders' address is 1170 Peachtree Street NE, 9th Floor, Atlanta, Georgia 30309.

Name of Beneficial Owner	Beneficial Ownership	
	Shares	Percent
Berkshire Fund VII, L.P. (1)	7,511,282	13.0%
BlackRock, Inc. (2)	4,344,135	7.5%
Royce & Associates, LLC (3)	3,224,763	5.6%
Invesco Ltd. (4)	1,923,113	3.3%
S.A.C. Capital Advisors, L.P. (5)	1,208,905	2.1%
Wellington Management Company, LLP (6)	672,599	1.2%
Michael D. Casey (7)	972,677	1.7%
Richard F. Westenberger (8)	41,075	*
Lisa A. Fitzgerald (9)	44,334	*
James C. Petty (10)	143,137	*
Charles E. Whetzel, Jr. (11)	509,400	*
Amy Woods Brinkley (12)	6,008	*
Vanessa J. Castagna (13)	8,238	*
A. Bruce Cleverly	20,491	*
Jevin S. Eagle (14)	6,344	*
Paul Fulton (15)	124,695	*
William J. Montgoris	20,655	*
David Pulver (16)	39,064	*
John R. Welch	59,306	*
Thomas E. Whiddon (17)	109,524	*
All directors and executive officers as a group (18)	2,295,676	3.9%

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

- (1) This information is based on Schedule 13G, as amended, filed with the SEC on December 2, 2010 and Section 16 filings made with the SEC on December 2, 2010 and March 2, 2011. The address for Berkshire Partners LLC is 200 Clarendon Street, 35th floor, Boston, MA 02116. Includes 5,399,436 shares held by Berkshire Fund VII, L.P., 1,009,440 shares held by Berkshire Fund VII-A, L.P., 263,329 shares held by Stockbridge Partners, 575,295 shares held by Stockbridge Fund, L.P., 75,282 shares held by Stockbridge Fund M, L.P., 105,275 shares held by Berkshire Investors IV LLC, 53,599 shares held by Berkshire Investors III LLC, 6,944 shares held by Stockbridge Absolute Return Fund, L.P. and 22,682 shares held by Berkshire Partners LLC.
- (2) This information is based on Schedule 13G, as amended, filed with the SEC on February 3, 2011. BlackRock, Inc. has sole voting and sole dispositive power covering 4,344,135 shares of our common stock. The address for BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022.
- (3) This information is based on a Schedule 13G filed with the SEC on January 12, 2011. Royce & Associates, LLC has sole voting and sole dispositive power covering 3,224,763 shares of our common stock. The address for Royce & Associates, LLC is 745 Fifth Avenue, New York, New York 10151.
- (4)

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This information is based on a Schedule 13G filed with the SEC on February 8, 2011. Invesco Ltd. is the parent company of Invesco Advisors, Inc., Invesco PowerShares Capital Management, and Van Kampen Asset Management. The address for Invesco Ltd. is 1555 Peachtree Street NE, Atlanta, Georgia 30309. Invesco Advisors has sole voting and sole dispositive power covering 1,880,724 shares of our common stock. Invesco PowerShares Capital Management has sole voting and sole dispositive power covering 39,720 shares of our common stock. Van Kampen Asset Management has sole voting and sole dispositive power covering 2,669 shares of our common stock.

- (5) This information is based on a Schedule 13G filed with the SEC on February 14, 2011. S.A.C. Capital Advisors, L.P. has sole voting and sole dispositive power covering 1,208,905 shares of our common stock. The address for S.A.C. Capital Advisors, L.P. is 72 Cummings Point Road, Stamford, Connecticut 06902.

