

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA**

In re)	
CARTER’S, INC.)	
SECURITIES LITIGATION)	Civil Action No. 1:08-CV-2940-AT
)	
)	

**STIPULATION AND AGREEMENT OF SETTLEMENT
WITH COMPANY AND INDIVIDUAL DEFENDANTS**

This stipulation and agreement of settlement (the “Stipulation” or “Settlement”) is made and entered into by and between Lead Plaintiff Plymouth County Retirement System (“Lead Plaintiff”), on behalf of itself, Plaintiff Scott Mylroie, and the putative Settlement Class (defined below), and Carter’s, Inc. (“Carter’s” or the “Company”), Frederick J. Rowan, II (“Rowan”), Joseph Pacifico (“Pacifico”), Michael D. Casey (“Casey”), Andrew North (“North”), Charles E. Whetzel, Jr. (“Whetzel”), and Joseph M. Elles (“Elles”) (collectively, the “Settling Defendants”).

WHEREAS:

A. All words or terms used herein that are capitalized shall have the meaning ascribed to those words or terms as set forth herein and in ¶ 1 hereof entitled “Definitions.”

B. Beginning on or about September 19, 2008, two purported class action complaints alleging violations of the federal securities laws were filed against Carter's, certain of its current and former officers and directors, and other defendants in the United States District Court for the Northern District of Georgia (the "Court") captioned *Plymouth County Retirement System v. Carter's, Inc. et al*, Civil Action No. 08-2940-JOF (N.D. Ga.) (the "Plymouth Action"); and *Myloie v. Carter's, Inc. et al*, Civil Action No. 09-3196-JOF (N.D. Ga.) (the "Myloie Action").

C. On March 13, 2009, the Court appointed Lead Plaintiff and appointed Labaton Sucharow LLP as Lead Counsel and Page Perry LLC as Liaison Counsel to represent the putative class in the Plymouth Action.

D. Lead Plaintiff filed the Amended Class Action Complaint for Violations of Federal Securities Laws (the "Plymouth Complaint") in the Plymouth Action on May 12, 2009, asserting claims under Sections 10(b), 20(a), and 20A of the Securities Exchange Act of 1934 (the "Exchange Act"). The Exchange Act claims allege violations of the anti-fraud provisions of the securities laws arising from alleged misstatements and omissions concerning the growth prospects of children's apparel manufacturer OshKosh B'Gosh, Inc. ("OshKosh"), which was acquired by Carter's in July 2005.

E. On July 17, 2009, defendants Carter's, Rowan, Pacifico, Casey and Whetzel filed a motion to dismiss the Plymouth Complaint, which Lead Plaintiff opposed on September 11, 2009. The motion was fully submitted to the Court on October 22, 2009.

F. On November 17, 2009, Scott Mylroie filed the Complaint for Violation of the Federal Securities Laws in the Mylroie Action (the "Mylroie Complaint"), asserting claims under Sections 10(b) and 20(a) of the Exchange Act arising from allegations that Carter's and certain current and former officers and directors had reported certain margin support payments (also known as "accommodations") to wholesale customers in incorrect periods.

G. By an order dated November 24, 2009, the Honorable J. Owen Forrester consolidated the Plymouth Action and the Mylroie Action for all purposes and designated case number 08-cv-2940-JOF as the lead case (the "Consolidated Action"), styled as *In re Carter's, Inc. Securities Litigation*. By agreement among the plaintiffs, Plymouth remained Lead Plaintiff and Labaton Sucharow LLP remained Lead Counsel in the Consolidated Action for the putative Class (as defined below).

H. On January 15, 2010, in light of Carter's announced intention to restate certain of its financial statements and Lead Plaintiff's intention to file an

amended complaint in the Consolidated Action, the Court denied the motion to dismiss as moot with leave to renew.

I. Lead Plaintiff and Plaintiff Mylroie (collectively “Plaintiffs”) filed the First Amended and Consolidated Class Action Complaint for Violations of Federal Securities Laws (“First Amended Complaint”) on March 15, 2010, which added North and PricewaterhouseCoopers LLP (“PwC”) as defendants. The First Amended Complaint alleged violations of the anti-fraud provisions of the Exchange Act arising from alleged misstatements and omissions concerning the growth prospects of its newly acquired business unit OshKosh and concerning an alleged “smoothing” of Carter’s financial results by allegedly accounting for accommodation payments in incorrect periods.

J. By order entered June 17, 2010, the Court agreed to the substitution of the law firm of Evangelista & Associates, LLC as Liaison Counsel for Lead Plaintiff and the proposed class.

K. On April 30, 2010, each of the defendants to the Consolidated Action moved to dismiss the First Amended Complaint. The motions were opposed by Lead Plaintiff on June 14, 2010 and were fully submitted to the Court on July 23, 2010.

L. By order entered March 17, 2011, the Court granted defendants’ motions to dismiss in their entirety and gave Lead Plaintiff leave to amend.

M. On March 21, 2011, the Consolidated Action was reassigned to the Honorable Amy Totenberg and the Judge designation in the civil action number assigned to the Consolidated Action was changed to 08-cv-2940-AT.

N. On July 20, 2011, Lead Plaintiff filed the Second Amended and Consolidated Class Action Complaint for Violations of Federal Securities Laws (the “Second Amended Complaint”), which is the current operative complaint in the Consolidated Action and which also alleges violations of the anti-fraud provisions of the Exchange Act. Lead Plaintiff added Joseph M. Elles as a defendant with regard to the allegations of alleged “smoothing” of Carter’s quarterly financial results.

O. By consent order entered August 8, 2011, the Court stayed all proceedings so that Lead Plaintiff, Carter’s, and the individual defendants could pursue a potential negotiated resolution of the Consolidated Action.

P. The Settling Parties engaged retired United States District Court Judge Layn R. Phillips (“Judge Phillips”) to assist them in exploring a potential negotiated resolution of the claims against the Settling Defendants. On November 1, 2011, Lead Plaintiff and Carter’s, on behalf of the Settling Defendants, met with Judge Phillips for a lengthy in-person mediation session in an attempt to reach a settlement of the claims in the Consolidated Action. The mediation involved an extended effort to settle the claims and was preceded by the exchange of initial

mediation statements and reply mediation statements. These discussions were successful and the Settling Parties entered into a “Settlement Term Sheet” (“Term Sheet”).

Q. Lead Plaintiff, through Lead Counsel, conducted a thorough investigation relating to the claims, the defenses, and the underlying events and transactions that are the subject of the Consolidated Action. This process included reviewing and analyzing: (i) Carter’s filings with the Securities and Exchange Commission (the “SEC”); (ii) publicly available information concerning Defendants, including newspaper articles, online publications, stock price movement data, statements at analyst conferences, and Bloomberg reports; (iii) securities analyst reports and advisories about Carter’s; (iv) press releases and other public statements issued by Defendants; (v) pleadings and disclosures filed in the SEC’s action against Elles commenced on December 20, 2010 and the criminal proceeding filed by the Department of Justice on September 21, 2011; and (vi) the applicable law and accounting rules governing the claims and potential defenses. Lead Counsel also identified and contacted numerous potential witnesses, and consulted with experienced damages and accounting experts.

R. The Settling Defendants have denied and continue to deny any liability under the U.S. securities laws. The Settling Defendants have denied and

continue to deny each of the claims alleged by Lead Plaintiff on behalf of the Settlement Class, including all claims in the Second Amended Complaint.

S. This Stipulation, whether or not consummated, any proceedings relating to any settlement, or any of the terms of any settlement, whether or not consummated, shall in no event be construed as, or deemed to be evidence of, an admission or concession on the part of the Settling Parties with respect to any claim of any liability or damage whatsoever, or any infirmity in any claim or defense that the Settling Defendants have or could have asserted. The Settling Defendants are entering into this Settlement to eliminate the burden, expense, uncertainty, distraction and risk of further litigation.

T. Lead Plaintiff believes that the claims asserted in the Consolidated Action have merit and that the evidence developed to date supports the claims asserted. However, Lead Plaintiff and Lead Counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Consolidated Action against the Settling Defendants through trial and appeals. Lead Plaintiff and Lead Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Consolidated Action, as well as the difficulties and delays inherent in such litigation. Lead Counsel also are mindful of the inherent problems of proof and the possible defenses to the claims alleged in the Consolidated Action. Based on their

evaluation, Lead Plaintiff and Lead Counsel believe that the Settlement set forth in this Stipulation confers substantial monetary benefits upon the Settlement Class and is in the best interests of Plaintiffs and the Settlement Class.

NOW THEREFORE, without any concession by Lead Plaintiff that the Consolidated Action lacks merit, and without any concession by the Settling Defendants of any liability or wrongdoing or lack of merit in their defenses, it is hereby **STIPULATED AND AGREED**, by and among the Settling Parties to this Stipulation, through their respective attorneys, subject to approval by the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, that, in consideration of the benefits flowing to the Settling Parties hereto, all Released Claims and all Released Defendants' Claims as against all Released Parties shall be compromised, settled, released and dismissed with prejudice, and without costs, upon and subject to the following terms and conditions:

DEFINITIONS

1. As used in this Stipulation, the following terms shall have the meanings set forth below:

(a) "Authorized Claimant" means a Settlement Class Member who timely submits a valid Proof of Claim and Release form to the Claims Administrator that is accepted for payment by the Court.

(b) “Alternative Judgment” means a form of final judgment that may be entered by the Court herein but in a form other than the form of Judgment provided for in this Stipulation and where none of the parties hereto elects to terminate this Settlement by reason of such variance.

(c) “Claims Administrator” means the firm to be retained by Lead Counsel, subject to Court approval, to provide all notices approved by the Court to Settlement Class Members, process proofs of claim and administer the Settlement.

(d) “Class Period” means the period from March 16, 2005 through November 10, 2009, inclusive.

(e) “Company” means Carter’s, Inc.

(f) “Consolidated Action” means *In re Carter’s, Inc. Sec. Litig.*, No. 1:08-CV-2940-AT and all consolidated actions pending in the United States District Court for the Northern District of Georgia.

(g) “Court” means the United States District Court for the Northern District of Georgia.

(h) “Defendants” means the Settling Defendants and the Non-Settling Defendant.

(i) “Distribution Order” means an order of the Court approving the Claims Administrator’s administrative determinations concerning the acceptance and rejection of the claims submitted and approving any fees and expenses not

previously paid, including the fees and expenses of the Claims Administrator and, if the Effective Date has occurred, directing payment of the Net Settlement Fund to Authorized Claimants.

(j) “Effective Date” means the date upon which the Settlement shall become effective, as set forth in ¶ 36 below.

(k) “Escrow Account” means the separate escrow account designated by Lead Counsel, into which the Settlement Amount is to be deposited for the benefit of the Settlement Class.

(l) “Final,” with respect to a court order, means the later of: (i) if there is an appeal from a court order, the date of final affirmance on appeal and the expiration of the time for any further judicial review whether by appeal, reconsideration or a petition for a *writ of certiorari* and, if *certiorari* is granted, the date of final affirmance of the order following review pursuant to the grant; or (ii) the date of final dismissal of any appeal from the order or the final dismissal of any proceeding on *certiorari* to review the order; or (iii) the expiration of the time for the filing or noticing of any appeal from the order, which is thirty (30) calendar days after the order is entered on the issuing court’s docket (or, if the date for taking an appeal or seeking review of the order shall be extended beyond this time by order of the issuing court, by operation of law or otherwise, or if such extension is requested, the date of expiration of any extension if any appeal or review is not

sought). However, any appeal or proceeding seeking subsequent judicial review pertaining solely to the Plan of Allocation of the Net Settlement Fund, or to the Court's award of attorneys' fees or expenses, shall not in any way delay or affect the time set forth above for the Judgment or Alternative Judgment to become Final, or otherwise preclude the Judgment or Alternative Judgment from becoming Final.

(m) "Individual Defendants" means Frederick J. Rowan, II, Joseph Pacifico, Michael D. Casey, Andrew North, Charles E. Whetzel, Jr., and Joseph M. Elles.

(n) "Judgment" means the proposed judgment to be entered approving the Settlement substantially in the form attached hereto as Exhibit B.

(o) "Lead Plaintiff" means Plymouth County Retirement System.

(p) "Lead Counsel" means the law firm of Labaton Sucharow LLP.

(q) "Net Settlement Fund" means the Settlement Fund less: (i) Court-awarded attorneys' fees and expenses; (ii) Notice and Administration Expenses; (iii) Taxes; and (iv) any other fees or expenses approved by the Court, including any award to the Plaintiffs for reasonable costs and expenses (including lost wages) pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. §78u-4 (the "PSLRA").

(r) "Non-Settling Defendant" means PricewaterhouseCoopers LLP.

(s) “Notice” means the Notice of Pendency of Class Action and Proposed Partial Settlement and Motion for Attorneys’ Fees and Expenses, which is to be sent to members of the Settlement Class and, subject to approval of the Court, shall be substantially in the form attached hereto as Exhibit A-1 to Exhibit A hereto.

(t) “Notice and Administration Expenses” means all fees and expenses incurred in connection with providing notice to the Settlement Class and the administration of the Settlement, including but not limited to: (i) providing notice of the proposed Settlement by mail, publication and other means to Class Members; (ii) receiving and reviewing claims; (iii) applying the Plan of Allocation; (iv) communicating with Persons regarding the proposed Settlement and claims administration process; (v) distributing the proceeds of the Settlement; and (vii) fees related to the Escrow Account and investment of the Settlement Fund.

(u) “Person” means an individual, corporation (including all divisions and subsidiaries), general or limited partnership, association, joint stock company, joint venture, limited liability company, professional corporation, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any other business or legal entity.

(v) “Plaintiff(s)” means Lead Plaintiff and Scott Mylroie.

(w) “Preliminary Approval Order” means the proposed order preliminarily approving the Settlement and directing notice to the Settlement Class of the pendency of the Consolidated Action and of the Settlement, which, subject to the approval of the Court, shall be substantially in the form attached hereto as Exhibit A.

(x) “Proof of Claim” means the Proof of Claim and Release form for submitting a claim, which shall be substantially in the form attached as Exhibit A-2 to Exhibit A hereto.

(y) “Released Claims” means any and all claims, rights, causes of action, duties, obligations, demands, actions, debts, sums of money, suits, contracts, agreements, promises, damages, and liabilities of every nature and description, including both known and Unknown Claims (as defined below), whether arising under federal, state, common or administrative law, or any other law, that Lead Plaintiff or any other Class Member: (i) have asserted in the Plymouth Action, Mylroie Action, or Consolidated Action; or (ii) could have asserted in any forum, that arise out, are based upon, or relate in any way, directly or indirectly, to the allegations, transactions, facts, events, occurrences, acts, disclosures, statements, representations or omissions or failures to act involved, set forth, or referred to in the complaints filed in the Plymouth Action, Mylroie Action, or Consolidated Action, and that relate in any way, directly or indirectly, to

the purchase or acquisition during the Class Period of Carter's publicly traded securities. Released Claims do not include: (i) claims to enforce the Settlement; (ii) any governmental or regulatory agency's claims in any criminal or civil action against any of the Released Defendant Parties; (iii) claims in the shareholder derivative lawsuit entitled *Alvarado v. Bloom*, No. 2010-cv-186118 (Superior Court of Fulton County, Georgia); and (iv) claims against the Non-Settling Defendant.

(z) "Released Defendants' Claims" means all claims, including both known and Unknown Claims (as defined below), whether arising under federal, state, common or foreign law, or any other law, that the Settling Defendants asserted, or could have asserted, against any of the Released Plaintiff Parties that arise out of or relate in any way to the institution, prosecution, or settlement of the Plymouth Action, Mylroie Action, or Consolidated Action (other than claims to enforce the Settlement).

(aa) "Released Defendant Parties" means the Settling Defendants and their respective past, current, and future trustees, officers, directors, partners, employees, contractors, auditors (other than PwC), principals, agents, attorneys, insurers, predecessors, successors, assigns, parents, subsidiaries, divisions, joint ventures, general or limited partners or partnerships, and limited liability companies; and the spouses, members of the immediate families, representatives,

and heirs of Settling Defendants who are individuals, as well as any trust of which any Settling Defendant is the settlor or which is for the benefit of any of their immediate family members. For the avoidance of doubt, Released Defendant Parties does not include PwC.

(bb) “Released Parties” means the Released Defendant Parties and the Released Plaintiff Parties.

(cc) “Released Plaintiff Parties” means each and every Settlement Class Member, Lead Counsel, and their respective past, current, or future trustees, officers, directors, partners, employees, contractors, auditors, principals, agents, attorneys, predecessors, successors, assigns, parents, subsidiaries, divisions, joint ventures, general or limited partners or partnerships, and limited liability companies; and the spouses, members of the immediate families, representatives, and heirs of Settlement Class Members who are individuals, as well as any trust of which any Settlement Class Member is the settlor or which is for the benefit of any of their immediate family members. Released Plaintiff Parties does not include any Person who timely and validly seeks exclusion from the Settlement Class.

(dd) “Settlement” means the resolution of the Plymouth Action, Mylroie Action, and Consolidated Action as against the Settling Defendants in accordance with the terms and provisions of this Stipulation.

(ee) “Settlement Amount” means the total principal amount of \$20,000,000 in cash.

(ff) “Settlement Class” or “Settlement Class Member” means all Persons who purchased the publicly traded securities of the Company during the period from March 16, 2005 through November 10, 2009, inclusive, and were allegedly damaged thereby. Excluded from the Settlement Class are: the Defendants; the officers and directors of the Company, at all relevant times; any entity in which the Defendants have or had a controlling interest; members of the immediate families of the Individual Defendants; and the legal representatives, heirs, successors or assigns of any excluded person. Also excluded from the Settlement Class will be any Person who timely and validly seeks exclusion from the Settlement Class.

(gg) “Settlement Fund” means the Settlement Amount and any earnings thereon.

(hh) “Settlement Hearing” means the hearing to be held by the Court to determine whether the proposed Settlement is fair, reasonable and adequate and should be approved.

(ii) “Settling Defendants” means Carter’s, Rowan, Pacifico, Casey, North, Whetzel, and Elles.

(jj) “Settling Defendants’ Counsel” means the law firms of Ropes & Gray LLP and Parker Hudson Rainer & Dobbs LLP with regard to Carter’s; the law firm of McKenna Long & Aldridge LLP with regard to Casey, Rowan, North, and Whetzel; the law firm of Sutherland Asbill & Brennan LLP with regard to Pacifico; and the law firm of Bryan Cave LLP with regard to Elles.

(kk) “Settling Party” or “Settling Parties” means the Settling Defendants and Lead Plaintiffs on behalf of itself and the other Settlement Class Members.

(ll) “Stipulation” means this Stipulation and Agreement of Settlement With Company and Individual Defendants.

(mm) “Summary Notice” means the Summary Notice of Pendency of Class Action and Proposed Partial Settlement and Motion for Attorneys’ Fees and Expenses for publication, which shall be substantially in the form attached as Exhibit A-3 to Exhibit A hereto.

(nn) “Taxes” means all taxes on the income of the Settlement Fund and expenses and costs incurred in connection with the taxation of the Settlement Fund (including, without limitation, interest, penalties and the expenses of tax attorneys and accountants).

(oo) “Unknown Claims” means any and all Released Claims, which the Plaintiffs or any other Settlement Class Member does not know or suspect to

exist in his, her or its favor at the time of the release of the Released Defendant Parties, and any Released Defendants' Claims that the Settling Defendants do not know or suspect to exist in his, her or its favor at the time of the release of the Released Plaintiff Parties, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Released Defendants' Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Plaintiffs and the Settling Defendants, shall expressly, and each other Settlement Class Member shall be deemed to have, and by operation of the Judgment or Alternative Judgment shall have, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Plaintiffs, the other Settlement Class Members or the Settling Defendants may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims and the Released Defendants' Claims, but Plaintiffs and the Settling

Defendants shall expressly, fully, finally and forever settle and release, and each other Settlement Class Member shall be deemed to have settled and released, and upon the Effective Date and by operation of the Judgment or Alternative Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants' Claims as applicable, without regard to the subsequent discovery or existence of such different or additional facts. Plaintiffs and the Settling Defendants acknowledge, and other Settlement Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims and Released Defendants' Claims was separately bargained for and was a key element of the Settlement.

SCOPE AND EFFECT OF SETTLEMENT

2. The obligations incurred pursuant to this Stipulation are subject to approval by the Court and such approval becoming Final, in full and final disposition of the claims in the Consolidated Action with respect to the Released Parties and any and all Released Claims and Released Defendants' Claims.

3. For purposes of this Settlement only, the Settling Parties agree to:

- (i) certification of the Consolidated Action as a class action, pursuant to Fed. R. Civ. P. 23(a) and 23(b)(3), on behalf of the Settlement Class as defined in ¶ 1(ff);
- (ii) the certification of Lead Plaintiff as Class Representative for the Settlement

Class; and (iii) the appointment of Lead Counsel as Class Counsel for the Settlement Class.

4. By operation of the Judgment or Alternative Judgment, as of the Effective Date, Plaintiffs and each and every other Settlement Class Member on behalf of themselves and each of their respective heirs, executors, trustees, administrators, predecessors, successors and assigns, shall be deemed to have fully, finally and forever waived, released, discharged and dismissed each and every one of the Released Claims against each and every one of the Released Defendant Parties and shall forever be barred and enjoined from commencing, instituting, prosecuting or maintaining any of the Released Claims against any of the Released Defendant Parties.

5. By operation of the Judgment or Alternative Judgment, as of the Effective Date, the Settling Defendants, on behalf of themselves and each of their respective heirs, executors, trustees, administrators, predecessors, successors and assigns by operation of the Judgment or Alternative Judgment, shall be deemed to have fully, finally and forever waived, released, discharged and dismissed each and every one of the Released Defendants' Claims, as against each and every one of the Released Plaintiff Parties and shall forever be barred and enjoined from commencing, instituting, prosecuting or maintaining any of the Released Defendants' Claims against any of the Released Plaintiff Parties.

THE SETTLEMENT CONSIDERATION

6. In full settlement of the claims asserted in the Consolidated Action against the Settling Defendants and in consideration of the releases specified in ¶¶ 4-5, above, the Settling Defendants shall pay, or cause to be paid, the sum of \$20,000,000 in cash into the Escrow Account within twenty (20) business days after the later of (i) entry of the Preliminary Approval Order by the Court; and (ii) receipt by Settling Defendants' Counsel from Lead Counsel of complete and accurate wiring instructions, payment address, and a complete and accurate W-9 form.

7. With the sole exception of the Settling Defendants' obligation to pay, or cause payment of, the Settlement Amount into the Escrow Account as provided for in ¶ 6, the Settling Defendants and Settling Defendants' Counsel shall have no liability with respect to the Escrow Account or the monies maintained in the Escrow Account, including, without limitation, any liability related to any fees, Taxes, investment decisions, maintenance, supervision or distributions of any portion of the Settlement Amount.

USE AND TAX TREATMENT OF SETTLEMENT FUND

8. The Settlement Fund shall be used: (i) to pay any Taxes; (ii) to pay Notice and Administration Expenses; (iii) to pay any attorneys' fees and expenses awarded by the Court; (iv) to pay any costs and expenses allowed by the PSLRA

and awarded to Plaintiffs by the Court; (v) to pay any other fees and expenses awarded by the Court; and (v) to pay the claims of Authorized Claimants.

9. The Net Settlement Fund shall be distributed to Authorized Claimants as provided in ¶¶ 21-32 hereof. The Net Settlement Fund shall remain in the Escrow Account prior to the Effective Date. All funds held in the Escrow Account shall be deemed to be in the custody of the Court and shall remain subject to the jurisdiction of the Court until such time as the funds shall be disbursed or returned, pursuant to ¶ 42 of this Stipulation, and/or further order of the Court. The Escrow Agent shall invest funds in the Escrow Account in instruments backed by the full faith and credit of the United States Government (or a mutual fund invested solely in such instruments), or deposit some or all of the funds in non-interest-bearing transaction accounts up to the limit of Federal Deposit Insurance Corporation insurance. The Settling Defendants and Settling Defendants' Counsel shall have no responsibility for, interest in, or liability whatsoever with respect to investment decisions executed by the Escrow Agent.

10. After the Settlement Amount has been paid into the Escrow Account in accordance with ¶ 6 above, the Settling Parties agree to treat the Settlement Fund, as a "qualified settlement fund" within the meaning of Treas. Reg. § 1.468B-1. In addition, Lead Counsel shall timely make, or cause to be made, such elections as necessary or advisable to carry out the provisions of this paragraph, including

the “relation-back election” (as defined in Treas. Reg. § 1.468B-1) back to the earliest permitted date. Such election shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of Lead Counsel to timely and properly prepare and deliver, or cause to be prepared and delivered, the necessary documentation for signature by all necessary parties, and thereafter take all such actions as may be necessary or appropriate to cause the appropriate filing to occur.

(a) For the purposes of Section 468B of the Internal Revenue Code of 1986, as amended, and Treas. Reg. § 1.468B promulgated thereunder, the “administrator” shall be Lead Counsel or its successors, who shall timely and properly file, or cause to be filed, all informational and other tax returns necessary or advisable with respect to the earnings on the fund deposited in the Escrow Account (including without limitation the returns described in Treas. Reg. § 1.468B-2(k)). Such returns (as well as the election described above) shall be consistent with this subparagraph and in all events shall reflect that all Taxes (including any estimated taxes, earnings, or penalties) on the income earned on the funds deposited in the Escrow Account shall be paid out of such funds as provided in subparagraph (c) hereof.

(b) All Taxes shall be paid solely out of the Escrow Account. In all events, the Settling Defendants and Settling Defendants’ Counsel shall have no

liability or responsibility whatsoever for the Taxes or the filing of any tax returns or other documents with the Internal Revenue Service or any other state or local taxing authority. In the event any Taxes are owed by any of the Settling Defendants on any earnings on the funds on deposit in the Escrow Account, such amounts shall also be paid out of the Escrow Account. Any taxes or tax expenses owed on any earnings on the Settlement Amount prior to its transfer to the Escrow Account shall be the sole responsibility of the Settling Defendants.

(c) Taxes shall be treated as, and considered to be, a cost of administration of the Settlement and shall be timely paid, or caused to be paid, by Lead Counsel out of the Escrow Account without prior order from the Court or approval by the Settling Defendants, and Lead Counsel shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts (as well as any amounts that may be required to be withheld under Treas. Reg. § 1.468B-2(1)(2)). The Settling Parties agree to cooperate with Lead Counsel, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this paragraph.

11. This is not a claims-made settlement. As of the Effective Date, Settling Defendants and/or such other persons or entities funding the Settlement on

the Settling Defendants' behalf, shall not have any right to the return of the Settlement Fund or any portion thereof for any reason.

ATTORNEYS' FEES AND EXPENSES

12. Lead Counsel will apply to the Court for an award from the Settlement Fund of attorneys' fees in an amount not to exceed 33% of the Settlement Fund and reimbursement of litigation expenses incurred in prosecuting the Consolidated Action in an amount not to exceed \$400,000, plus any earnings on such amounts at the same rate and for the same periods as earned by the Settlement Fund ("Fee and Expense Application"). The Settling Defendants will not oppose the Fee and Expense Application, provided that it complies with these terms.

13. The amount of attorneys' fees and expenses awarded by the Court is within the sole discretion of the Court. Any attorneys' fees and expenses awarded by the Court shall be paid from the Settlement Fund to Lead Counsel immediately after entry of the Order awarding such attorneys' fees and expenses, notwithstanding the existence of any timely filed objections thereto, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof.

14. Any payment of attorneys' fees and litigation expenses pursuant to ¶¶ 12-13 above shall be subject to Lead Counsel's obligation to make refunds or repayments to the Settlement Fund of any paid amounts, plus accrued earnings at

the same net rate as is earned by the Settlement Fund, if the Settlement is terminated or fails to become effective for any reason or if, as a result of any appeal or further proceedings on remand, or successful collateral attack, the award of attorneys' fees and/or litigation expenses is reduced or reversed by Final non-appealable court order. Lead Counsel shall make the appropriate refund or repayment in full no later than ten (10) business days after receiving from Settling Defendants' Counsel notice from a court of appropriate jurisdiction of the termination of the Settlement or notice of any reduction or reversal of the award of attorneys' fees and/or litigation expenses by Final non-appealable court order.

15. With the sole exception of the Settling Defendants causing the payment of the Settlement Amount into the Escrow Account as provided for in ¶ 6, the Settling Defendants shall have no responsibility for, and no liability whatsoever with respect to, any payment to Lead Counsel or any other plaintiffs' counsel in the Plymouth Action, Mylroie Action, or Consolidated Action that may occur at any time.

16. The Settling Defendants shall have no responsibility for, and no liability whatsoever with respect to, the allocation of any attorneys' fees or expenses among any plaintiffs' counsel in the Plymouth Action, Mylroie Action, or Consolidated Action, or any other Person who may assert some claim thereto, or

any fee or expense awards the Court may make in the Plymouth Action, Mylroie Action, or Consolidated Action.

17. The Settling Defendants shall have no responsibility for, and no liability whatsoever with respect to, any attorneys' fees, costs, or expenses incurred by or on behalf of the Settlement Class Members, whether or not paid from the Escrow Account.

18. The procedure for and the allowance or disallowance by the Court of any Fee and Expense Application are not part of the Settlement set forth in this Stipulation, and are separate from the Court's consideration of the fairness, reasonableness and adequacy of the Settlement set forth in the Stipulation, and any order or proceeding relating to any Fee and Expense Application, including an award of attorneys' fees or expenses in an amount less than the amount requested by Lead Counsel, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of the Judgment or Alternative Judgment approving the Stipulation and the Settlement set forth herein, including, but not limited to, the release, discharge, and relinquishment of the Released Claims against the Released Defendant Parties, or any other orders entered pursuant to the Stipulation.

ADMINISTRATION EXPENSES

19. Except as otherwise provided herein, the Settlement Fund shall be held in the Escrow Account until the Effective Date.

20. Prior to the Effective Date, without further approval from the Settling Defendants or further order of the Court, Lead Counsel may expend up to \$500,000 from the Settlement Fund to pay Notice and Administration Expenses actually incurred. Taxes may be paid as incurred. After the Effective Date, without further approval of the Settling Defendants or further order of the Court, Notice and Administration Expenses may be paid as incurred.

DISTRIBUTION TO AUTHORIZED CLAIMANTS

21. Lead Counsel will apply to the Court for a Distribution Order, on notice to Settling Defendants' Counsel, approving the Claims Administrator's administrative determinations concerning the acceptance and rejection of the claims submitted herein, and, if the Effective Date has occurred, directing the payment of the Net Settlement Fund to Authorized Claimants.

22. The Claims Administrator shall administer the Settlement under Lead Counsel's supervision and subject to the jurisdiction of the Court. Except as stated in ¶¶ 6 and 26, hereof, the Settling Defendants and Settling Defendants' Counsel shall have no responsibility for, interest in, or liability whatsoever with respect to the administration of the Settlement or the actions or decisions of the Claims

Administrator, and shall have no liability to the Settlement Class in connection with such administration.

23. The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's Recognized Loss, as defined in the Plan of Allocation of Net Settlement Fund (the "Plan of Allocation") included in the Notice, or in such other plan of allocation as the Court may approve.

24. The Settling Defendants will take no position with respect to the Plan of Allocation. The Plan of Allocation is a matter separate and apart from the proposed Settlement between Lead Plaintiff and the Settling Defendants, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement. The Plan of Allocation is not a necessary term of this Stipulation and it is not a condition of this Stipulation that any particular plan of allocation be approved by the Court. Lead Plaintiff and Lead Counsel may not cancel or terminate the Stipulation or the Settlement in accordance with ¶ 37 or otherwise based on the Court's or any appellate court's ruling with respect to the Plan of Allocation or any plan of allocation in the Consolidated Action. The Settling Defendants and Settling Defendants' Counsel shall have no responsibility or liability for reviewing or challenging claims, the

allocation of the Net Settlement Fund, or the distribution of the Net Settlement Fund.

ADMINISTRATION OF THE SETTLEMENT

25. Any member of the Settlement Class who fails to timely submit a valid Proof of Claim (substantially in the form of Exhibit A-2 to Exhibit A hereto) will not be entitled to receive any of the proceeds from the Net Settlement Fund, except as otherwise ordered by the Court, but will otherwise be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment or Alternative Judgment to be entered in the Consolidated Action and the releases provided for herein, and will be barred from bringing any action against the Released Defendant Parties concerning the Released Claims.

26. Lead Counsel shall be responsible for supervising the administration of the Settlement and disbursement of the Net Settlement Fund by the Claims Administrator. Lead Counsel shall have the right, but not the obligation, to advise the Claims Administrator to waive what Lead Counsel deems to be *de minimis* or formal or technical defects in any Proofs of Claim submitted. Carter's shall provide, or cause to be provided, to Lead Counsel or the Claims Administrator, at no cost to Plaintiffs, Lead Counsel, the Settlement Class or the Claims Administrator, a list in electronic searchable form of the names and last known addresses of the Persons who purchased the publicly traded securities of Carter's

during the Class Period within ten (10) business days of execution of the Stipulation. The Settling Defendants and Settling Defendants' Counsel shall have no liability, obligation or responsibility for the administration of the Settlement, the allocation of the Net Settlement Fund or reviewing or challenging of claims of members of the Settlement Class. Lead Counsel shall be solely responsible for designating the Claims Administrator, subject to approval by the Court.