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- (6) This information is based on a Schedule 13G filed with the SEC on February 14, 2011. Wellington Management Company, LLP has shared voting power covering 551,599 shares of our common stock and shared dispositive power covering 672,599 shares of our common stock. The address for Wellington Management Company, LLP is 280 Congress Street, Boston Massachusetts 02210.
- (7) Includes 599,988 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days after March 25, 2011 and 132,500 shares of restricted common stock.
- (8) Includes 13,250 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days after March 25, 2011 and 24,000 shares of restricted common stock.
- (9) Includes 10,000 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days after March 25, 2011 and 31,000 shares of restricted common stock.
- (10) Includes 85,250 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days after March 25, 2011 and 39,750 shares of restricted common stock.
- (11) Includes 362,938 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days after March 25, 2011 and 26,500 shares of restricted common stock.
- (12) Includes 3,004 shares of restricted common stock.
- (13) Includes 4,486 shares of restricted common stock.
- (14) Includes 4,229 shares of restricted common stock.
- (15) Mr. Fulton's address is c/o Bassett Furniture Industries, Inc., 380 Knollwood Street, Suite 610, Winston-Salem, North Carolina 27103. The total shown next to Mr. Fulton's name includes 16,000 shares subject to exercisable stock options.
- (16) Includes 16,000 shares subject to exercisable stock options.
- (17) Includes 16,000 shares subject to exercisable stock options.
- (18) Includes 1,223,276 shares subject to exercisable stock options, including stock options that will become exercisable during the 60 days after March 25, 2011.

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

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Company's executive officers and directors, and persons who beneficially own more than ten percent (10%) of the Company's common stock, file initial reports of ownership and changes in ownership with the SEC and the NYSE. Based on a review of the copies of such forms furnished to the Company, the Company believes that all forms were filed in a timely manner during fiscal 2010.

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**PROPOSAL NUMBER TWO**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

The Compensation Discussion and Analysis section of this proxy statement beginning on page 16 describes the Company's executive compensation program and the compensation decisions that the Compensation Committee and Board of Directors made in 2010 with respect to the compensation of the Company's named executive officers.

The Company is committed to achieving long-term, sustainable growth and increasing shareholder value. The Company's compensation program for its named executive officers is designed to support these objectives and encourage strong financial performance on an annual and long-term basis by linking a significant portion of the named executive officers' total compensation to Company performance in the form of incentive compensation.

The Board of Directors is asking shareholders to cast a non-binding, advisory vote **FOR** the following resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

This proposal is commonly referred to as the "say-on-pay" vote. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and practices described in this proxy statement. Although the vote we are asking you to cast is non-binding, the Compensation Committee and the Board value the views of our shareholders and intend to consider the outcome of the vote when determining future compensation arrangements for our named executive officers.

**The Board recommends a vote FOR the approval of compensation of the Company's named executive officers as disclosed in this proxy statement.**

**Vote Required**

The advisory approval of Proposal Number Two requires the affirmative vote of a majority of the votes properly cast at our Annual Meeting. Votes to abstain and broker non-votes will be counted toward a quorum, but will be excluded entirely from the tabulation of votes and, therefore, will not affect the outcome of the vote on this proposal.





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**PROPOSAL NUMBER THREE**

**ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION**

In Proposal Number Two above, the Board is asking shareholders to cast an advisory vote for the compensation disclosed in this proxy statement that the Company paid in 2010 to its named executive officers. This advisory vote is referred to as a say-on-pay vote. In this Proposal Number Three, the Board is asking the shareholders to cast a non-binding, advisory vote on how frequently the Company should have a say-on-pay vote in the future. Shareholders will be able to mark the enclosed proxy card or voting instruction form on whether to hold the say-on-pay vote every one, two, or three years. Alternatively, shareholders may indicate that they are abstaining from voting.

The Board believes that shareholders should cast an advisory vote on executive compensation every three years. Our executive compensation programs are intended to have a focus that is longer than the current year for which compensation is paid. As a result, the Board believes that our executive compensation programs should be evaluated over a period longer than one year because our programs are designed to reward performance over time, and three years is an appropriate period over which to evaluate the effectiveness of those programs.