27. For purposes of determining the extent, if any, to which a Settlement Class Member shall be entitled to be treated as an Authorized Claimant, the following conditions shall apply:

(a) Each Settlement Class Member shall be required to submit a Proof of Claim, substantially in the form attached hereto as Exhibit A-2 to Exhibit A, supported by such documents as are designated therein, including proof of the claimant's loss, or such other documents or proof as the Claims Administrator or Lead Counsel, in their discretion, may deem acceptable;

(b) All Proofs of Claim must be submitted by the date set by the Court in the Preliminary Approval Order and specified in the Notice, unless such deadline is extended by Lead Counsel in their discretion, or by Order of the Court. Any Settlement Class Member who fails to submit a Proof of Claim by such date shall be barred from receiving any distribution from the Net Settlement Fund or payment pursuant to this Stipulation (unless, by Order of the Court or the

discretion of Lead Counsel, late-filed Proofs of Claim are accepted), but shall in all other respects be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment or Alternative Judgment and the releases provided for herein, and will be permanently barred and enjoined from bringing any action, claim or other proceeding of any kind against any Released Party concerning any Released Claim or Released Defendants' Claims. Provided that it is received before the motion for the Distribution Order is filed, a Proof of Claim shall be deemed to be submitted when mailed, if received with a postmark on the envelope and if mailed by first-class or overnight U.S. Mail and addressed in accordance with the instructions thereon. In all other cases, the Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator;

(c) Each Proof of Claim shall be submitted to and reviewed by the Claims Administrator, under the supervision of Lead Counsel, who shall determine in accordance with this Stipulation the extent, if any, to which each claim shall be allowed, subject to review by the Court pursuant to subparagraph (e) below;

(d) Proofs of Claim that do not meet the submission requirements may be rejected. Prior to rejecting a Proof of Claim in whole or in part, the Claims Administrator shall communicate with the claimant in writing to give the claimant the chance to remedy any curable deficiencies in the Proof of Claim submitted.

The Claims Administrator, under supervision of Lead Counsel, shall notify, in a timely fashion and in writing, all claimants whose claims the Claims Administrator proposes to reject in whole or in part for curable deficiencies, setting forth the reasons therefor, and shall indicate in such notice that the claimant whose claim is to be rejected has the right to a review by the Court if the claimant so desires and complies with the requirements of subparagraph (e) below;

(e) If any claimant whose claim has been rejected in whole or in part desires to contest such rejection, the claimant must, within twenty (20) calendar days after the date of mailing of the notice required in subparagraph (d) above, serve upon the Claims Administrator a notice and statement of reasons indicating the claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Court. If a dispute concerning a claim cannot be otherwise resolved, Lead Counsel shall thereafter present the request for review to the Court; and

(f) The administrative determinations of the Claims Administrator accepting and rejecting disputed claims shall be presented to the Court, on notice to Settling Defendants' Counsel, for approval by the Court in the Distribution Order.

28. Each claimant who submits a Proof of Claim form shall be deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim,

and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to the claimant's status as a Settlement Class Member and the validity and amount of the claimant's claim. In connection with processing the Proofs of Claim, no discovery shall be allowed on the merits of the Consolidated Action or the Settlement.

29. Payment pursuant to the Distribution Order shall be deemed Final and conclusive against all Settlement Class Members. All Settlement Class Members whose claims are not approved by the Court shall be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment or Alternative Judgment to be entered in the Consolidated Action and the releases provided for herein, and will be barred from bringing any action against the Released Defendant Parties concerning the Released Claims.

30. All proceedings with respect to the administration, processing and determination of claims described by ¶¶ 21-32 of this Stipulation and the determination of all controversies relating thereto, including disputed questions of law and fact with respect to the validity of claims, shall be subject to the jurisdiction of the Court, but shall not in any event delay or affect the finality of the Judgment or Alternative Judgment.

31. No Person shall have any claim of any kind against the Released Defendant Parties or their counsel with respect to the matters set forth in this Section or any of its subsections.

32. No Person shall have any claim against Plaintiffs or their counsel (including Lead Counsel), or the Claims Administrator, or other agent designated by Lead Counsel, based on the distributions made substantially in accordance with this Stipulation and the Settlement contained herein, the Plan of Allocation, or further order(s) of the Court.

TERMS OF THE PRELIMINARY APPROVAL ORDER

33. Concurrently with their application for preliminary Court approval of the Settlement contemplated by this Stipulation and promptly upon execution of this Stipulation, Lead Counsel and Settling Defendants' Counsel shall jointly apply to the Court for entry of the Preliminary Approval Order, which shall be substantially in the form annexed hereto as Exhibit A. The Preliminary Approval Order will, *inter alia*, set the date for the Settlement Hearing and prescribe the method for giving notice of the Settlement to the Settlement Class.

TERMS OF THE JUDGMENT

34. If the Settlement contemplated by this Stipulation is approved by the Court, Lead Counsel and Settling Defendants' Counsel shall jointly request that the Court enter a Judgment substantially in the form annexed hereto as Exhibit B

35. As required by the PSLRA, the following bar order and judgment reduction provision shall be included, in substantially the following form, in the Judgment or Alternative Judgment:

Pursuant to the PSLRA, 15 U.S.C. Section 78u-4(f)(7)(A), and applicable law, upon the Effective Date, any and all claims, actions, allegations, causes of action, demands or rights, however denominated and whether presently known or unknown, seeking contribution as that term is defined for purposes of the PSLRA, or seeking indemnification for claims arising under the federal securities laws or for state law claims arising out of the transactions underlying the claims in the Plymouth Action, Mylroie Action, and Consolidated Action, brought by any person or entity, including PwC, against the Settling Defendants or by any Settling Defendant against any person or entity, other than a person or entity whose liability has been extinguished by this Settlement, are hereby barred and discharged. Any final verdict or judgment obtained by or on behalf of Lead Plaintiff, the Settlement Class or any Settlement Class Member shall be reduced as provided by the PSLRA.

EFFECTIVE DATE OF SETTLEMENT, WAIVER OR TERMINATION

36. The Effective Date of this Settlement shall be the date when all of the following shall have occurred:

(a) entry of the Preliminary Approval Order, which shall be in all material respects substantially in the form set forth in Exhibit A annexed hereto;

- (b) payment of the Settlement Amount into the Escrow Account;
- (c) approval by the Court of the Settlement, following notice to the Settlement Class and a hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure; and
- (d) a Judgment, which shall be in all material respects substantially in the form set forth in Exhibit B annexed hereto, has been entered by the Court and has become Final; or in the event that an Alternative Judgment has been entered and none of the Settling Parties elects to terminate the Settlement by reason of such variance, that judgment has become Final.

37. The Settling Defendants and Lead Plaintiff shall have the right to terminate the Settlement and this Stipulation by providing written notice of their election to do so (“Termination Notice”), through counsel, to all other Settling Parties hereto within fourteen (14) calendar days of: (a) the Court’s Final refusal to enter the Preliminary Approval Order in any material respect; (b) the Court’s Final refusal to approve this Stipulation or any material part of it; (c) the Court’s Final refusal to enter the Judgment in any material respect or an Alternative Judgment; or (d) the date upon which the Judgment or Alternative Judgment is modified or reversed in any material respect by the United States Court of Appeals or the Supreme Court of the United States.

38. The Settling Defendants shall also have the right to withdraw from the Settlement in the event the Termination Threshold (defined below) has been reached.

(a) Simultaneously herewith, Settling Defendants' Counsel and Lead Counsel are executing a confidential Supplemental Agreement Regarding Requests for Exclusion ("Supplemental Agreement"). The Supplemental Agreement sets forth certain conditions under which the Settling Defendants shall have the option to terminate the Settlement and render this Stipulation null and void in the event that requests for exclusion from the Settlement Class exceed certain agreed-upon criteria (the "Termination Threshold"). Pursuant to the Supplemental Agreement, the Settling Defendants vest in Carter's sole and unilateral authority, on behalf of the Settling Defendants, to exercise the option to terminate the Settlement and thereby render this Stipulation null and void in the event the Termination Threshold has been reached. The Settling Parties agree to maintain the confidentiality of the Termination Threshold in the Supplemental Agreement, which shall not be filed with the Court unless a dispute arises as to its terms, or as otherwise ordered by the Court, nor shall the Supplemental Agreement otherwise be disclosed unless ordered by the Court. If submission of the Supplemental Agreement is required for resolution of a dispute or is otherwise

ordered by the Court, the Settling Parties will undertake to have the Termination Threshold submitted to the Court *in camera* or under seal.

(b) In the event of a termination of this Settlement pursuant to the Supplemental Agreement, this Stipulation shall become null and void and of no further force and effect, with the exception of the provisions of ¶¶ 41-42, and 43 which shall continue to apply.

39. In addition to all of the rights and remedies that the Lead Plaintiff has under the terms of this Stipulation, Lead Plaintiff shall also have the right to terminate the Settlement in the event that the Settling Defendants do not pay, or cause to be paid, the Settlement Amount as provided in ¶ 6 above, by providing written notice of its election to terminate to all other Settling Parties to this Stipulation and, thereafter, the Settling Defendants fail to pay the Settlement Amount within fourteen (14) calendar days of such written notice.

40. If an option to withdraw from and terminate this Stipulation and Settlement arises under any of ¶¶ 37, 38, or 39 above: (i) neither the Settling Defendants nor Lead Plaintiff (as the case may be) will be required for any reason or under any circumstance to exercise that option; and (ii) any exercise of that option shall be made in good faith, but in the sole and unfettered discretion of the Settling Defendants or Lead Plaintiff, as applicable.

41. In the event the Settlement is terminated or fails to become effective for any reason, then: the Settlement shall be without prejudice, and none of its terms, including, but not limited to, the certification of the Settlement Class, shall be effective or enforceable except as specifically provided herein; the Settling Parties to this Stipulation shall be deemed to have reverted to their respective litigation positions in the Consolidated Action immediately prior to their execution of the Term Sheet on November 1, 2011; and the Settling Parties in the Consolidated Action shall proceed in all respects as if this Stipulation and any related orders had not been entered. In such event, the Term Sheet, this Stipulation or any aspect of the discussions or negotiations leading to this Stipulation, shall not be admissible in this Action and shall not be used by Plaintiffs against or to the prejudice of the Settling Defendants or by the Settling Defendants against or to the prejudice of Plaintiffs in any court filings, depositions, at trial or otherwise.

42. In the event the Settlement is terminated or fails to become effective for any reason, any portion of the Settlement Amount previously paid on behalf of or by the Settling Defendants, together with any earnings thereon, less any Taxes paid or due, less Notice and Administration Expenses actually incurred and paid or payable from the Settlement Amount shall be returned to the entities that made the deposit(s) within ten (10) business days after written notification of such event. At the request of Carter's Counsel, the Escrow Agent or its designee shall apply for

any tax refund owed on the amounts in the Escrow Account and pay the proceeds, after any deduction of any fees or expenses incurred in connection with such application(s), for refund to Carter's or as Carter's otherwise directs.

NO ADMISSION OF WRONGDOING

43. Except as set forth in ¶ 44 below, this Stipulation, whether or not consummated, and any discussions, negotiations, proceedings or agreements relating to the Stipulation, the Settlement, and any matters arising in connection with settlement discussions or negotiations, proceedings, or agreements, shall not be returned to, offered, or received against or to the prejudice of the Settling Defendants for any purpose, and in particular:

(a) do not constitute, and shall not be offered or received against or to the prejudice of the Settling Defendants as evidence of, or construed as, or deemed to be evidence of any presumption, concession or admission by the Settling Defendants with respect to the truth of any allegation by Lead Plaintiff and the Settlement Class or the validity of any claim that has been or could have been asserted in the Consolidated Action or in any litigation, including but not limited to the Released Claims, or of any liability, damages, negligence, fault or wrongdoing of the Settling Defendants;

(b) do not constitute, and shall not be offered or received against or to the prejudice of the Settling Defendants as evidence of a presumption,

concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by the Settling Defendants, or against or to the prejudice of Lead Plaintiff or any other members of the Settlement Class as evidence of any infirmity in the claims of Lead Plaintiff or the other members of the Settlement Class;

(c) do not constitute, and shall not be offered or received against or to the prejudice of the Settling Defendants or against Lead Plaintiff or any other members of the Settlement Class, as evidence of a presumption, concession or admission with respect to any liability, damages, negligence, fault, infirmity or wrongdoing, or in any way referred to for any other reason against or to the prejudice of any of the Settling Parties to this Stipulation, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation;

(d) do not constitute, and shall not be construed against the Settling Defendants, Lead Plaintiff, or any other members of the Settlement Class, as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial;

(e) do not constitute, and shall not be construed as or received in evidence as, an admission, concession or presumption against Lead Plaintiff or any other members of the Settlement Class that any of their claims are without merit or

infirm or that damages recoverable under the Second Amended Complaint would not have exceeded the Settlement Amount.

44. The Settling Defendants may file this Stipulation and/or the Judgment or Alternative Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good-faith settlement, judgment bar or reduction, or any theory of claim preclusion or issue preclusion or similar defense or counterclaim, or to effectuate the liability protection granted them under any applicable insurance policies. The Settling Parties may file this Stipulation and/or the Judgment or Alternative Judgment in any action that may be brought to enforce the terms of this Stipulation and/or the Judgment or Alternative Judgment. All Settling Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement.

MISCELLANEOUS PROVISIONS

45. All of the exhibits to the Stipulation, except any Plan of Allocation, to the extent incorporated in those exhibits, are material and integral parts hereof and are fully incorporated herein by this reference.

46. The Settling Defendants warrant that, as to the payments made on behalf of the Settling Defendants, at the time of such payment, the Settling Defendants will not be insolvent, nor will the payment required to be made, if

made by the Settling Defendants themselves, render the Settling Defendants insolvent, within the meaning of and/or for the purposes of the United States Bankruptcy Code, including §§ 101 and 547 thereof.

47. If, before the Settlement becomes Final, a trustee, receiver, conservator, or other fiduciary is appointed under Title 11 of the United States Code (Bankruptcy), or any similar law, and in the event of the entry of a Final order of a court of competent jurisdiction determining the transfer of money or any portion thereof to the Settlement Fund by or on behalf of a Settling Defendant to be a preference, voidable transfer, fraudulent transfer or similar transaction and any portion thereof is required to be returned, and such amount is not promptly deposited into the Settlement Fund by others, then, at the election of Lead Plaintiff, the Settling Parties shall jointly move the Court to vacate and set aside the release given and the Judgment or Alternative Judgment entered, and the Settling Defendants, Lead Plaintiff and the members of the Settlement Class shall be restored to their litigation positions immediately prior to the execution of the Term Sheet.

48. The Settling Parties to this Stipulation intend the Settlement of the Consolidated Action to be the full, final and complete resolution of all claims asserted or which could have been asserted by the Settling Parties with respect to the Released Claims and Released Defendants' Claims. Accordingly, the Settling

Parties agree not to assert in any forum that the Consolidated Action was brought, prosecuted or defended in bad faith or without a reasonable basis. The Settling Parties and their counsel agree that each has complied fully with Rule 11 of the Federal Rules of Civil Procedure in connection with the maintenance, prosecution, defense and settlement of the Consolidated Action and shall not make any applications for sanctions, pursuant to Rule 11 or other court rule or statute, with respect to any claims or defenses in this Consolidated Action. The Settling Parties agree that the amount paid and the other terms of the Settlement were negotiated at arm's-length in good faith by the Settling Parties and their respective counsel, and reflect a settlement that was reached voluntarily based upon adequate information and after consultation with experienced legal counsel.

49. This Stipulation may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all Settling Parties hereto or their successors.

50. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

51. The administration and consummation of the Settlement as embodied in this Stipulation shall be under the authority of the Court, and the Court shall retain jurisdiction for the purpose of entering orders providing for awards of

attorneys' fees and any expenses, and implementing and enforcing the terms of this Stipulation.

52. The waiver by one Settling Party of any breach of this Stipulation by any other Settling Party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

53. This Stipulation, its exhibits and the Supplemental Agreement constitute the entire agreement among the Settling Parties hereto concerning the Settlement of the Consolidated Action as against the Settling Defendants, and no representations, warranties, or inducements have been made by any party hereto concerning this Stipulation and its exhibits other than those contained and memorialized in such documents.

54. Nothing in the Stipulation, or the negotiations relating thereto, is intended to or shall be deemed to constitute a waiver of any applicable privilege or immunity, including, without limitation, attorney-client privilege, joint defense privilege, or work product protection.

55. This Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument provided that counsel for the Settling Parties to this Stipulation shall exchange among themselves original signed counterparts. Signatures sent by facsimile or pdf'd via e-mail shall be deemed originals.

56. This Stipulation shall be binding when signed, but the Settlement shall be effective only on the condition that the Effective Date occurs.

57. This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties hereto.

58. The construction, interpretation, operation, effect and validity of this Stipulation, and all documents necessary to effectuate it, shall be governed by the internal laws of the State of Georgia without regard to conflicts of laws, except to the extent that federal law requires that federal law govern.

59. This Stipulation shall not be construed more strictly against one Settling Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations among the Settling Parties, and all Settling Parties have contributed substantially and materially to the preparation of this Stipulation.

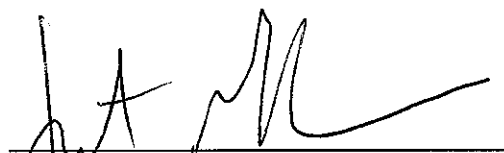
60. All counsel and any other person executing this Stipulation and any of the exhibits hereto, or any related Settlement documents, warrant and represent that they have the full authority to do so, and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

61. The Settling Parties and their counsel agree to cooperate fully with one another in promptly applying for preliminary approval by the Court of the Settlement and for the scheduling of a hearing for consideration of final approval of the Settlement and Lead Counsel's application for an award of attorneys' fees and expenses, and to promptly agree upon and execute all such other documentation as reasonably may be required to obtain final approval by the Court of the Settlement.

62. Except as otherwise provided herein, each party shall bear its own costs.

63. The Settling Parties agree that, prior to final approval of the Settlement, the Hon. Layn R. Phillips (Ret.) will continue to serve as a mediator for any disputes between them arising out of the Settlement. The Settling Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in the Stipulation.

IN WITNESS WHEREOF, the Settling Parties hereto have caused this Stipulation to be executed, by their duly authorized attorneys, as of December 21, 2011.



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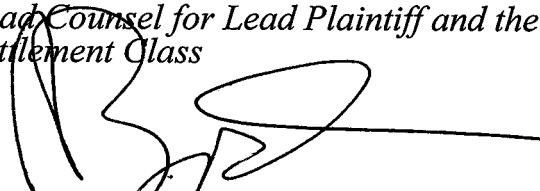
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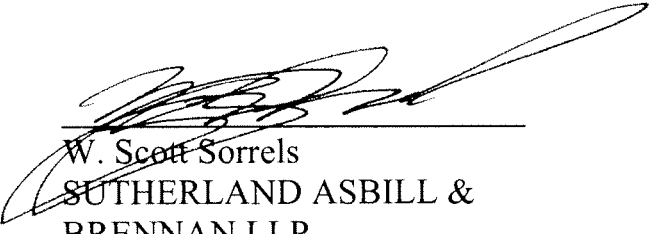
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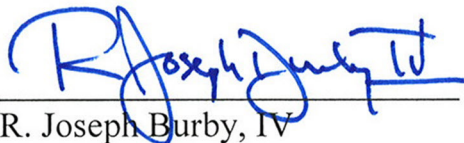
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EXHIBIT A

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA**

In re
CARTER’S, INC.
SECURITIES LITIGATION

Civil Action No. 1:08-CV-2940-AT

**[PROPOSED] PRELIMINARY
APPROVAL ORDER PROVIDING FOR
NOTICE AND HEARING IN
CONNECTION WITH PROPOSED
PARTIAL CLASS ACTION
SETTLEMENT**

WHEREAS, on December 21, 2011, Plymouth County Retirement System (“Lead Plaintiff”), on behalf of itself and the Settlement Class, and Carter’s, Inc. (“Carter’s” or the “Company”), Frederick J. Rowan, II, Joseph Pacifico, Michael D. Casey, Andrew North, Charles E. Whetzel, Jr., and Joseph M. Elles (collectively, the “Settling Defendants”) entered into a Stipulation and Agreement of Settlement with Company and Individual Defendants (the “Stipulation”) in the above-titled litigation (the “Consolidated Action”), which is subject to review under Rule 23 of the Federal Rules of Civil Procedure and which, together with the exhibits thereto, sets forth the terms and conditions of the proposed settlement of the claims alleged in the Second Amended and Consolidated Class Action Complaint for Violations of Federal Securities Laws (“Second Amended

Complaint”) against the Settling Defendants on the merits and with prejudice (the “Settlement”); and the Court having read and considered the Stipulation and the accompanying exhibits; and the Settling Parties to the Stipulation having consented to the entry of this Order; and all capitalized terms used in this Order that are not otherwise defined herein having the meanings defined in the Stipulation;

NOW, THEREFORE, IT IS HEREBY ORDERED, this _____ day of _____, 2011 that:

1. The Court has reviewed the Stipulation and preliminarily finds the Settlement set forth therein to be fair, reasonable and adequate, subject to further consideration at the Settlement Hearing described below.

2. Pursuant to Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure, the Court hereby certifies, for the purposes of the Settlement only, the Consolidated Action as a class action on behalf of all Persons who purchased the publicly traded securities of the Company during the period from March 16, 2005 through November 10, 2009, inclusive, and were allegedly damaged thereby (the “Settlement Class”). Excluded from the Settlement Class are: the Defendants; the officers and directors of the Company, at all relevant times; any entity in which the Defendants have or had a controlling interest; members of the immediate families of the Individual Defendants; and the legal representatives, heirs, successors or

assigns of any excluded person. Also excluded from the Settlement Class will be any Person who timely and validly seeks exclusion from the Settlement Class.

3. The Court finds and concludes that the prerequisites of class action certification under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedures have been satisfied for the Settlement Class defined herein and for the purposes of the Settlement only, in that:

- (a) the members of the Settlement Class are so numerous that joinder of all Settlement Class Members is impracticable;
- (b) there are questions of law and fact common to the Settlement Class Members;
- (c) the claims of Lead Plaintiff are typical of the Settlement Class's claims;
- (d) Lead Plaintiff and Lead Counsel have fairly and adequately represented and protected the interests of the Settlement Class;
- (e) the questions of law and fact common to Settlement Class Members predominate over any individual questions; and
- (f) a class action is superior to other available methods for the fair and efficient adjudication of the controversy, considering that the claims of Settlement Class Members in the Consolidated Action are substantially similar and would, if tried, involve substantially identical proofs and may therefore be

efficiently litigated and resolved on an aggregate basis as a class action; the amounts of the claims of many of the Settlement Class Members are too small to justify the expense of individual actions; and it does not appear that there is any interest among Settlement Class Members in individually controlling the litigation of their claims.

4. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, and for the purposes of the Settlement only, Lead Plaintiff is certified as Class Representative for the Settlement Class and the law firm of Labaton Sucharow LLP is appointed Class Counsel for the Settlement Class.

5. A hearing (the “Settlement Hearing”) pursuant to Rule 23(e) of the Federal Rules of Civil Procedure is hereby scheduled to be held before the Court on _____, 2012, at ____:_____.m., in Courtroom _____ for the following purposes:

(a) to determine whether the proposed Settlement is fair, reasonable and adequate, and should be approved by the Court;

(b) to determine whether the proposed Final Order and Judgment (“Judgment”) as provided under the Stipulation should be entered, and to determine whether the release by the Settlement Class of the Released Claims, as set forth in the Stipulation, should be provided to the Released Defendant Parties;

(c) to determine, for purposes of the Settlement only, whether the Settlement Class should be finally certified; whether Lead Plaintiff should be finally certified as Class Representative for the Settlement Class; and whether the law firm of Labaton Sucharow LLP should be finally appointed as Class Counsel for the Settlement Class;

(d) to determine whether the proposed Plan of Allocation for the proceeds of the Settlement is fair and reasonable and should be approved by the Court;

(e) to consider Lead Counsel's application for an award of attorneys' fees and reimbursement of litigation expenses (which may include an application for an award to Plaintiffs for reimbursement of its reasonable costs and expenses directly related to its representations of the Settlement Class); and

(f) to rule upon such other matters as the Court may deem appropriate.

6. The Court reserves the right to approve the Settlement with or without modification and with or without further notice of any kind. The Court further reserves the right to enter the Judgment approving the Settlement regardless of whether it has approved the Plan of Allocation or awarded attorneys' fees and/or expenses. The Court may also adjourn the Settlement Hearing or modify any of the dates herein without further notice to members of the Settlement Class.

7. The Court approves the form, substance and requirements of the Notice of Pendency of Class Action and Proposed Partial Settlement and Motion for Attorneys' Fees and Expenses (the "Notice") and the Proof of Claim and Release form ("Proof of Claim"), substantially in the forms annexed hereto as Exhibits 1 and 2, respectively.

8. The Court approves the retention of Epiq Class Action & Claims Solutions, Inc. as the Claims Administrator. The Claims Administrator shall cause the Notice and the Proof of Claim, substantially in the forms annexed hereto, to be mailed, by first-class mail, postage prepaid, on or before ten (10) business days after the date of entry of this Order ("Notice Date"), to all Settlement Class Members who can be identified with reasonable effort. Carter's, to the extent it has not already done so, shall provide, or cause to be provided, to Lead Counsel or the Claims Administrator, at no cost to Plaintiffs, Lead Counsel, the Settlement Class or the Claims Administrator, a list in electronic searchable form of the names and last known addresses of the Persons who purchased the publicly traded securities of Carter's during the Class Period within ten (10) business days of execution of the Stipulation.

9. The Claims Administrator shall use reasonable efforts to give notice to nominee purchasers such as brokerage firms and other persons or entities who purchased the publicly traded securities of Carter's during the Class Period. Such

nominee purchasers are directed, within seven (7) calendar days of their receipt of the Notice, to either: (i) provide the Claims Administrator with lists of the names and last known addresses of the beneficial owners, and the Claims Administrator is ordered to send the Notice and Proof of Claim promptly to such identified beneficial owners by first-class mail, or (ii) request additional copies of the Notice and Proof of Claim, and within seven (7) calendar days of receipt of such copies send them by first-class mail directly to the beneficial owners. Nominee purchasers who elect to send the Notice and Proof of Claim to their beneficial owners shall also send a statement to the Claims Administrator confirming that the mailing was made as directed. Additional copies of the Notice shall be made available to any record holder requesting such for the purpose of distribution to beneficial owners, and such record holders shall be reimbursed from the Settlement Fund, after receipt by the Claims Administrator of proper documentation, for their reasonable expenses actually incurred in sending the Notices and Proofs of Claim to beneficial owners.

10. The Claims Administrator shall also post the Notice and Proof of Claim on its website. Lead Counsel shall, at or before the Settlement Hearing, file with the Court proof of mailing and posting of the Notice and Proof of Claim.

11. The Court approves the form of the Summary Notice of Pendency of Class Action and Proposed Partial Settlement and Motion for Attorneys' Fees and

Expenses (the “Summary Notice”) substantially in the form annexed hereto as Exhibit 3, and directs that Lead Counsel shall cause the Summary Notice to be published in *Investor’s Business Daily* and transmitted over *PR Newswire* within fourteen (14) calendar days of the Notice Date. Lead Counsel shall, at or before the Settlement Hearing, file with the Court proof of publication of the Summary Notice.

12. The form and content of the notice program described herein, and the methods set forth herein of notifying the Settlement Class of the Settlement and its terms and conditions, meet the requirements of Rule 23 of the Federal Rules of Civil Procedure, Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7), as amended by the Private Securities Litigation Reform Act of 1995 (the “PSLRA”), and due process, constitute the best notice practicable under the circumstances, and shall constitute due and sufficient notice to all persons and entities entitled thereto.

13. In order to be eligible to receive a distribution from the Net Settlement Fund, in the event the Settlement is effected in accordance with the terms and conditions set forth in the Stipulation, each Settlement Class Member shall take the following actions and be subject to the following conditions:

(a) A properly executed Proof of Claim, substantially in the form annexed hereto as Exhibit 2, must be submitted to the Claims Administrator, at

the address indicated in the Notice, postmarked no later than 120 calendar days after the Notice Date. Such deadline may be further extended by Court Order or by Lead Counsel in their discretion. Each Proof of Claim shall be deemed to have been submitted when postmarked (if properly addressed and mailed by first-class mail, postage prepaid) provided such Proof of Claim is actually received prior to the motion for an order of the Court approving distribution of the Net Settlement Fund. Any Proof of Claim submitted in any other manner shall be deemed to have been submitted when it was actually received at the address designated in the Notice. Any Settlement Class Member who does not timely submit a Proof of Claim within the time provided for shall be barred from sharing in the distribution of the Net Settlement Fund, unless otherwise ordered by the Court.

(b) The Proof of Claim submitted by each Settlement Class Member must satisfy the following conditions, unless otherwise ordered by the Court: (i) it must be properly completed, signed and submitted in a timely manner in accordance with the provisions of the preceding subparagraph; (ii) it must be accompanied by adequate supporting documentation for the transactions reported therein, in the form of broker confirmation slips, broker account statements, an authorized statement from the broker containing the transactional information found in a broker confirmation slip, or such other documentation as is deemed adequate by Lead Counsel; (iii) if the person executing the Proof of Claim is

acting in a representative capacity, a certification of her current authority to act on behalf of the Settlement Class Member must be included in the Proof of Claim; and (iv) the Proof of Claim must be complete and contain no material deletions or modifications of any of the printed matter contained therein and must be signed under penalty of perjury.

(c) As part of the Proof of Claim, each Settlement Class Member shall submit to the jurisdiction of the Court with respect to the claim submitted.

14. Settlement Class Members shall be bound by all orders, determinations and judgments in this Action, whether favorable or unfavorable, unless such Persons request exclusion from the Settlement Class in a timely and proper manner, as hereinafter provided. A Settlement Class Member wishing to make such an exclusion request shall mail the request in written form by first-class mail to the address designated in the Notice for such exclusions, such that it is postmarked no later than twenty-one (21) calendar days prior to the Settlement Hearing. Such request for exclusion must state the name, address and telephone number of the person seeking exclusion, that the sender requests “exclusion from the Settlement Class in *In re Carter’s, Inc. Securities Litigation*, No. 1:08-CV-2940-AT (N.D.Ga.)” and must be signed by such person. Such Persons requesting exclusion are also directed to state: the date(s), price(s), and number(s) of shares of all purchases, acquisitions and sales of publicly traded securities of Carter’s during

the Class Period. The request for exclusion shall not be effective unless it provides the required information and is made within the time stated above, or the exclusion is otherwise accepted by the Court.

15. Settlement Class Members requesting exclusion from the Settlement Class shall not be eligible to receive any payment out of the Net Settlement Fund as described in the Stipulation and Notice.

16. The Court will consider any Settlement Class Member's objection to the Settlement, the Plan of Allocation, and/or the application for an award of attorneys' fees or reimbursement of expenses only if such Settlement Class Member has served by hand or by mail his, her or its written objection and supporting papers such that they are received or postmarked on or before twenty-one (21) calendar days before the Settlement Hearing, upon Lead Counsel, Jonathan Gardner, Labaton Sucharow LLP, 140 Broadway, New York, NY 10005 and Carter's Counsel, Randall W. Bodner, Esq., and James R. Drabick, Esq., Ropes & Gray LLP, Prudential Tower, 800 Boylston Street, Boston, MA 02199-3600, on behalf of the Settling Defendants, and has filed said objections and supporting papers with the Clerk of the Court, United States District Court for the Northern District of Georgia, 2321 Richard B. Russell Federal Building and United States Courthouse, 75 Spring Street, SW, Atlanta, GA 30303-3309. Any Settlement Class Member who does not make his, her or its objection in the

manner provided for in the Notice shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to any aspect of the Settlement, to the Plan of Allocation, or to the request for attorneys' fees and expenses, unless otherwise ordered by the Court, but shall otherwise be bound by the Judgment to be entered and the releases to be given. Attendance at the hearing is not necessary; however, persons wishing to be heard orally in opposition to the approval of the Settlement, the Plan of Allocation, and/or the application for an award of attorneys' fees and other expenses are required to indicate in their written objection their intention to appear at the hearing. Persons who intend to object to the Settlement, the Plan of Allocation, and/or the application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Hearing. Settlement Class Members do not need to appear at the hearing or take any other action to indicate their approval.

17. Pending final determination of whether the Settlement should be approved, Lead Plaintiff, all Settlement Class Members, and each of them, and anyone who acts or purports to act on their behalf, shall not institute, commence or prosecute any action which asserts Released Claims against the Released Defendant Parties.

18. As provided in the Stipulation, prior to the Effective Date, Lead Counsel may pay the Claims Administrator a portion of the reasonable fees and costs associated with giving notice to the Settlement Class and the review of claims and administration of the Settlement out of the Settlement Fund without further approval from the Defendants and without further order of the Court.

19. All papers in support of the Settlement, Plan of Allocation, and Lead Counsel's request for an award of attorneys' fees and expenses shall be filed with the Court and served on or before thirty-eight (38) calendar days prior to the date set herein for the Settlement Hearing. If reply papers are necessary, they are to be filed with the Court and served no later than seven (7) calendar days prior to the Settlement Hearing.

20. The passage of the Settlement Fund to the Escrow Account in accordance with the terms and obligations of the Stipulation is approved. No person who is not a Settlement Class Member or Lead Counsel shall have any right to any portion of, or to any distribution of, the Net Settlement Fund unless otherwise ordered by the Court or otherwise provided in the Stipulation.

21. All funds held in escrow shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court until such time as such funds shall be disbursed pursuant to the Stipulation and/or further order of the Court.

22. If the Settlement fails to become effective as defined in the Stipulation or is terminated, then, in any such event, the Stipulation, including any amendment(s) thereof, except as expressly provided in the Stipulation, and this Preliminary Approval Order shall be null and void, of no further force or effect, and without prejudice to any Settling Party, and may not be introduced as evidence or used in any actions or proceedings by any person or entity against or to the prejudice of the Settling Parties, and the Settling Parties shall be deemed to have reverted to their respective litigation positions in the Action immediately prior to November 1, 2011.

23. The Court retains exclusive jurisdiction over the Action to consider all further matters arising out of or connected with the Settlement.