This vote, like the say-on-pay vote itself, is not binding on the Board. However, the Compensation Committee and the Board value the views of our shareholders and intend to consider the outcome of the vote when evaluating the frequency with which the say-on-pay vote would be taken by the shareholders in the future.

**The Board of Directors recommends that shareholders take an advisory vote on executive compensation every THREE YEARS.**

**Vote Required**

The approval of Proposal Number Three requires a plurality of the votes properly cast at our Annual Meeting. If the combined votes cast in favor of the say-on-pay vote to be taken every two years and every three years equal a majority of the votes properly cast at our Annual Meeting, the Compensation Committee and the Board may elect to have shareholders take a say-on-pay vote every two years, even if the plurality of votes are cast in favor of the say-on-pay vote to be cast every year. Votes to abstain and broker non-votes will be counted toward a quorum, but will be excluded entirely from the tabulation of votes and, therefore, will not affect the outcome of the vote on this proposal.

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**PROPOSAL NUMBER FOUR**

**APPROVAL OF THE COMPANY'S AMENDED AND RESTATED EQUITY INCENTIVE PLAN**

On May 14, 2009, the Board adopted, and the shareholders approved, the Amended and Restated Equity Incentive Plan (the Existing Plan), which provides that 12,053,392 shares may be delivered, with respect to awards granted under the Existing Plan. As of March 25, 2011, 456,595 shares of stock were available for issuance under the Existing Plan. The Compensation Committee, Board of Directors, and the Company's management believe it is in the best interest of the Company and its shareholders to amend and restate the Amended and Restated Equity Incentive Plan (the Plan). The material modifications to the Existing Plan consist of (i) increasing the maximum number of shares of stock available under the Existing Plan by 3,725,000 shares and (ii) eliminating the Company's ability to grant cash awards and provide tax gross-ups under the Plan.

As part of the approval of the Amended and Restated Equity Incentive Plan, the Board is also asking shareholders to approve the performance criteria under the Plan in order for certain future equity awards granted under the Plan to qualify as exempt performance-based compensation pursuant to Section 162(m) of the Internal Revenue Tax Code of 1986, as amended, or the Tax Code. To satisfy the performance-based compensation exception, Section 162(m) of the Tax Code requires, among other things, such performance measures be approved by shareholders every five years.

The modifications described above and the following description are summaries of the material features of the Plan but may not contain all the information you may wish to know. We encourage you to review the entire text of the Plan which is attached hereto as Appendix B. The Plan is not required to be qualified under Section 401 of the Internal Revenue Code of 1986 (the Code) nor is it subject to the provisions of the Employee Retirement Income Security Act of 1974. The Compensation Committee has approved the Amended and Restated Equity Incentive Plan.

The Company intends to file a registration statement under the Securities Act covering additional shares of common stock reserved for issuance under the Plan after approval of the Plan.

**Summary of the Amended and Restated Equity Incentive Plan**

**Purpose.** The Plan enhances the Company's ability to continue to attract and retain able key employees and directors, reward such individuals for their contributions, and encourage such individuals to take into account the long-term interests of the Company and its subsidiaries. To this end, the Plan permits the Company to grant a variety of stock-based awards and related benefits, including stock options, stock appreciation rights, restricted or unrestricted stock awards, promises to deliver stock in the future, and rights to receive stock based on performance.

**Administration.** The administrator is the Compensation Committee of the Board of Directors. The administrator will set the terms of all awards including the exercise price for awards that have one. Subject only to the limitations provided in the Plan, the administrator has discretionary authority to interpret the Plan; determine eligibility for and grant awards; determine, modify, or waive the terms and conditions of

any award; prescribe forms, rules, and procedures; and otherwise do all things necessary to carry out the purposes of the Plan. In the case of any award intended to be eligible for the performance-based compensation exception under Section 162(m), the administrator intends to exercise its discretion under the Plan so as to qualify the award for that exception. Determinations of the administrator made under the Plan are conclusive and bind all parties.

**Eligibility and Participation.** Directors and key employees who, in the opinion of the Plan's administrator, are in a position to make a significant contribution to the success of the Company and its subsidiaries will be eligible to receive awards under the Plan.

**Effective Date and Term.** The effective date of the Plan if Proposal Number Four is approved, will be May 13, 2011, the date of our Annual Meeting. Although the number of shares that may be granted under the Plan is limited, as described below, there is no time limit on the duration of the Plan itself. In addition, no incentive stock options may be granted under the Plan after August 15, 2011, except with respect to the 3,725,000 new shares of stock if approved by the shareholders, which may be granted by the Company until May 13, 2021.

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**Shares Subject to the Plan**

**Number of Shares.** If Proposal Number Four is approved, the aggregate maximum number of shares of common stock that may be delivered in satisfaction of awards under the Plan will be increased by 3,725,000 shares to 15,778,392, subject to adjustment in the event of certain changes in our capitalization as described below. Any shares of common stock granted in connection with awards other than options and stock appreciation rights will reduce the number of shares of common stock available for issuance under the Plan by 1.46 shares for every one share of stock subject to such award. With respect to stock appreciation rights, if such a right is exercised, the number of shares of stock deemed to have been issued under the Plan will be reduced by the aggregate number of shares subject to the stock appreciation right so exercised. If shares of common stock are withheld from an award granted under the Plan in order to satisfy tax withholding obligations, the number of shares of stock deemed to have been issued under the Plan will be the aggregate number of shares subject to the award or the portion of the award that was exercised or settled.

If any award granted under the Plan terminates, or is otherwise forfeited in whole or in part, before it is fully exercised, or upon exercise is satisfied other than by delivery of stock, the number of shares as to which such award was not exercised shall be available for future grants.

**Adjustments to Awards.** In the event of a stock dividend, stock split, or combination of shares (including a reverse stock split), recapitalization or other change in our capital structure, the administrator will make appropriate adjustments to the maximum number of shares that may be delivered under the Plan and to the maximum share limits on awards to individual participants. The administrator will also make appropriate adjustments to the number and kind of shares of stock or securities subject to awards then outstanding or subsequently granted, any exercise prices relating to awards, and any other provision of awards affected by such change. The administrator may also make the adjustments described above to take into account distributions to shareholders other than stock dividends or normal cash dividends, material changes in accounting practices or principles, extraordinary dividends, mergers, consolidations, acquisitions, dispositions or similar transactions involving the Company's stock, or any other event, if it determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of awards made under the Plan.

**Shares to be Delivered.** Shares delivered under the Plan will be authorized but unissued common stock, or previously issued common stock that we acquire and hold in our treasury. No fractional shares will be delivered under the Plan.

**Section 162(m) Limits and Requirements.** The maximum number of shares for which stock options may be granted to any person in any calendar year and the maximum number of shares subject to stock appreciation rights granted to any person in any calendar year will each be 1,000,000, subject to adjustments in the event of changes in our capitalization as described above. The maximum benefit that may be paid to any person under other awards in any calendar year will be, to the extent paid in shares, 1,000,000 shares (or their value in dollars), subject to adjustments in the event of changes in our capitalization as described above.

In the case of any performance award intended to qualify as performance-based for the purposes of Section 162(m), the Plan and such award will be construed so as to qualify the award for such exception. With respect to performance awards, the administrator will pre-establish, in writing, specific performance criteria no later than 90 days after the start of the period of performance (or at an earlier time if necessary to qualify the award as performance-based under Section 162(m)). The performance criteria shall serve as a condition to the grant, vesting, or payment of the performance award, as determined by the administrator. The performance criteria pre-established by the administrator will be an objectively determinable measure of performance relating to any or any combination of the following (determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis, or in combinations thereof): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing

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operations or an aggregate or per share basis; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; shareholder return; sales of particular products or services; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity), or refinancings. A performance criterion measure determined by the administrator need not be based upon an increase, a positive or improved result, or avoidance of loss. Prior to the grant, vesting, or payment of the performance award, as the case may be, the administrator will determine whether the performance criteria have been attained and such determination will be conclusive. If the performance criteria are not attained, no other award will be provided in substitution of the performance award. The provisions of this paragraph will not apply to an award that consists of a stock option or stock appreciation right that was granted with an exercise price not less than the fair market value of the underlying stock on the date of grant.