Dated: _____, 20__

Honorable Amy Totenberg
UNITED STATES DISTRICT JUDGE

EXHIBIT A-1

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA**

In re)	
CARTER'S, INC.)	
SECURITIES LITIGATION)	Civil Action No. 1:08-CV-2940-AT
)	
)	

**NOTICE OF PENDENCY OF CLASS ACTION AND
PROPOSED PARTIAL SETTLEMENT AND MOTION FOR
ATTORNEYS' FEES AND EXPENSES**

If you purchased the publicly traded securities of Carter's, Inc ("Carter's") during the period from March 16, 2005 through November 10, 2009, inclusive (the "Class Period"), and were allegedly damaged thereby, you may be entitled to a payment from this class action settlement.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

- If approved by the Court, the settlement will provide a \$20 million settlement fund for the benefit of eligible investors (the "Settlement") who purchased the publicly traded securities of Carter's during the period from March 16, 2005 through November 10, 2009, inclusive, and were allegedly damaged thereby (the "Settlement Class").
- The Settlement resolves claims that the Settling Defendants (defined below) misled investors about Carter's financial condition and practices; avoids the costs and risks of continuing the litigation, pays money to investors like you, and releases the Settling Defendants from liability. The litigation continues against the remaining Non-Settling Defendant, PricewaterhouseCoopers LLP ("PwC").
- Your legal rights are affected whether you act or do not act. Read this Notice carefully.
- The Court will review the Settlement at the Settlement Hearing to be held on _____, 2012.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM BY _____, 2012	The only way to get a payment.
EXCLUDE YOURSELF BY _____, 2012	Get no payment. This is the only option that allows you to ever bring or be part of any <u>other</u> lawsuit about the Released Claims against the Settling Defendants and the other Released Defendant Parties.
OBJECT BY _____, 2012	Write to the Court about why you do not like the Settlement, the proposed Plan of Allocation and/or the request for attorneys' fees and reimbursement of expenses. You will still be a member of the Settlement Class.
GO TO A HEARING ON _____, 2012	Ask to speak in Court about the Settlement at the Settlement Hearing.
DO NOTHING	Get no payment. Give up rights.

- These rights and options—and the deadlines to exercise them—are explained in this Notice.
- The Court in charge of this case still has to decide whether to approve the Settlement and whether to finally certify this as a class action. Payments will be made if the Court approves the Settlement and after any appeals are resolved. Please be patient.

SUMMARY OF THIS NOTICE

(a) Statement of Plaintiffs Recovery

Pursuant to this proposed partial Settlement, a Settlement Fund consisting of \$20 million in cash, plus any accrued interest, has been established. Based on Lead Plaintiff's estimate of the number of shares of common stock entitled to participate in the Settlement, and assuming that all such shares entitled to participate do so, Lead Plaintiff estimates that the average recovery per damaged share of Carter's common stock would be approximately \$0.30 per share, before deduction of Court-approved expenses, such as attorneys' fees and expenses.¹ A

¹ An allegedly damaged share might have been traded more than once during the Class Period, and the indicated average recovery would be the estimated

Settlement Class Member's actual recovery will be a portion of the Net Settlement Fund determined by comparing his or her Recognized Claim to the total Recognized Claims of all Settlement Class Members who submit acceptable Proofs of Claim. An individual Settlement Class Member's actual recovery will depend on, for example: (1) the total number of claims submitted; (2) when the Settlement Class Member purchased Carter's securities during the Class Period; (3) the purchase price paid; (4) the type of security purchased; and (5) whether those Carter's securities were held at the end of the Class Period or sold during the Class Period (and, if sold, when they were sold and the amount received). See the Plan of Allocation beginning on page [_____] for more information on your Recognized Claim.

(b) Statement of Potential Outcome if the Action Continued to Be Litigated

The Settling Parties disagree on both liability and damages and do not agree on the average amount of damages, if any, that would be recoverable if Lead Plaintiff was to have prevailed on each claim alleged. The issues on which the Settling Parties disagree include, but are not limited to: (a) whether Settling Defendants made any material misstatements or omissions; (b) whether Settling Defendants acted with the required state of mind; (c) the amount by which Carter's securities were allegedly artificially inflated (if at all) during the Class Period; (d) the extent to which the various matters that Lead Plaintiff alleged were false and misleading influenced (if at all) the trading price of Carter's securities at various times during the Class Period, (e) whether any purchasers of Carter's securities have suffered damages as a result of the alleged misstatements and omissions in Carter's public statements; (f) the extent of such damages, assuming they exist; (g) the appropriate economic model for measuring damages; and (h) the extent to which external factors, such as general market and industry conditions, influenced the trading price of Carter's securities at various times during the Class Period.

The Settling Defendants deny that they did anything wrong, deny any liability to Lead Plaintiff, and deny that Lead Plaintiff and the Settlement Class have suffered any losses attributable to Settling Defendants' actions. While Lead

average for each purchase of a share which allegedly incurred damages. Of the gross settlement amount, up to \$200,000 (before fees, expenses, taxes, and interest) will be allocated for claims on transactions in Carter's call and put options, reflecting estimated relative losses.

Plaintiff believes that it has meritorious claims, it recognizes that there are significant obstacles in the way to recovery.

(c) Statement of Attorneys' Fees and Expenses Sought

Lead Counsel intend to make a motion asking the Court to award it attorneys' fees not to exceed 30% of the Settlement Fund and reimbursement of litigation expenses incurred in prosecuting this action in an amount not to exceed \$400,000, plus any interest on such amounts at the same rate and for the same periods as earned by the Settlement Fund ("Fee and Expense Application"). If the Court approves the Fee and Expense Application, the average cost per share of common stock will be approximately \$0.096. The average cost per share will vary depending on the number of acceptable claims submitted. Lead Counsel has expended considerable time and effort in the prosecution of this litigation without receiving any payment, and has advanced the expenses of the litigation, such as the cost of experts, in the expectation that if it were successful in obtaining a recovery for the Settlement Class it would be paid from such recovery. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovered as attorneys' fees.

(d) Further Information

Further information regarding this action and this Notice may be obtained by contacting the Claims Administrator: _____, ____-____-____, www.____ or Lead Counsel: Labaton Sucharow LLP, (888) 219-6877, www.labaton.com, settlementquestions@labaton.com.

Do Not Call The Court With Questions About The Settlement

(e) Reasons for the Settlement

For Lead Plaintiff, the principal reason for the Settlement is the immediate benefit to the Settlement Class. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future.

For the Settling Defendants, who deny all allegations of wrongdoing or liability whatsoever, the principal reason for the Settlement is to eliminate the expense, risks, and uncertain outcome of the litigation.

[END OF COVER PAGE]

A. BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased the publicly traded securities of Carter's during the period from March 16, 2005 through November 10, 2009, inclusive.

The Court directed that this Notice be sent to Settlement Class Members because they have a right to know about a proposed partial settlement of a class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. The Court will review the Settlement at a Settlement Hearing on _____, 2012. If the Court approves the Settlement, and after objections and appeals are resolved, an administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, Settlement Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Northern District of Georgia. This case results from the consolidation of two separately-filed actions, the first of which was filed by Plymouth County Retirement System and is referred to as the Plymouth Action and the second of which was filed by Scott Mylroie and is referred to as the Mylroie Action. The Consolidated Action is known as *In re Carter's, Inc. Securities Litigation*, No. 1:08-CV-2940-AT and is assigned to United States District Judge Amy Totenberg. The people who sued are called plaintiffs, and the companies and the persons they sued are called defendants.

The Lead Plaintiff in the Consolidated Action, representing the Settlement Class, is Plymouth County Retirement System.

The Settling Defendants in this partial Settlement are Carter's, Frederick J. Rowan, II, Joseph Pacifico, Michael D. Casey, Andrew North, Charles E. Whetzel, Jr., and Joseph M. Elles. The Consolidated Action continues against Non-Settling Defendant PricewaterhouseCoopers LLP ("PwC").

2. What is this lawsuit about?

The main complaint in the Consolidated Action is the Second Amended and Consolidated Class Action Complaint for Violations of Federal Securities Laws (the “Second Amended Complaint”). The Second Amended Complaint generally alleges, among other things, that the Defendants violated Sections 10(b), 20(a), and 20A of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making alleged misstatements and omissions during the Class Period in connection with Carter’s publicly-filed financials. The alleged misstatements concern the growth prospects of children’s apparel manufacturer OshKosh B’Gosh, Inc. (“OshKosh”), which was acquired by Carter’s in July 2005, as well as an alleged “smoothing” of Carter’s financial results by the manipulation of accommodation payments. The Second Amended Complaint further alleges that Lead Plaintiff and other Settlement Class Members purchased Carter’s publicly traded securities during the Class Period at artificially inflated prices and were damaged thereby.

The Consolidated Action seeks money damages against the Settling Defendants for violations of the federal securities laws. The Settling Defendants deny all allegations of misconduct contained in the Second Amended Complaint, and deny having engaged in any wrongdoing whatsoever. The Settlement should not be construed or seen as evidence of or an admission or concession on the part of any Settling Defendant with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that the Settling Defendants have asserted.

3. Why is this a class action?

In a class action, one or more people called class representatives (in this case Lead Plaintiff Plymouth County Retirement System), sue on behalf of people who have similar claims. They are known as Settlement Class Members. Here, the Court certified this as a class action for purposes of the Settlement only. Bringing a case as a class action allows adjudication of many similar claims of persons and entities that might be economically too small to bring individual actions. One court resolves the issues for all Settlement Class Members, except for those who exclude themselves from the Settlement Class. The Court will decide whether to finally certify this as a class action at the Settlement Hearing.

4. Why is there a settlement?

The Court did not finally decide in favor of Lead Plaintiff or the Settling Defendants. Instead, both sides, with the assistance of former United States District Judge Layn R. Phillips acting as a mediator, agreed to a settlement. That way, they avoid the risks and cost of a trial and the people affected will get compensation immediately, rather than after the time it would take to have a trial and exhaust all appeals. Lead Plaintiff and Lead Counsel think the Settlement is in the best interest of all Settlement Class Members.

B. WHO IS IN THE SETTLEMENT

To see if you will get money from this Settlement, you first have to decide if you are a Settlement Class Member.

5. How do I know if I am part of the Settlement?

The Court directed, for the purpose of the proposed Settlement, that everyone who fits this description is a Settlement Class Member, unless they are an excluded person or they take steps to exclude themselves (see below): *all Persons who purchased the publicly traded securities of Carter's during the period from March 16, 2005 through November 10, 2009, inclusive and were allegedly damaged thereby.*

6. Are there exceptions to being included in the Settlement Class?

Excluded from the Settlement Class are: the Defendants; the officers and directors of the Company, at all relevant times; any entity in which the Defendants have or had a controlling interest; members of the immediate families of the Individual Defendants; and the legal representatives, heirs, successors or assigns of any excluded person. Also excluded from the Settlement Class will be any Person who timely and validly seeks exclusion from the Settlement Class in accordance with the requirements explained below.

If one of your mutual funds purchased or owned shares of Carter's securities during the Class Period, that alone does not make you a Settlement Class Member. You are only eligible to be a Settlement Class Member if you directly purchased or otherwise acquired Carter's securities during the Class Period. Check your

investment records or contact your broker to see if you purchased or otherwise acquired Carter's securities during the Class Period.

If you sold Carter's securities during the Class Period, your sale alone does not make you a Settlement Class Member. You are eligible to be a Settlement Class Member only if you **purchased or otherwise acquired** your securities during the Class Period.

7. What if I am still not sure if I am included?

If you are still not sure whether you are included, you can ask for free help. You can call ___ - ___ - ___ or visit **www. ___** for more information. Or you can fill out and return the Proof of Claim and Release form ("Proof of Claim") described on page [___], in question 10, to see if you qualify.

C. THE SETTLEMENT BENEFITS—WHAT YOU GET

8. What does the Settlement provide?

In exchange for the Settlement and the release of the Released Claims (defined below) against the Released Defendant Parties (defined below), the Settling Defendants have agreed to create a \$20 million fund to be divided, after deduction of Court-awarded attorneys' fees and expenses, settlement administration costs, and any applicable taxes, among all Settlement Class Members who send in valid and timely Proofs of Claim.

9. How much will my payment be?

Your share of the fund will depend on several things, including: (1) the total amount of Recognized Claims sent in by other Settlement Class Members; (2) how many Carter's securities you bought; (3) how much you paid for them; (4) when you bought them; (5) whether or when you sold them (and, if so, for how much you sold them).

Your Recognized Claim will be calculated according to the formula shown below in the Plan of Allocation. It is unlikely that you will get a payment for your entire Recognized Claim, given the number of potential Settlement Class Members. After all Settlement Class Members have sent in their Proofs of Claim, the payment you get will be a portion of the Net Settlement Fund based on your Recognized Claim divided by the total of everyone's Recognized Claims, in each

category of security. See the Plan of Allocation beginning on page [] for more information on your Recognized Claim.

D. HOW YOU GET A PAYMENT—SUBMITTING A PROOF OF CLAIM

10. How can I get a payment?

To qualify for a payment, you must send in a completed Proof of Claim. A Proof of Claim is being circulated with this Notice. You may also get a Proof of Claim on the Internet at the websites for the Claims Administrator or Lead Counsel: **www.** or **www.labaton.com**. Please read the instructions carefully, fill out the Proof of Claim, include all the documents the form asks for, sign it, and mail it postmarked no later than _____, **2012**.

11. When would I get my payment?

The Court will hold a Settlement Hearing on _____, **2012**, to decide whether to approve the Settlement. Even if the Court approves the Settlement, there may still be appeals, which can take time to resolve, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. All Proofs of Claim need to be submitted by _____, **2012**.

Once all the Proofs of Claim are processed and claims are calculated, Lead Counsel, without further notice to the Settlement Class, will apply to the Court for an order distributing the Net Settlement Fund to the members of the Settlement Class. Lead Counsel will also ask the Court to approve payment of the Claims Administrator's fees and expenses incurred in connection with giving notice and administering the Settlement. Please be patient.

12. What am I giving up to get a payment and by staying in the Settlement Class?

Unless you exclude yourself, you will stay in the Settlement Class, which means that upon the "Effective Date" you will release all "Released Claims" (as defined below) against the "Released Defendant Parties" (as defined below).

"Released Claims" means any and all claims, rights, causes of action, duties, obligations, demands, actions, debts, sums of money, suits, contracts, agreements, promises, damages, and liabilities of every nature and description, including both

known or Unknown Claims (as defined below), whether arising under federal, state, common or administrative law, or any other law, that Lead Plaintiff or any other Class Member: (i) have asserted in the Plymouth Action, Mylroie Action, or Consolidated Action; or (ii) could have asserted in any forum, that arise out, are based upon, or relate in any way, directly or indirectly, to the allegations, transactions, facts, events, occurrences, acts, disclosures, statements, representations or omissions or failures to act involved, set forth, or referred to in the complaints filed in the Plymouth Action, Mylroie Action, or Consolidated Action, including but not limited to the Second Amended Complaint, and that relate in any way, directly or indirectly, to the purchase or acquisition during the Class Period of Carter's publicly traded securities or alleged damages resulting therefrom. Released Claims do not include: (i) claims to enforce the Settlement; (ii) any governmental or regulatory agency's claims in any criminal or civil action against any of the Released Defendant Parties; (iii) claims in the shareholder derivative lawsuit entitled *Alvarado v. Bloom*, No. 2010-cv-186118 (Superior Court of Fulton County, Georgia); and (iv) claims against the Non-Settling Defendant.

"Unknown Claims" means any and all Released Claims, which the Plaintiffs or any other Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Defendant Parties, and any Released Defendants' Claims that the Settling Defendants do not know or suspect to exist in his, her or its favor at the time of the release of the Released Plaintiff Parties, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Released Defendants' Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Plaintiffs and the Settling Defendants, shall expressly, and each other Settlement Class Member shall be deemed to have, and by operation of the Judgment or Alternative Judgment shall have, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Plaintiffs, the other Settlement Class Members or the Settling Defendants may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released

Claims and the Released Defendants' Claims, but Plaintiffs and the Settling Defendants shall expressly, fully, finally and forever settle and release, and each other Settlement Class Member shall be deemed to have settled and released, and upon the Effective Date and by operation of the Judgment or Alternative Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants' Claims as applicable, without regard to the subsequent discovery or existence of such different or additional facts. Plaintiffs and the Settling Defendants acknowledge, and other Settlement Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims and Released Defendants' Claims was separately bargained for and was a key element of the Settlement.

"Released Defendant Parties" means the Settling Defendants and their respective past, current, and future trustees, officers, directors, partners, employees, contractors, auditors (other than PwC), principals, agents, attorneys, insurers, predecessors, successors, assigns, parents, subsidiaries, divisions, joint ventures, general or limited partners or partnerships, and limited liability companies; and the spouses, members of the immediate families, representatives, and heirs of Settling Defendants who are individuals, as well as any trust of which any Settling Defendant is the settlor or which is for the benefit of any of their immediate family members. For the avoidance of doubt, Released Defendant Parties does not include PwC.

The "Effective Date" will occur when an Order by the Court approving the Settlement becomes final and is not subject to appeal as set out more fully in the Stipulation and Agreement of Settlement with Company and Individual Defendants ("Stipulation") on file with the Court.

If you remain a member of the Settlement Class, all of the Court's orders will apply to you and legally bind you.

E. EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, but you want to keep any right you may have to sue or continue to sue the Settling Defendants and the other Released Defendant Parties, on your own, about the Released Claims, then you must take steps to get out. This is called excluding yourself from—sometimes referred to as "opting out" of—the Settlement Class. Settling Defendants may withdraw from and terminate the Settlement if putative Settlement Class Members who purchased in excess of a certain amount of Carter's securities purchased during the Class Period exclude themselves from the Settlement Class.

13. How do I get out of the proposed Settlement?

To exclude yourself from the Settlement Class, you must send a signed letter by mail stating that you “request exclusion from the Settlement Class in *In re Carter’s, Inc. Securities Litigation*, No. 1:08-CV-2940-AT (N.D.Ga.)” Your letter must state the date(s), price(s), and number(s) of shares of all your purchases, acquisitions, and sales of Carter’s securities during the Class Period. In addition, be sure to include your name, address, telephone number and your signature. You must mail your exclusion request postmarked no later than _____, **2012**, to:

In re Carter’s, Inc. Securities Litigation - EXCLUSIONS

c/o _____

Claims Administrator

_____, _____

You cannot exclude yourself by telephone or by email. Your exclusion request must comply with these requirements in order to be valid. If you write to request to be excluded, you will not get any settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit, and you may be able to sue (or continue to sue) Settling Defendants and the other Released Defendant Parties in the future.

14. If I do not exclude myself, can I sue the Settling Defendants and the other Released Defendant Parties for the same thing later?

No. Unless you exclude yourself, you give up any rights to sue Settling Defendants and the other Released Defendant Parties for any and all Released Claims. If you have a pending lawsuit speak to your lawyer in that case immediately. You must exclude yourself from *this* Settlement Class to continue your own lawsuit. Remember, the exclusion deadline is _____, **2012**.

15. If I exclude myself, can I get money from the proposed Settlement?

No. If you exclude yourself, do not send in a Proof of Claim to ask for any money. But, you may exercise any right you may have to sue, continue to sue, or be part of a different lawsuit against Settling Defendants and the other Released Defendant Parties.

F. THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The Court appointed the law firm of Labaton Sucharow LLP to represent all Settlement Class Members. These lawyers are called Lead Counsel. You will not be separately charged for these lawyers. The Court will determine the amount of Lead Counsel's fees and expenses, which will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

Lead Counsel has not received any payment for its services in pursuing the claims against the Settling Defendants on behalf of the Settlement Class, nor has it been reimbursed for its litigation expenses. At the Settlement Hearing, or at such other time as the Court may order, Lead Counsel will ask the Court to award it, from the Settlement Fund, attorneys' fees of no more than 30% of the Settlement Fund, plus any interest on such amount at the same rate and for the same periods as earned by the Settlement Fund, and to reimburse its litigation expenses (such as the cost of experts) that have been incurred in pursuing the Consolidated Action. The request for reimbursement of expenses will not exceed \$400,000, plus interest on the expenses at the same rate as may be earned by the Settlement Fund.

G. OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

18. How do I tell the Court that I do not like the proposed Settlement?

If you are a Settlement Class Member you can object to the Settlement or any of its terms, the certification of the class, the proposed Plan of Allocation and/or the application by Lead Counsel for an award of fees and expenses. You may write to the Court setting out your objection. You may give reasons why you think the Court should not approve any part or all of the Settlement terms or arrangements. The Court will consider your views if you file a proper objection within the deadline and according to the following procedures.

To object, you must send a signed letter stating that you object to the proposed settlement in "*In re Carter's, Inc. Securities Litigation*, No. 1:08-CV-2940-AT

(N.D.Ga.).” Be sure to include your name, address, telephone number, and your signature, identify the date(s), price(s) and number(s) of shares of all purchases, acquisitions and sales of Carter’s securities you made during the Class Period, and state the reasons why you object to the Settlement. Your objection must be filed with the Court and mailed or delivered to all the following on or before _____, **2012**:

COURT:

Clerk of the Court
United States District Court for the Northern District of Georgia
Richard B. Russell Federal Building and United States Courthouse
75 Spring Street, SW
Atlanta, GA 30303-3309

LEAD COUNSEL:

Jonathan Gardner
Labaton Sucharow LLP
140 Broadway
New York, NY 10005

CARTER’S COUNSEL:

Randall W. Bodner
James R. Drabick
Ropes & Gray LLP
Prudential Tower, 800 Boylston Street
Boston, MA 02199-3600

19. What is the difference between objecting and seeking exclusion?

Objecting is simply telling the Court that you do not like something about the proposed Settlement. You can object only if you stay in the Settlement Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

H. THE COURT’S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to approve the proposed Settlement. You may attend, and you may ask to speak, but you do not have to do so.

20. When and where will the Court decide whether to approve the proposed Settlement?

The Court will hold a Settlement Hearing at _____ .m. on _____, **2012**, at the United States District Court for the Northern District of Georgia in the

Richard B. Russell Federal Building and United States Courthouse, 75 Spring Street, SW, Atlanta, GA 30303-3309.

At this hearing the Court will consider whether the Settlement is fair, reasonable and adequate. The Court also will consider the proposed Plan of Allocation for the Net Settlement Fund and the application of Lead Counsel for attorneys' fees and reimbursement of expenses. The Court will take into consideration any written objections filed in accordance with the instructions set out in question 18 above. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the Settlement Hearing, but decisions regarding the conduct of the Settlement Hearing will be made by the Court. *See* question 22 for more information about speaking at the Settlement Hearing. After the Settlement Hearing, the Court will decide whether to approve the Settlement, and, if the Settlement is approved, how much attorneys' fees and expenses should be awarded to Lead Counsel. We do not know how long these decisions will take.

You should be aware that the Court may change the date and time of the Settlement Hearing without another notice being sent. If you want to come to the hearing, you should check with Lead Counsel before coming to be sure that the date and/or time has not changed.

21. Do I have to come to the Settlement Hearing?

No. Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. Settlement Class Members do not need to appear at the Settlement Hearing or take any other action to indicate their approval. If you submit an objection, you do not have to come to Court to talk about it. As long as you filed and sent your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

22. May I speak at the Settlement Hearing?

If you object to the Settlement, you may ask the Court for permission to speak at the Settlement Hearing. To do so, you must include with your objection (*see* question 18 above) a statement stating that it is your "Notice of Intention to Appear in *In re Carter's, Inc. Securities Litigation*, No. 1:08-CV-2940-AT (N.D.Ga.)." Persons who intend to object to the Settlement, the Plan of Allocation, and/or Lead Counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Hearing must also include in their written

objections the identity of any witness they may call to testify and exhibits they intend to introduce into evidence at the Settlement Hearing. You cannot speak at the Settlement Hearing if you excluded yourself from the Settlement Class or if you have not provided written notice of your intention to speak at the Settlement Hearing in accordance with the procedures described in questions 18 and 20.

I. IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will get no money from this Settlement and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against the Settling Defendants and the other Released Defendant Parties about the Released Claims in this case, ever again. To share in the Net Settlement Fund you must submit a Proof of Claim (*see* question 10). To start, continue or be a part of any other lawsuit against the Settling Defendants and the other Released Defendant Parties about the Released Claims in this case you must exclude yourself from this Settlement Class (*see* question 13).

J. GETTING MORE INFORMATION

24. Are there more details about the proposed settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation, dated _____, 2011. You may review the Stipulation filed with the Court or documents filed during the case during business hours at the Office of the Clerk of the United States District Court for the Northern District of Georgia, Richard B. Russell Federal Building and United States Courthouse, 75 Spring Street, SW, Atlanta, GA 30303-3309.

You also can call the Claims Administrator toll free at ___-___-___; write to *In re Carter's, Inc. Securities Litigation*, c/o __, Claims Administrator, ____, ____, ____, ____; or visit the websites of the Claims Administrator or Lead Counsel at **www.____ and www.labaton.com**, where you can find answers to common questions about the Settlement, download copies of the Stipulation or Proof of Claim, and locate other information to help you determine whether you are a Settlement Class Member and whether you are eligible for a payment.

Please Do Not Call The Court With Questions About The Settlement

**K. PLAN OF ALLOCATION OF NET SETTLEMENT FUND
AMONG SETTLEMENT CLASS MEMBERS**

25. How will my claim be calculated?

The purpose of the Plan of Allocation is to distribute settlement proceeds equitably to those Class Members who suffered economic losses resulting from the alleged misrepresentations and omissions by Defendants in the Class Period. The Court may approve the Plan, or modify it without additional notice to the Class. Any order modifying the Plan will be posted on the settlement website at:

_____.

The Net Settlement Fund will be the gross settlement of \$20 million reduced by fees and expenses, reduced by taxes, and increased by interest earned on the settlement amount. The Net Settlement Fund will be distributed among those Class Members who submit timely and valid Proofs of Claim to the Claims Administrator, which are accepted for payment by the Court (“Authorized Claimants”). No distribution of funds among such Authorized Claimants will occur until (1) the Court has approved the settlement and a plan of allocation, (2) the time has expired for any petition for rehearing or appeal of the Court’s order(s) approving the settlement and a plan of allocation; and (3) the Court has approved the Claims Administrator’s determinations of eligible claims.

Investors in two categories of securities of Carter’s - common stock and options on common stock - may be eligible to receive funds in the distribution. Of the gross settlement of \$20 million, the gross amount of \$19.8 million (before fees, expenses, taxes, and interest) has been allocated for claims on transactions in Carter’s common stock, and the gross amount of up to \$200,000 (before fees, expenses, taxes, and interest) has been allocated for claims on transactions in Carter’s call and put options, reflecting estimated relative losses.

One requirement for eligibility to share in the distribution of the Net Settlement Fund is that Settlement Class Members must have purchased Carter’s (“CRI”) common stock, or purchased a call option on CRI common stock, or sold a put option on CRI common stock, in the “Eligibility Period” from March 16, 2005 through November 9, 2009 inclusive.

Federal securities laws allow investors to recover for losses caused by disclosures which corrected Defendants’ previous misleading statements or omissions, but not

for losses caused by broad market conditions or by other events unrelated to a securities fraud. Therefore, a second requirement for eligibility, is that the Settlement Class Member held the CRI security at the time its price declined due to a disclosure of information which corrected an allegedly misleading statement or omission.

Lead Plaintiff and Lead Counsel have identified the following dates of such price declines: July 26, 2006; February 14, 2007; July 25, 2007; October 27, 2009; and November 10, 2009 (collectively; the “corrective disclosure dates”). In the case of CRI common stock, the Settlement Class Member must have bought the stock before one of these five corrective disclosure dates, and then held the security until at least one corrective disclosure date. If the stock was purchased and then sold before July 26, 2006; or purchased and then sold between consecutive corrective disclosure dates, those transactions are excluded from consideration in distribution of settlement proceeds. In the case of CRI call options, a claimant must have purchased the option before one of these five corrective disclosure dates and held it until at least one corrective disclosure date without closing out the position (either by expiration or by selling the option). In the case of CRI put options, a claimant must have sold the option before one of the five corrective disclosure dates and not closed out the position before the next corrective disclosure date (closed out either by expiration or by purchasing the option).

Federal law constrains price inflation under the 90-day-lookback provision of the Public Securities Litigation Reform Act of 1995 (“PSLRA”). In calculating Recognized Loss on the purchase of a share of CRI stock, Recognized Loss may not exceed purchase price minus the 90-day-lookback mean price of \$24.57.

After a Proof of Claim with adequate documentation is submitted to the Claims Administrator, a “Recognized Loss” will be calculated for each purchase of CRI stock or call option or sale of put option in the Eligibility Period, and for a claimant’s total overall transactions in a particular category of security in the Eligibility Period. The Recognized Loss is not intended to be an estimate of the amount which might have been recovered after trial, or an estimate of the amount to be paid an Authorized Claimant from the Net Settlement Fund. The method for calculating Recognized Loss simply provides a basis for allocating the Net Settlement Fund proportionately among Authorized Claimants.

Two frauds have been alleged by Lead Plaintiff, as described in the Second Amended and Consolidated Class Action Complaint. The alleged “Accommodations Fraud” extended from and included the beginning of the Class Period on March 16, 2005, through November 9, 2009. The alleged “OshKosh

Fraud” extended from and included February 22, 2006, through July 24, 2007. Following is a brief description of the announcements on the corrective disclosure dates that allegedly revealed the truth and dissipated the alleged frauds, as determined by Lead Plaintiff and Lead Counsel:

1. **July 26, 2006** (OshKosh Fraud): after market close on July 25, 2006, CRI gave earnings guidance for the remainder of 2006 which was less than analysts’ expectations due to lower-than-expected sales of OshKosh fall products.
2. **February 14, 2007** (OshKosh Fraud): after market close on February 13, 2007, CRI reduced guidance for 2007 and acknowledged contribution from OshKosh would be less than previously planned.
3. **July 25, 2007** (OshKosh Fraud): after market close on July 24, 2007, CRI announced it was writing down all goodwill on its books from the OshKosh acquisition.
4. **October 27, 2009** (Accommodations Fraud): before market open on October 27, 2009, CRI announced it would delay release of third-quarter earnings to complete a review of margin support given wholesale customers.
5. **November 10, 2009** (Accommodations Fraud): after market close on November 9, 2009, CRI announced it would restate its financials for fiscal 2004-2008 and the first two quarters of fiscal 2009.

Recognized Loss on CRI Common Stock

If a claimant had a market gain from overall transactions in CRI common stock in the Eligibility Period March 16, 2005 through November 9, 2009, the value of his/her/its claim will be zero. If a claimant suffered an overall market loss on overall transactions in CRI common stock during the Eligibility Period, and that market loss was less than the sum of his/her/its total Recognized Losses on common stock calculated as described in this Plan, that claimant’s Recognized Losses on common stock will be limited to the amount of the actual market loss. If a share was purchased on or after March 16, 2005, and held until at least November 10, 2009 (the last corrective disclosure date), market gain or loss on that share purchase will be the difference between purchase price and the PSLRA 90-day-lookback mean price of \$24.57. If a share was purchased on or after March

16, 2005, and sold on or before November 9, 2009, market gain or loss on that share purchase will be the difference between purchase price and sale price.

Lead Plaintiff's damages expert has calculated the price decline net of market and industry effects for each of the five corrective disclosure dates. The net price declines are used to measure alleged inflation in stock price at each purchase and sale date, as described below. To calculate Recognized Loss, the amount of each net price decline under the Accommodations Fraud has been weighted by 1, and the amount of each net price decline under the OshKosh Fraud has been weighted by 1/4. These weights reflect Lead Plaintiff's and Lead Counsel's assessment of the relative strengths of each claim and the importance of each alleged Fraud in achieving the settlement.

The formulas for calculating Recognized Loss for purchases, or purchases followed by sales, of CRI common stock during the Eligibility Period are:

1. For a share purchased on or after March 16, 2005, and held until at least November 10, 2009, Recognized Loss will be the lesser of: (a) the appropriate value from Table A (below) for that purchase date; or (b) purchase price minus \$24.57. If purchase price minus \$24.57 is less than zero, the Recognized Loss is zero.
2. For a share purchased on or after March 16, 2005, and sold on or before November 9, 2009, Recognized Loss will be the lesser of: (a) the appropriate value from Table A (below) for that purchase date and sale date; or (b) purchase price minus \$24.57. If inflation at purchase is less than inflation at sale, the Recognized Loss is zero. If purchase price minus \$24.57 is less than zero, the Recognized Loss is zero.

To match purchases and sales within the Eligibility Period, the Claims Administrator will apply a first-in, first-out ("FIFO") rule to holdings of CRI stock on March 15, 2005 (the day before the beginning of the Eligibility Period), and to purchases and sales of CRI stock in the Eligibility Period. For example, FIFO will match the first shares of CRI stock sold against any shares held as of March 15, 2005, and then against purchases in the Eligibility Period in chronological order, beginning with the earliest purchases in the Eligibility Period. Sales matched to CRI common stock held as of March 15, 2005, will be excluded from calculation of Recognized Loss and market gain or loss.

No Recognized Loss will be calculated for any purchase of stock to cover a short sale.

If each Authorized Claimant's Recognized Loss on CRI common stock related to the Accommodations Fraud disclosure dates can be paid in full, and funds remain in that portion of the Net Settlement Fund allocated to common stock, the remaining amount in that portion of the Net Settlement Fund allocated to common stock will be proportionally redistributed among Authorized Claimants with Recognized Losses related to the OshKosh Fraud disclosure dates by increasing the weighting of the OshKosh Fraud to greater than 1/4 of the net price decline attributable to the OshKosh Fraud. If after such a redistribution, funds still remain in that portion of the Net Settlement Fund allocated to common stock, that remaining amount will be proportionally redistributed among Authorized Claimants with Recognized Losses on CRI options.

TABLE A

SHARE BOUGHT	And SOLD 3/16/05 - 7/25/06	And SOLD 7/26/06 - 2/13/07	And SOLD 2/14/07 - 7/24/07	And SOLD 7/25/07 - 10/26/09	And SOLD 10/27/09 - 11/9/09	And HELD to 11/10/09 or later
3/16/2005 - 2/21/06	\$0.00	\$0.00	\$0.00	\$0.00	\$6.13	\$8.09
2/22/06 - 7/25/06	\$0.00	\$0.70	\$1.77	\$2.23	\$8.36	\$10.32
7/26/06 - 2/13/07	NA	\$0.00	\$1.08	\$1.54	\$7.67	\$9.63
2/14/07 - 7/24/07	NA	NA	\$0.00	\$0.46	\$6.59	\$8.55
7/25/07 - 10/26/09	NA	NA	NA	\$0.00	\$6.13	\$8.09
10/27/09 - 11/9/09	NA	NA	NA	NA	\$0.00	\$1.96
11/10/09 or later	NA	NA	NA	NA	NA	\$0.00

**Recognized Loss on Purchase of CRI Call Options
and Sale of CRI Put Options**

A Recognized Loss on a transaction in call or put options will be calculated on an out-of-pocket basis, with the exception that options exercised or assigned during the Class Period will be treated as CRI common stock purchased on the exercise date.

Recognized Loss on Call Options Purchased: a claimant must have purchased the call option before at least one of the five corrective disclosure dates and held it until at least the next corrective disclosure date without closing out the position (either by expiration of the contract or by selling the contract).