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**Awards**

**Stock Options.** The administrator may from time to time award stock options to any participant subject to the limitations described above. Stock options give the holder the right to purchase shares of our common stock within a specified period of time at a specified price and subject to other terms and conditions. Two types of stock options may be granted under the Plan: incentive stock options, or ISOs, which are subject to special tax treatment as described below, and non-statutory options. As indicated above, eligibility for ISOs is limited to our employees. The expiration date of an ISO cannot be more than ten years after the date of the original grant. The expiration date of a non-statutory option is determined by the discretion of the administrator. The exercise price of any option granted under the Plan cannot be less than the fair market value of the underlying stock on the date of grant. The administrator also determines all other terms and conditions related to the exercise of a stock option, including the consideration to be paid, if any, for the grant of the stock options, the time at which stock options may be exercised, and conditions related to the exercise of stock options.

**Stock Appreciation Rights.** The administrator may grant stock appreciation rights under the Plan. A stock appreciation right entitles the holder upon exercise to receive common stock equal in value to the excess of the fair market value of the shares of stock subject to the right over the fair market value of such shares on the date of grant.

**Stock Awards; Deferred Stock.** The Plan provides for awards of nontransferable shares of restricted common stock, as well as unrestricted shares of common stock. Awards of restricted and unrestricted stock may be made in exchange for past services or other lawful consideration. Generally, awards of restricted stock are subject to the requirement that the shares be forfeited or resold to us unless specified conditions are met. Other awards under the Plan may also be settled with restricted stock. The Plan also provides for deferred stock grants entitling the recipient to receive shares of common stock in the future on such conditions as the administrator may specify.

**Performance Awards.** The administrator may also make awards subject to the satisfaction of specified performance criteria. The performance criteria used in connection with a particular performance award will be determined by the administrator. In the case of performance awards intended to qualify for exemption under Section 162(m), limits and requirements described above under 162(m) Limits and Requirements will apply.

**Dividend Equivalents.** With the exception of stock options and stock appreciation rights, the Administrator may provide for the payment of amounts in lieu of cash dividends or other cash distributions with respect to stock subject to an award consistent with an exemption from or, in compliance with, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

**Non-Transferability.** No award may be transferred other than by will or by the laws of descent and distribution, and during a participant's lifetime an award may be exercised only by the participant; provided, however, that the foregoing does not prohibit any transfer of an award of unrestricted stock or, for periods after restricted stock ceases to be subject to restrictions requiring that it be redeemed or offered for sale to the Company if specified conditions are not satisfied.

**Effect, Discontinuance, Cancellation, Amendment, and Termination.** Neither adoption of the Plan nor the grant of awards to a participant shall affect our right to make awards to such participant that are not subject to the Plan, to issue shares to such participant as a bonus or otherwise, or to adopt other plans or compensation arrangements under which shares may be issued.

The administrator may at any time discontinue granting awards under the Plan. With the consent of the participant, the administrator may at any time cancel an existing award in whole or in part and grant another award for such number of shares as the administrator specifies. The administrator may, but is not obligated to, at any time amend the Plan or any outstanding award for the purpose of satisfying the requirements of Section 409A or Section 422 of the Code, or of any changes in applicable laws or regulations or for any other purpose that may at the time be permitted by law, or may at any time terminate the Plan as to any further grants of awards. However, except to the extent expressly required by the Plan, no such amendment may adversely affect the rights of any participant (without his or her consent) under any award previously granted, nor may such amendment, without the approval of the shareholders, effectuate a change for which shareholder approval is required under the listing standards of the NYSE or in order for the Plan to continue to qualify for the award of incentive stock options under Section 422 of the Code.