If the call option was sold on or before November 10, 2009, and was not held to expiration, the Recognized Loss will be the purchase price minus the sale price. If the call option expired on or before November 10, 2009, the Recognized Loss will be the purchase price minus the value of the call option on the date of expiration. The value of the call option on the date of expiration will be the stock price at date of expiration, minus the strike price, but not less than zero.

If the call option was held unexpired at least through November 10, 2009, the Recognized Loss will be the purchase price minus the historical closing price of the call option on November 10, 2009. Purchases and subsequent sales of the same call options will be matched using FIFO, so that sales will be matched first against call options held on March 15, 2005, and then against the same call options in chronological order of purchase during the Eligibility Period. Sales matched to call options held at the beginning of the Eligibility Period will be excluded from the calculations of Recognized Loss and market gain or loss.

Recognized Loss on Put Options Sold: a claimant must have sold the option contract before at least one of the five corrective disclosure dates and not closed out the position until at least the next corrective disclosure date (closed out either by expiration of the contract or by buying back the contract).

If the put option was repurchased on or before November 10, 2009, the Recognized Loss will be the repurchase price minus the sale price. If the put option expired on or before November 10, 2009, and the position was not closed out prior to expiration, the Recognized Loss will be the sale price minus the value of the put option on the date of expiration. The value of the put option on the date of expiration will be the strike price minus the stock price at date of expiration, but not less than zero.

If the put option was held unexpired at least through November 10, 2009, the Recognized Loss will be the sale price minus the historical closing price of the put option on November 10, 2009. Sales and subsequent repurchases of the same put option will be matched using FIFO, so that repurchases will be matched first against the same put option sold on or before March 15, 2005 and having an open position, and then against the same put option in chronological order of sale during the Eligibility Period. Repurchases matched to put options sold before the

beginning of the Eligibility Period will be excluded from the calculations of Recognized Loss and market gain or loss.

Additional Provisions Relating to Options

If a claimant had an overall market gain from overall transactions in options on CRI common stock in the Class Period March 16, 2005 through November 10, 2009, the value of his/her/its claim will be zero. If a claimant suffered an overall market loss on overall transactions in options during the Class Period, and that market loss was less than the sum of his/her/its total Recognized Losses on options calculated as described in this Plan, that claimant's Recognized Losses on options will be limited to the amount of the actual market loss on options.

Market gain or loss on an option will be calculated on an out-of-pocket basis excluding the requirement that the option be purchased or sold before a corrective disclosure date and the position held open until at least the next corrective disclosure date.

If each Authorized Claimant's Recognized Loss on CRI options can be paid in full, and funds remain in that portion of the Net Settlement Fund allocated to options, the remaining amount in that portion of the Net Settlement Fund allocated to options will be proportionally redistributed among Authorized Claimants with Recognized Losses on CRI common stock.

Other Provisions of the Plan of Allocation

Recognized Loss is zero on purchases of any shares of CRI common stock which were not publicly registered or were restricted from trading.

Purchases and sales of CRI stock and options will be considered to have occurred on the "contract" or "trade" date, as opposed to the "settlement" or "payment" date. The amount paid or received for such securities will exclude commissions, taxes, and fees.

Recognized Loss will be calculated only on purchases of CRI stock or options. No Recognized Loss will be calculated on receipt of such securities by gift, grant, inheritance, or operation of law.

Payment under the Plan of Allocation approved by the Court will be conclusive for all Authorized Claimants. Claimants whose claims are determined to have a value of zero will nevertheless be bound by the Settlement. No person shall have any claim against Lead Plaintiff, Lead Counsel, the Claims Administrator, or any other

agent designated by Lead Counsel, arising from distributions made substantially in accordance with the Plan of Allocation or further orders of the Court. Lead Plaintiff, Defendants, their respective counsel, Lead Plaintiff's consulting damages expert, the Claims Administrator and all other Released Parties shall have no responsibility or liability whatsoever for the investment or distribution of the Settlement Fund consistent with the Plan of Allocation, or the determination, administration, calculation, or payment of any Proof of Claim, the payment or withholding of taxes owed by the Settlement Fund, or any losses incurred in connection therewith.

Each Authorized Claimant will recover his/her/its *pro rata* share of the Net Settlement Fund allocated to each category of security (*i.e.* common stock and options) based on his/her/its Recognized Loss on each category of security. To the extent there are sufficient funds in the Net Settlement Fund allocated to each security, each Authorized Claimant will receive an amount equal to the Authorized Claimant's Recognized Loss on the respective category of security. If, however, the amount in the Net Settlement Fund for each security is not sufficient to permit payment of the total of all Recognized Losses within that category of security, then each Authorized Claimant will be paid the percentage of the Net Settlement Fund for that security that each Authorized Claimant's recognized claim bears to the total of the claims of all Authorized Claimants ("*pro rata* share") for that category of security. If the Authorized Claimant's total of *pro rata* claims for both common stock and options is less than \$10.00, it will be removed from the calculation and will not be paid given the administrative expenses of processing payments.

Distributions to Authorized Claimants will be made after all claims have been processed and after the Court has approved the Claims Administrator's determinations. After an initial distribution of the Net Settlement Fund, if Lead Counsel in consultation with the Claims Administrator determines that redistribution(s) is cost-effective, the Claims Administrator will redistribute any funds remaining in the Net Settlement Fund to Authorized Claimants who have cashed their initial distribution checks, after payment from the Net Settlement Fund of any unpaid taxes, fees, or expenses incurred in administering the fund including in making distributions. If redistribution of funds remaining in the Net Settlement Fund is determined not to be cost-effective, the balance remaining in the Net Settlement Fund will be contributed to a nonsectarian nonprofit organization.

Each claimant is deemed to have submitted to the jurisdiction of the United States District Court for the Northern District of Georgia with respect to his/her/its Proof of Claim.

**L. SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER
NOMINEES**

If you purchased or otherwise acquired Carter's common stock (NYSE ticker: CRI; CUSIP ___) during the period from March 16, 2005 through November 10, 2009, inclusive, for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS NOTICE, you either: (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased or otherwise acquired Carter's shares during such time period or; (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days mail the Notice and Proof of Claim form directly to the beneficial owners of those Carter's shares.

If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

In re Carter's, Inc. Securities Litigation

c/o _____
Claims Administrator

_____, _____

Dated: _____, 2012

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA

EXHIBIT A-2

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA**

In re)	
CARTER’S, INC.)	
SECURITIES LITIGATION)	Civil Action No. 1:08-CV-2940-AT
)	
)	

PROOF OF CLAIM AND RELEASE

To recover from the Net Settlement Fund as a Member of the Settlement Class in the action entitled *In re Carter’s, Inc. Securities Litigation*, No. 1:08-CV-2940-AT (the “Consolidated Action”), you must complete and, on page ___ below, sign this Proof of Claim and Release form (“Proof of Claim”). If you fail to submit a timely, properly completed and addressed Proof of Claim, your claim may be rejected and you may be precluded from any recovery from the Settlement Fund created in connection with the Settlement of the Consolidated Action. Submission of this Proof of Claim, however, does not assure that you will share in the Settlement Fund.

YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM POSTMARKED ON OR BEFORE _____, 2012, ADDRESSED AS FOLLOWS:

In re Carter's, Inc. Securities Litigation

c/o _____
Claims Administrator

_____, _____

If you are NOT a Member of the Settlement Class (as defined in the Notice of Pendency of Class Action and Proposed Partial Settlement and Motion for Attorneys' Fees and Expenses (the "Notice")) DO NOT submit a Proof of Claim.

If you are a Member of the Settlement Class and you have not timely requested exclusion, you will be bound by the terms of the Judgment entered in the Action, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM.

DEFINITIONS

All capitalized terms not otherwise defined in this form shall have the same meaning as set forth in the Notice which accompanies this Proof of Claim.

Call Option: A contract that gives the purchaser the right to purchase the underlying common stock at a specified price up to a specified date from the writer of the option contract.

Put Option: A contract that gives the purchaser the right to sell common stock at a specified price up to a specified date to the writer of the option contract.

IDENTIFICATION OF CLAIMANT

If you purchased or otherwise acquired (including by exchange, conversion or otherwise) the publicly traded securities (*i.e.*, common stock and options) of

Carter's, Inc. ("Carter's") during the period from March 16, 2005 through November 9, 2009, inclusive (the "Eligibility Period") and held the securities in your name, you are the beneficial purchaser as well as the record purchaser. If, however, you purchased or otherwise acquired Carter's common stock or options during the Eligibility Period through a third party, such as a nominee or brokerage firm, you are the beneficial purchaser of these securities, but the third party is the record purchaser of these securities.

Use Part I of this form entitled "Claimant Identification" to identify each beneficial purchaser of Carter's securities that form the basis of this claim, as well as the purchaser of record if different. THIS CLAIM MUST BE SUBMITTED BY THE ACTUAL BENEFICIAL PURCHASER(S) OR AUTHORIZED OR LEGAL REPRESENTATIVE(S) OF SUCH PURCHASER(S) OF THE CARTER'S SECURITIES UPON WHICH THIS CLAIM IS BASED.

All joint beneficial purchasers must sign this claim. Executors, administrators, guardians, conservators and trustees must complete and sign this claim on behalf of Persons represented by them and their authority must accompany this claim and their titles or capacities must be stated. The Social Security (or taxpayer identification) number and telephone number of one of the beneficial owner(s) may be used in verifying this claim. Failure to provide the

foregoing information could delay verification of your claim or result in rejection of your claim.

IDENTIFICATION OF TRANSACTION(S)

Use Parts II and III of this form to supply all required details of your transaction(s) in Carter's common stock and options. If you need more space or additional schedules, attach separate sheets giving all of the required information in substantially the same form. Sign and print or type your name on each additional sheet.

On the schedules, provide all of the requested information with respect to: (i) *all* of your holdings of Carter's securities as of the beginning of trading on March 16, 2005; (ii) *all* of your purchases, other acquisitions and sales of Carter's securities which took place at any time beginning March 16, 2005 through, and including, November 10, 2009; and (iii) proof of your holdings of Carter's securities as of the close of trading on November 10, 2009, whether such purchases, acquisitions, sales or transactions resulted in a profit or a loss. Failure to report all such transactions may result in the rejection of your claim.

List each purchase, acquisition, sale and transaction during the relevant periods separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day and year of each such transaction you list.

Copies of broker confirmations or other documentation of your purchases, acquisitions, sales or transactions in Carter's securities should be attached to your claim. **DO NOT SEND ORIGINALS.** Failure to provide this documentation could delay verification of your claim or result in rejection of your claim. The Claim Administrator may also request additional information as requested to efficiently and reliably calculate your losses.

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA

In re Carter's, Inc. Securities Litigation

No. 1:08-CV-2940-AT

PROOF OF CLAIM

Must be Postmarked No Later Than:

_____, 2012

Please Type or Print

PART I: CLAIMANT IDENTIFICATION

Beneficial Owner's Name (First, Middle, Last)

Joint Beneficial Owner's Name (First, Middle, Last)

Street Address

City

State

Zip Code

Foreign Province

Foreign Country

Social Security Number

OR

Taxpayer Identification Number

Check appropriate box:

- | | |
|--|---------------------------------------|
| <input type="checkbox"/> Individual or Sole Proprietor | <input type="checkbox"/> Pension Plan |
| <input type="checkbox"/> Corporation | <input type="checkbox"/> Partnership |
| <input type="checkbox"/> IRA | <input type="checkbox"/> Trust |
| <input type="checkbox"/> Other _____ | (please specify) |

Telephone Number (work)

Telephone Number (home)

Email address

Facsimile Number

Were your shares held in “street name” (i.e., in the name of a stock broker or other nominee)? If so, that broker or nominee is the Record Owner. Please fill in the following line.

Record Owner’s Name (if different from beneficial owner listed above); e.g. brokerage firm, bank, nominee, etc.

PART II: SCHEDULE OF TRANSACTIONS IN CARTER’S STOCK

- A. Number of shares of Carter’s common stock held at the beginning of trading on March 16, 2005: _____
- B. Purchases or other acquisitions, including by way of exchange, conversion or otherwise (from March 16, 2005 to November 9, 2009, inclusive) of Carter’s common stock:

Trade Date (Month/Day/Year)	Number of Shares Purchased or Acquired	Total Purchase Price*	Transaction Type (Purchase/ Received/Split)	Price per Share
1. _____	_____	_____	_____	_____
2. _____	_____	_____	_____	_____
3. _____	_____	_____	_____	_____

(Please note, there was a stock split on June 7, 2006)

C. Sales (from March 16, 2005 to November 9, 2009, inclusive) of Carter's common stock:

Trade Date (Month/Day/Year)	Number of Shares Sold	Total Sales Price*	Transaction Type (Sold/ Delivered)	Price per Share
1. _____	_____	_____	_____	_____
2. _____	_____	_____	_____	_____
3. _____	_____	_____	_____	_____

D. Number of shares of Carter's common stock held at beginning of trading on November 10, 2009: _____

* Excluding taxes, fees and commissions.

**PART III: SCHEDULE OF TRANSACTIONS IN CARTER'S CALL
OPTIONS**

A. At the beginning of trading on March 16, 2005, the following call options on Carter's common stock were owned:

Date of Purchase (Month/Day/Year)	Number of Contracts	Expiration Month and Year / Strike Price of Options (i.e. July 2009/\$40)	Purchase Price Per Contract	Amount Paid*	Exercised "E" or Expired "X" (leave blank if neither)	Exercise Date (Month/Day/Year)

B. Purchases, including by way of exchange, conversion or otherwise (between March 16, 2005 and November 10, 2009, inclusive) of call options on Carter's common stock:

Date of Purchase (Month/Day/Year)	Number of Contracts	Expiration Month and Year / Strike Price of Options (i.e. July 2009/\$40)	Purchase Price Per Contract	Amount Paid* (mark \$0 if this was a Stock Split transaction)	Exercised "E" or Expired "X" (leave blank if neither)	Exercise Date (Month/Day/Year)

(Please note, there was a stock split on June 7, 2006. If you received shares in this split, you should indicate those shares above.)

C. Sales of the above call options on Carter's common stock which call options were purchased before November 10, 2009 (include all such sales no matter when they occurred):

Date of Sale (Month/Day/Year)	Number of Contracts	Expiration Month and Year / Strike Price of Options (i.e. July 2009/\$40)	Sale Price Per Contract	Amount Received*

* Excluding taxes, fees and commissions.

D. At the beginning of trading on November 10, 2009, the following call options on Carter's common stock were owned:

Date of Purchase (Month/Day/Year)	Number of Contracts	Expiration Month and Year / Strike Price of Options (i.e. July 2009/\$40)	Purchase Price Per Contract	Amount Paid*	Exercised "E" or Expired "X" (leave blank if neither)	Exercise Date (Month/Day/Year)

**PART IV: SCHEDULE OF TRANSACTIONS IN CARTER'S PUT
OPTIONS**

A. At the beginning of trading on March 16, 2005 the following put options written on Carter's common stock were open:

Number of Contracts	Expiration Month and Year / Strike Price of Options (i.e. July 2009/\$40)	Sale Price Per Contract	Amount Received*	Assigned "A" or Expired "E" (leave blank if neither)	Assign Date (Month/Day/Year)

B. Written (sold) put options on Carter's common stock (between March 16, 2005 and November 10, 2009, inclusive.) as follows:

Date of Writing (Sale) (Month/Day/Year)	Number of Contracts	Expiration Month and Year / Strike Price of Options (i.e. July 2009/\$40)	Sale Price Per Contract	Amount Received*	Assigned "A" or Expired "E" (leave blank if neither)	Assign Date (Month/Day/Year)

C. Repurchases of the above put options on Carter’s common stock that were written (sold) on or before November 10, 2009, (include all repurchases no matter when they occurred):

Date of Purchase (Month/Day/Year)	Number of Contracts	Expiration Month and Year / Strike Price of Options (i.e. July 2009/\$40)	Price Paid Per Contract	Aggregate Cost*

D. At the beginning of trading on November 10, 2009, the following put options on Carter’s common stock were owned:

Date of Purchase (Month/Day/Year)	Number of Contracts	Expiration Month and Year / Strike Price of Options (i.e. July 2009/\$40)	Purchase Price Per Contract	Amount Paid*	Exercised “E” or Expired “X” (leave blank if neither)	Exercise Date (Month/Day/Year)

If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.

YOU ARE NOT FINISHED YET. YOU MUST READ THE RELEASE AND SIGN ON PAGE _____. FAILURE TO SIGN THE RELEASE MAY RESULT IN A DELAY IN PROCESSING OR THE REJECTION OF YOUR CLAIM.

PART IV: SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I (We) submit this Proof of Claim under the terms of the Stipulation and Agreement of Settlement with Company and Individual Defendants (“Stipulation”)

described in the Notice. I (We) also submit to the jurisdiction of the United States District Court for the Northern District of Georgia with respect to my (our) claim as a Settlement Class Member and for purposes of enforcing the release set forth herein. I (We) further acknowledge that I (we) will be bound by and subject to the terms of any Final Order and Judgment that may be entered in the Action. I (We) agree to furnish additional information to the Claims Administrator to support this claim if requested to do so. I (We) have not submitted any other claim covering the same purchases, acquisitions or sales or holdings of Carter's securities during the relevant period and know of no other Person having done so on my (our) behalf.

PART V: RELEASE AND CERTIFICATION

1. I (We) hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, release and discharge from the Released Claims each and all of the Released Defendant Parties as those terms and terms related thereto are defined in the accompanying Notice.

2. This release shall be of no force or effect unless and until the Court approves the Stipulation and the Effective Date (as defined in the Stipulation) has occurred.

3. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

4. I (We) hereby warrant and represent that I (we) have included information about all of my (our) purchases, acquisitions, and sales and other transactions in Carter's common stock and options that occurred during the relevant time periods and the number of shares of Carter's common stock and options held by me (us) at the relevant time periods.

5. I (We) hereby warrant and represent that I (we) am (are) not excluded from the Settlement Class as defined herein and in the Notice.

6. The number(s) shown on this form is (are) the correct SSN/TIN; and

7. I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(1)(C) of the Internal Revenue Code because: (a) I am (we are) exempt from backup withholding; or (b) I (we) have not been notified by the Internal Revenue Service that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends; or (c) the Internal Revenue Service has notified me (us) that I am (we are) no longer subject to backup withholding.

(NOTE: If you have been notified by the Internal Revenue Service that you are subject to backup withholding, you must cross out Item 7 above.)

I (We) declare under penalty of perjury under the laws of the United States of America that the foregoing information supplied by the undersigned is true and correct.

Executed this _____ day of _____, in _____,
(Month / Year) (City)

(State / Country)

Signature of Claimant

Print Name of Claimant

Date

Signature of Joint Claimant, if any

Print Name of Joint Claimant

Date

**ACCURATE CLAIMS PROCESSING TAKES A
SIGNIFICANT AMOUNT OF TIME.
THANK YOU FOR YOUR PATIENCE.**

Reminder Checklist:

1. Please sign the above release and certification.
2. Remember to attach only copies of supporting documentation.
3. Do not send original stock certificates or documentation. These items cannot be returned to you by the Claims Administrator.
4. Keep a copy of the completed Proof of Claim and documentation for your records.
5. The Claims Administrator will acknowledge receipt of your Claim Form by mail, within 60 days. Your claim is not deemed filed until you receive an acknowledgement postcard. If you do not receive an acknowledgement postcard within 60 days, please call the Claims Administrator.
6. If you move, please send the Claims Administrator your new address.
7. If you have any questions or concerns regarding your Proof of Claim, please contact the Claims Administrator at the address on page ____ above or at ____ - ____ - _____, or visit www.____.

EXHIBIT A-3

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA**

In re CARTER’S, INC. SECURITIES LITIGATION)))))	Civil Action No. 1:08-CV-2940-AT
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**SUMMARY NOTICE OF PENDENCY OF CLASS ACTION AND
PROPOSED PARTIAL SETTLEMENT AND MOTION FOR
ATTORNEYS’ FEES AND EXPENSES**

TO: ALL PERSONS WHO PURCHASED THE PUBLICLY TRADED SECURITIES OF CARTER’S, INC. DURING THE PERIOD FROM MARCH 16, 2005 THROUGH NOVEMBER 10, 2009, INCLUSIVE, AND WERE ALLEGEDLY DAMAGED THEREBY (THE “SETTLEMENT CLASS”).

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the Court, that the above-captioned action has been preliminarily certified as a class action and that a partial settlement for \$20 million has been proposed with Carter’s, Inc., Frederick J. Rowan, II, Joseph Pacifico, Michael D. Casey, Andrew North, Charles E. Whetzel, Jr., and Joseph M. Elles (collectively, the “Settling Defendants”). The case will continue against defendant PricewaterhouseCoopers LLP. A hearing will be held before the Honorable Amy Totenberg of the United States District Court for the Northern District of Georgia in the Richard B. Russell Federal Building and United States Courthouse, 75 Spring Street, SW, Atlanta, GA 30303-3309, at ____:____ __.m.,

on _____, 2012, in Courtroom _____ to, among other things, determine whether the proposed settlement should be approved by the Court as fair, reasonable and adequate, determine whether the proposed plan of allocation for distribution of the settlement proceeds should be approved as fair and reasonable, and to consider the application of Lead Counsel for attorneys' fees and reimbursement of expenses. The Court may change the date of the hearing without providing another notice.

IF YOU ARE A MEMBER OF THE SETTLEMENT CLASS DESCRIBED ABOVE, YOUR RIGHTS WILL BE AFFECTED AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT PROCEEDS. If you have not yet received the full printed Notice of Pendency of Class Action and Proposed Partial Settlement and Motion for Attorneys' Fees and Expenses ("Notice") and a Proof of Claim and Release form ("Proof of Claim"), you may obtain copies of these documents by contacting the Claims Administrator:

In re Carter's, Inc. Securities Litigation

c/o _____
Claims Administrator

() ____ - ____

www. _____

Inquiries, other than requests for the forms of Notice and Proof of Claim or the status of a claim, may be made to Lead Counsel:

Labaton Sucharow LLP
Jonathan Gardner
140 Broadway
New York, New York 10005
(888) 219-6877

www.labaton.com or settlementquestions@labaton.com

If you are a Settlement Class Member, to be eligible to share in the distribution of the settlement proceeds you must submit a Proof of Claim postmarked no later than _____, 2012. To exclude yourself from the Settlement Class, you must submit a written request for exclusion in accordance with the instructions set forth in the Notice such that it is received or postmarked no later than _____, 2012. If you are a Settlement Class Member and do not exclude yourself from the Settlement Class, you will be bound by the Final Order and Judgment of the Court. Any objections to the Settlement, plan of allocation or Lead Counsel's application for attorneys' fees and reimbursement of expenses must be filed with the Court and served on counsel for the Settling Parties in accordance with the instructions set forth in the Notice, such that they are received or postmarked no later than _____, 2012. If you are a Settlement Class Member and do not submit an acceptable Proof of Claim, you will not share in the Settlement but you nevertheless will be bound by the Final Order and Judgment of the Court.

Further information may be obtained by contacting the Claims Administrator.

Dated: _____, 2012

By Order of The Court
United States District Court
Northern District of Georgia

EXHIBIT B

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA**

)	
In re)	
CARTER’S, INC.)	
SECURITIES LITIGATION)	Civil Action No. 1:08-CV-2940-AT
)	
)	[PROPOSED] FINAL ORDER AND JUDGMENT
)	

WHEREAS:

A. On _____, 2011, Plymouth County Retirement System (“Lead Plaintiff”), on behalf of itself and the Settlement Class, and Carter’s, Inc. (“Carter’s” or the “Company”), Frederick J. Rowan, II, Joseph Pacifico, Michael D. Casey, Andrew North, Charles E. Whetzel, Jr., and Joseph M. Elles (collectively, the “Settling Defendants”) entered into a Stipulation and Agreement of Settlement with Company and Individual Defendants (the “Stipulation”) in the above-titled litigation (the “Consolidated Action”).

B. Pursuant to the Preliminary Approval Order Providing for Notice and Hearing in Connection With Proposed Partial Class Action Settlement, entered _____, 2011 (the “Preliminary Approval Order”), the Court scheduled a hearing for _____, 2012, at _____m. (the “Settlement Hearing”) to, among other things: (i) determine whether the proposed partial Settlement of

the Consolidated Action on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate, and should be approved by the Court; and (ii) determine whether a judgment as provided for in the Stipulation should be entered.

C. The Court ordered that the Notice of Pendency of Class Action and Proposed Partial Settlement and Motion for Attorneys' Fees and Expenses (the "Notice") and a Proof of Claim and Release form ("Proof of Claim"), substantially in the forms attached to the Preliminary Approval Order as Exhibits 1 and 2, respectively, be mailed by first-class mail, postage prepaid, on or before ten (10) business days after the date of entry of the Preliminary Approval Order ("Notice Date") to all putative Class Members who could be identified through reasonable effort, and that a Summary Notice of Pendency of Class Action and Proposed Partial Settlement and Motion for Attorneys' Fees and Expenses (the "Summary Notice"), substantially in the form attached to the Preliminary Approval Order as Exhibit 3, be published in *Investor's Business Daily* and transmitted over *PR Newswire* within fourteen (14) calendar days of the Notice Date.

D. The Notice and the Summary Notice advised Settlement Class Members of the date, time, place and purpose of the Settlement Hearing. The Notice further advised that any objections to the Settlement were required to be filed with the Court and served on counsel for the Settling Parties postmarked by _____, 2012.

E. The provisions of the Preliminary Approval Order as to notice were complied with.

F. On _____, 2012, Lead Plaintiff moved for final approval of the Settlement, as set forth in the Preliminary Approval Order. The Settlement Hearing was duly held before this Court on _____, 2012, at which time all interested Persons were afforded the opportunity to be heard.

G. This Court has duly considered Lead Plaintiff's motion, the affidavits, declarations and memorandum of law submitted in support thereof, and all of the submissions and arguments presented with respect to the proposed Settlement.

NOW, THEREFORE, after due deliberation, IT IS ORDERED, ADJUDGED AND DECREED that:

1. This Judgment incorporates by reference the definitions in the Stipulation, and all capitalized terms used in this Judgment that are not otherwise defined herein shall have the same meanings as set forth in the Stipulation.

2. This Court has jurisdiction over the subject matter of the Consolidated Action and over all Settling Parties to the Consolidated Action, including all members of the Settlement Class.

3. The Court hereby affirms its determinations in the Preliminary Approval Order and finally certifies, for the purposes of the Settlement only, the Consolidated Action as a class action pursuant to Rules 23(a) and (b)(3) of the

Federal Rules of Civil Procedure on behalf of all Persons who purchased the publicly traded securities of the Company during the period from March 16, 2005 through November 10, 2009, inclusive, and were allegedly damaged thereby (the “Settlement Class”). Excluded from the Settlement Class are: the Defendants; the officers and directors of the Company, at all relevant times; any entity in which the Defendants have or had a controlling interest; members of the immediate families of the Individual Defendants; and the legal representatives, heirs, successors or assigns of any excluded person. Also excluded from the Settlement Class are those Persons who timely and validly sought exclusion from the Settlement Class in accordance with the requirements set forth in the Notice. A list of those persons is contained in Exhibit A annexed hereto.

4. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, and for the purposes of the Settlement only, the Court hereby affirms its determinations in the Preliminary Approval Order and finally certifies Lead Plaintiff Plymouth County Retirement System as Class Representative for the Settlement Class; and finally appoints Labaton Sucharow LLP as Class Counsel for the Settlement Class.

5. The notification provided for and given to the Settlement Class was in compliance with the Preliminary Approval Order, and said notification constituted the best notice practicable under the circumstances and is in full compliance with the notice requirements of Rule 23 of the Federal Rules of Civil Procedure, Section

21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7), as amended by the Private Securities Litigation Reform Act of 1995 (the “PSLRA”), and due process.

6. The proposed Settlement of the Consolidated Action on the terms and conditions set forth in the Stipulation is in all respects fair, reasonable and adequate, in light of the benefits to the Settlement Class, the complexity, expense and possible duration of further litigation against the Settling Defendants and the risks of establishing liability and damages and the costs of continued litigation. This Court further finds the Settlement set forth in the Stipulation is the result of arm’s-length negotiations between experienced counsel representing the interests of Lead Plaintiff, the Settlement Class and the Settling Defendants.

7. The Stipulation and the proposed Settlement are hereby approved as fair, reasonable, adequate and in the best interests of the Settlement Class Members, and shall be consummated in accordance with the terms and provisions of the Stipulation. To the extent there were objections to the Settlement, those objections are overruled.

8. The Second Amended and Consolidated Class Action Complaint for Violations of Federal Securities Laws (“Second Amended Complaint”), filed July 20, 2011, is hereby dismissed in its entirety as to the Settling Defendants, with

prejudice, and without costs to any Settling Party, except as otherwise provided in the Stipulation.

9. The Court further finds that during the course of the Consolidated Action, the Settling Parties and their respective counsel at all times complied with the requirements of Rule 11 of the Federal Rules of Civil Procedure.

10. Upon the Effective Date, Lead Plaintiff and each and every other Settlement Class Member on behalf of themselves and each of their respective heirs, executors, trustees, administrators, predecessors, successors and assigns, shall be deemed to have fully, finally and forever waived, released, discharged and dismissed each and every one of the Released Claims against each and every one of the Released Defendant Parties and shall forever be barred and enjoined from commencing, instituting, prosecuting or maintaining any of the Released Claims against any of the Released Defendant Parties.

11. Upon the Effective Date, the Settling Defendants, on behalf of themselves and each of their respective heirs, executors, trustees, administrators, predecessors, successors and assigns by operation of the Judgment, shall be deemed to have fully, finally and forever waived, released, discharged and dismissed each and every one of the Released Defendants' Claims, as against each and every one of the Released Plaintiff Parties and shall forever be barred and

enjoined from commencing, instituting, prosecuting or maintaining any of the Released Defendants' Claims against any of the Released Plaintiff Parties.

12. Pursuant to the PSLRA, 15 U.S.C. Section 78u-4(f)(7)(A), and applicable law, upon the Effective Date, any and all claims, actions, allegations, causes of action, demands or rights, however denominated and whether presently known or unknown, seeking contribution as that term is defined for purposes of the PSLRA, or seeking indemnification for claims arising under the federal securities laws or for state law claims arising out of the transactions underlying the claims in the Plymouth Action, Mylroie Action, and Consolidated Action, brought by any person or entity, including PwC, against the Settling Defendants or by any Settling Defendant against any person or entity, other than a person or entity whose liability has been extinguished by this Settlement, are hereby barred and discharged. Any final verdict or judgment obtained by or on behalf of Lead Plaintiff, the Settlement Class or any Settlement Class Member shall be reduced as provided by the PSLRA.

13. Each Settlement Class Member, whether or not such Settlement Class Member executes and delivers a Proof of Claim, is bound by this Judgment, including, without limitation, the release of claims as set forth in the Stipulation.

14. This Judgment and the Stipulation, whether or not consummated, and any negotiations, proceedings or agreements relating to the Stipulation, the

Settlement, and any matters arising in connection with settlement negotiations, proceedings, or agreements, shall not be offered or received against the Settling Defendants or Lead Plaintiff for any purpose, and in particular:

(a) do not constitute, and shall not be offered or received against or to the prejudice of the Settling Defendants as evidence of, or construed as, or deemed to be evidence of any presumption, concession or admission by the Settling Defendants with respect to the truth of any fact alleged by Lead Plaintiff and the Settlement Class or the validity of any claim that has been or could have been asserted in the Action or in any litigation, including but not limited to the Released Claims, or of any liability, damages, negligence, fault or wrongdoing of the Settling Defendants;

(b) do not constitute, and shall not be offered or received against or to the prejudice of the Settling Defendants as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by the Settling Defendants, or against Lead Plaintiff or any other member of the Settlement Class as evidence of any infirmity in the claims of Lead Plaintiff or the other members of the Settlement Class;

(c) do not constitute, and shall not be offered or received against or to the prejudice of the Settling Defendants or against Lead Plaintiff or any other

member of the Settlement Class, as evidence of a presumption, concession or admission with respect to any liability, damages, negligence, fault, infirmity or wrongdoing, or in any way referred to for any other reason against any of the Settling Parties to this Stipulation, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation;

(d) do not constitute, and shall not be construed against or to the prejudice of the Settling Defendants, Lead Plaintiff or any other member of the Settlement Class, as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial; and

(e) do not constitute, and shall not be construed as or received in evidence as, an admission, concession or presumption against or to the prejudice of Lead Plaintiff or any other member of the Settlement Class that any of their claims are without merit or infirm or that damages recoverable under the Second Amended Complaint would not have exceeded the Settlement Amount.

15. The administration of the Settlement, and the decision of all disputed questions of law and fact with respect to the validity of any claim or right of any Person to participate in the distribution of the Net Settlement Fund, shall remain under the authority of this Court.

16. In the event that the Settlement does not become effective in accordance with the terms of the Stipulation, then this Judgment shall be rendered null and void to the extent provided by and in accordance with the Stipulation and shall be vacated, and in such event, all orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Stipulation.

17. Without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any of the provisions of the Stipulation.

18. The Settling Parties are hereby directed to consummate the Stipulation and to perform its terms.

19. A separate order shall be entered regarding Lead Counsel's application for attorneys' fees and reimbursement of expenses as allowed by the Court. A separate order shall be entered regarding the proposed Plan of Allocation for the Net Settlement Fund. Such orders shall in no way disturb or affect this Judgment and shall be considered separate from this Judgment.

20. Without affecting the finality of this Judgment in any way, this Court hereby retains continuing jurisdiction over: (i) implementation of the Settlement; (ii) the allowance, disallowance or adjustment of any Settlement Class Member's claim on equitable grounds and any award or distribution of the Settlement Fund; (iii) disposition of the Settlement Fund; (iv) hearing and determining applications

for attorneys' fees, costs, interest and reimbursement of expenses in the Consolidated Action; (v) all Settling Parties for the purpose of construing, enforcing and administering the Settlement and this Judgment; and (vi) other matters related or ancillary to the foregoing. The Court expressly determines that there is no just reason for delay in the entry of this Judgment and immediate entry by the Clerk of the Court is expressly directed.

Dated: _____, 2012

Honorable Amy Totenberg
UNITED STATES DISTRICT
JUDGE

EXHIBIT A