**Federal Tax Effects.** The following discussion summarizes the material Federal income tax consequences of the grant and exercise of stock options under the Plan, based on the Federal income tax laws in effect on the date of this proxy statement. The summary does not purport to be a complete description of Federal tax consequences that may be associated with the Plan, nor does it cover state, local, or non-United States taxes.



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**Incentive Stock Options.** In general, an optionee realizes no taxable income upon the grant of an ISO and does not realize any ordinary income in connection with the exercise of the ISO. However, the exercise of an ISO may result in an alternative minimum tax liability to the optionee. With certain exceptions, if a disposition of shares purchased under an ISO occurs within two years from the date of grant or within one year after exercise, the so-called disqualifying disposition results in ordinary income to the optionee (and a deduction available to the Company) equal to the excess of the fair market value of the shares at the time of exercise over the exercise price. Any additional gain recognized on the disposition is treated as a capital gain for which we are not entitled to a deduction. If the optionee does not dispose of the shares until after the expiration of these one- and two-year holding periods, any gain or loss recognized upon a subsequent sale is treated as a long-term capital gain or loss for which we are not entitled to a deduction.

**Non-Statutory Options.** In general, a grantee realizes no taxable income at the time of the grant of a non-statutory option, but realizes ordinary income in connection with the exercise of the option in an amount equal to the excess of the fair market value of the shares at the time of exercise over the exercise price. A corresponding deduction is available to the Company. Any gain or loss recognized upon a subsequent sale or exchange of the shares is treated as a capital gain or loss, long or short-term depending on the period the shares are held, for which we are not entitled to a deduction.

ISOs are treated as non-statutory stock options to the extent they first become exercisable by an individual in any calendar year for shares having an aggregate fair market value (determined as of the date of grant) in excess of \$100,000. In general, ISOs are also treated as non-statutory options to the extent that they are exercised by the optionee more than three months after termination of employment.

Under the so-called golden parachute provisions of the Internal Revenue Code, options that are granted or that vest in connection with a change in control of the Company may be required to be valued and taken into account in determining whether the participant has received payments in the nature of compensation that are contingent on the change in control in excess of certain limits. If these limits are exceeded the excess may be subject to an additional 20% Federal tax and may be nondeductible to the Company.

The future benefits or amounts that would be received under the Plan by executive officers, non-management directors, and non-executive officer employees are discretionary and are therefore not determinable at this time.

**The foregoing is only a summary of the Amended and Restated Annual Equity Incentive Plan and is qualified in its entirety by reference to its full text, a copy of which is attached hereto as Appendix B.**

**The Board recommends a vote FOR the approval of the Amended and Restated Equity Incentive Plan.**

**Vote Required**

The approval of Proposal Number Four requires the affirmative vote of a majority of the votes cast by the shareholders present in person or represented by proxy at our Annual Meeting. Votes to abstain and broker non-votes will be counted toward a quorum, but will be excluded entirely from the tabulation of votes and, therefore, will not affect the outcome of the vote on this proposal.



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**EQUITY COMPENSATION PLAN INFORMATION**

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

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants, and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants, and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)</b>
Equity compensation plans approved by security holders (1)	2,471,486(2)	\$ 16.75	1,257,571
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>2,471,486</b>	<b>\$ 16.75</b>	<b>1,257,571</b>

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(1) Represents stock options that are outstanding or that are available for future issuance pursuant to the Carter's, Inc.'s Amended and Restated Equity Incentive Plan.

(2) The weighted-average contractual life for all outstanding stock options as of January 1, 2011 was approximately 5.39 years.

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**PROPOSAL NUMBER FIVE**

**APPROVAL OF THE COMPANY S AMENDED AND RESTATED ANNUAL INCENTIVE COMPENSATION PLAN**

The Board is asking for shareholder approval of the performance criteria under the Amended and Restated Annual Incentive Compensation Plan, or Annual Incentive Plan. The purpose of asking our shareholders to approve the performance criteria is to allow certain future equity awards granted under the Annual Incentive Plan to qualify as exempt performance-based compensation pursuant to Section 162(m) of the Internal Revenue Tax Code of 1986, as amended, or the Tax Code. To satisfy the performance-based compensation exception, Section 162(m) of the Tax Code requires, among other things, such performance measures be approved by shareholders every five years.

The Board recommends that stockholders approve the Amended and Restated Annual Incentive Compensation Plan to help ensure that future awards granted under the Plan will qualify for exceptions to the deductibility limits under Section 162(m) of the Tax Code. Section 162(m) limits the deductibility of executive compensation paid by a publicly held company to its Chief Executive Officer and its four other most highly compensated officers to \$1,000,000 per individual per calendar year. This limitation generally does not apply to performance-based compensation under a plan that is approved by stockholders and that meets certain other technical requirements.

The following description summarizes the material features of the Plan but may not contain all of the information you may wish to know. We encourage you to review the entire text of the Plan, which is attached hereto as Appendix C. The Plan is not required to be qualified under Section 401 of the Internal Revenue Code of 1986 nor is it subject to the provisions of the Employee Retirement Income Security Act of 1974.

**Summary of the Amended and Restated Annual Incentive Compensation Plan**

**Purpose.** The Plan provides a means of paying incentive compensation to those employees (including those who also serve as officers or directors) in managerial and other important positions whose ability, ingenuity, and industry experience contribute materially to our success. Pursuant to the Plan, the Compensation Committee establishes performance criteria and grants awards providing for the payment of incentive compensation upon the achievement of such performance criteria.

**Participation.** Prior to the beginning of each fiscal year, the Compensation Committee shall designate which employees may participate in the Plan for that year. The committee may also designate additional employees, who are hired or promoted during the course of each fiscal year, or who otherwise became eligible (as determined by the Compensation Committee) during the course of the fiscal year, as eligible to participate in the Plan.

**Effective Date.** The effective date of the Plan if Proposal Number Five is approved, will be May 13, 2011, the date of our Annual Meeting.

**Administration.** The Plan is administered by, or under the direction of, the Compensation Committee. The committee has the exclusive right to interpret and construe the provisions of the Plan.

**Section 162(m) Limits and Requirements.** With respect to any award intended to qualify as performance-based for the purposes of Section 162(m) of the Internal Revenue Code of 1986, the committee will exercise its discretion consistent with qualifying such award as performance-based within the meaning of Section 162(m). With respect to such awards, the committee pre-establishes one or more specific performance criteria no later than 90 days after the start of the period of performance (or at such earlier time as is required to qualify the award as performance-based under Section 162(m)). The performance criteria serve as a condition to the grant, vesting, or payment of the award, as determined by the committee. The performance criteria pre-established by the committee will be an objectively determinable measure of performance relating to any or any combination of the following (determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis, or in combinations thereof): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; sales of particular products or services; customer acquisition or retention; acquisitions and divestitures (in

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whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity), or refinancings. A performance criterion measure determined by the committee need not be based upon an increase, a positive or improved result, or avoidance of loss. Prior to grant, vesting, or payment of the award, as the case may be, the committee determines whether the performance criteria have been attained and such determination is conclusive. If the performance criteria are not attained, no other award is provided in substitution of the award. The maximum benefit that may be paid to any person under any awards intended to qualify as performance-based under Section 162(m) in any calendar year is \$5,000,000. Determinations of the committee are conclusive and bind all parties.

**Incentive Compensation Awards.** On or before the close of the first quarter of each fiscal year, the Compensation Committee pre-establishes performance criteria that it deems appropriate for determining the aggregate amount of incentive compensation which may be allowed to each of the participants for performance during the forthcoming year. Generally, if the committee becomes aware of additional facts after the performance criteria are established that would render the application of any or all of the established performance criteria inappropriate, the committee may revise, replace, or waive the performance criteria. However, with respect to any award made under the Plan that is intended to qualify for the performance-based compensation exception under Section 162(m), as indicated above, the performance criteria pre-established by the committee shall serve as a condition to the grant, vesting, or payment of the award. If such performance criteria are attained with respect to an award intended to satisfy the performance-based compensation exception under Section 162(m), the committee may retain the discretion to reduce, but not to increase, the amount of the bonus payment actually paid to the award recipient to reflect those individual performance and Company performance considerations that the committee in its sole discretion deems appropriate.

We are not required to segregate any of our assets for the reserve account and the amount is available for our general corporate purposes. No participant or beneficiary of any participant may assert any right or claim under the Plan against any of our specific assets or our subsidiaries or against the reserve account.

**Allocation of Incentive Compensation Awards to Individuals.** As soon as practicable after the end of each fiscal year, the Compensation Committee determines the aggregate amount to be allocated to each participant under the Plan for the preceding year. In general, each determination takes into account the performance criteria and the recommendation of our Chief Executive Officer. With respect to any award intended to qualify under the performance-based compensation exception under section 162(m), the committee will certify whether the performance criteria have been attained, and if the performance criteria have not been attained, no payment will be made under the Plan award and no other award will be made in substitution for the Plan award.

**Amendment.** The Compensation Committee may, from time to time amend, modify, change, or terminate in whole or in part any or all of the provisions of the Plan. No such amendment, modification, or change shall reduce the amount then credited to the account of any participant in the reserve account. If the Plan is terminated and superseded by a new incentive compensation plan having substantially similar provisions, the accounts of participants in the reserve account, may, at the discretion of the committee, be continued in an incentive compensation reserve under such new plan. If the Plan is terminated and the committee chooses not to continue the accounts of participants in an incentive compensation reserve under a new plan, all amounts credited under the Plan will be distributed to the participants or their beneficiaries as soon as practicable, but in no event later than the 30th day following the date of termination of the Plan.

**Amended and Restated Annual Incentive Compensation Plan Benefits.** The future benefits or amounts that would be received under the Amended and Restated Annual Incentive Compensation Plan by executive officers, non-management directors, and non-executive officer employees are discretionary and are therefore not determinable at this time.

The foregoing is only a summary of the Amended and Restated Annual Incentive Compensation Plan and is qualified in its entirety by reference to its full text, a copy of which is attached hereto as Appendix C.

The Board recommends a vote FOR the approval of the Company's Amended and Restated Annual Incentive Compensation Plan.

**Vote Required**

The approval of Proposal Number Five requires the affirmative vote of a majority of the votes properly cast at our Annual Meeting. Votes to abstain and broker non-votes will be counted toward a quorum, but will be excluded entirely from the tabulation of votes and, therefore, will not affect the outcome of the vote on this proposal.

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

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

There were no such transactions during fiscal 2010.



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**AUDIT COMMITTEE REPORT**

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

The Audit Committee has reviewed and discussed with management and PwC the audited consolidated financial statements for the fiscal year ended January 1, 2011 and PwC's evaluation of the effectiveness of the Company's internal control over financial reporting. The Audit Committee has discussed with PwC the matters that are required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from PwC required by applicable requirements of the Public Company Accounting Oversight Board regarding PwC's communications with the Audit Committee concerning independence, and has discussed with PwC PwC's independence.

Based on the considerations and discussions referred to above, the Audit Committee recommended to our Board of Directors that the audited consolidated financial statements for the fiscal year ended January 1, 2011 be included in our Annual Report on Form 10-K for fiscal 2010 for filing with the SEC.

**Submitted by the Audit Committee**

Mr. David Pulver, Chairman  
Ms. Amy Woods Brinkley  
Mr. William J. Montgoris  
Mr. Thomas E. Whiddon

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