

**UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION**

NON-PROSECUTION AGREEMENT

1. In connection with an investigation relating to financial fraud at Carter's, Inc. that occurred between at least 2004 and 2009 ("Investigation"), the Division of Enforcement ("Division") of the United States Securities and Exchange Commission ("Commission") and Carter's, Inc. ("Respondent") enter into their non-prosecution agreement ("Agreement") on the following terms and conditions:

COOPERATION

2. The Respondent, a corporation organized and operating under the laws of Delaware, agrees to cooperate fully and truthfully in the Investigation and any other related enforcement litigation or proceeding to which the Commission is a party (the "Proceedings"), regardless of the time period in which the cooperation is required. In addition, the Respondent agrees to cooperate fully and truthfully, when directed by the Division's staff, in an official investigation or proceeding by any federal, state, or self-regulatory organization ("Other Proceedings"). The full, truthful, and continuing cooperation of the Respondent shall include, but not be limited to:

a. producing, in a responsive and prompt manner, all non-privileged documents, information, and other materials to the Commission as requested by the Division's staff, wherever located, in the possession, custody, or control of the Respondent; and

b. using its best efforts to secure the full, truthful, and continuing cooperation, as defined in Paragraph 3, of current and former directors, officers, employees and agents, including making these persons available, when requested to do so by the Division's staff, at its expense, for interviews and the provision of testimony in the investigation, trial and other judicial proceedings in connection with the Proceedings or Other Proceedings.

3. The full, truthful, and continuing cooperation of each person described in Paragraph 2 above will be subject to the procedures and protections of this paragraph, and shall include, but not be limited to:

a. producing all non-privileged documents and other materials as requested by the Division's staff;

b. appearing for interviews, at such times and places, as requested by the Division's staff;

c. responding to all inquiries, when requested to do so by the Division's staff, in connection with the Proceedings or Other Proceedings; and

d. testifying at trial and other judicial proceedings, when requested to do so by the Division's staff, in connection with the Proceedings or Other Proceedings.

PUBLIC STATEMENTS

4. After this Agreement is executed, the Respondent agrees not to take any action or to make or permit any public statement through present or future attorneys, employees, agents, or other persons authorized to speak for it, except in legal proceedings in which the Commission is not a party, denying, directly or indirectly, the factual basis of any aspect of this Agreement. This paragraph is not intended to apply to any statement made by an individual in the course of any criminal, civil, or regulatory proceeding initiated by the government or self-regulatory organization against such individual, unless such individual is speaking on behalf of the Respondent. If it is determined by the Commission that a public statement by the Respondent or any related person contradicts in whole or in part this Agreement, at its sole discretion, the Commission may bring an enforcement action in accordance with Paragraphs 7 through 9.

5. Prior to issuing a press release concerning this Agreement, the Respondent agrees to have the text of the release approved by the staff of the Division.

SERVICE

6. The Respondent agrees to serve by hand delivery or by next-day mail all written notices and correspondence required by or related to this Agreement to Stephen E. Donahue, Assistant Regional Director, 3475 Lenox Rd., Suite 500, Atlanta, Georgia 30326, (404) 842-7618, unless otherwise directed in writing by the staff of the Division.

VIOLATION OF AGREEMENT

7. The Respondent understands and agrees that it shall be a violation of this Agreement if it knowingly provides false or misleading information or materials in connection with the Proceedings or Other Proceedings. In the event of such misconduct, the Division will advise the Commission of the Respondent's misconduct and may make a criminal referral for providing false information (18 U.S.C. § 1001), contempt (18 U.S.C. §§ 401-402) and/or obstructing justice (18 U.S.C. § 1503 *et seq.*).

8. The Respondent understands and agrees that, should the Division determine that the Respondent has failed to comply with any term or condition of this Agreement, the Division will notify the Respondent or its counsel of the fact and provide an opportunity for the Respondent to make a Wells submission pursuant to the Securities Act of 1933 Release No. 5310. Under these circumstances, the Division may, in its sole discretion and not subject to judicial review, recommend to the Commission an enforcement action against the Respondent for any securities law violations, including, but not limited to, the substantive offenses relating to the Investigation.

9. The Respondent understands and agrees that in any future enforcement action resulting from its violation of the Agreement, any documents, statements, information, testimony, or evidence provided by it during the Proceedings or Other Proceedings, and any leads derived there from, may be used against it in future legal proceedings.

10. The Respondent understands and agrees that any enforcement action brought by the Commission following the Respondent's violation of the Agreement that would not have been time-barred by the applicable statute of limitations if brought on the date of the execution of this Agreement, may be commenced against the Respondent, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such action.

COMPLIANCE WITH AGREEMENT

11. Subject to the full, truthful, and continuing cooperation of the Respondent, as described in Paragraphs 2 and 3, and compliance with all obligations in the Agreement, the Commission agrees not to bring any enforcement action or proceeding against the Respondent arising from the Investigation. This agreement should not, however, be deemed exoneration of the Respondent or be construed as a finding by the Commission that no violations of the federal securities laws have occurred.

12. The Respondent understands and agrees that this Agreement does not bind other federal, state or self-regulatory organizations, but the Commission may, at its discretion, issue a letter to these organizations detailing the fact, manner, and extent of its cooperation during the Proceedings or Other Proceedings, upon the written request of the Respondent.

13. The Respondent understands and agrees that if it sells, merges, or transfers all or substantially all of its business operations as they exist as of the date of this Agreement, whether such a sale is structured as a stock or asset sale, merger, or transfer during the Deferred Period, it shall include in any contract for sale, merger, or transfer a provision binding the purchasers or successors in interest to the obligations set forth in this Agreement. Furthermore, the protections arising from this Agreement will not apply to purchasers or successors in interest unless such purchasers or successors enter into a written agreement, on terms acceptable to the Division, agreeing to assume all the obligations set forth in this Agreement.

14. The Respondent understands and agrees that the Agreement only provides protection against enforcement actions arising from the Investigation and does not relate to any other violations or any individual or entity other than the Respondent.

VOLUNTARY AGREEMENT

15. The Respondent's decision to enter into this Agreement is freely and voluntarily made and is not the result of force, threats, assurances, promises, or representations other than those contained in this Agreement.

16. The Respondent read and understands this Agreement. Furthermore, the Respondent has reviewed all legal and factual aspects of this matter with its attorney and is fully satisfied with its attorney's legal representation. The Respondent has thoroughly reviewed this Agreement with its attorney and has received satisfactory explanations concerning each paragraph of the Agreement. After conferring with its attorney and considering all available alternatives, the Respondent has made a knowing decision to enter into the Agreement.

17. The Respondent represents that its Board of Directors has duly authorized, in a specific resolution attached hereto as Exhibit A, the execution and delivery of this Agreement, and that the person signing this Agreement has authority to bind the Respondent.

ENTIRETY OF AGREEMENT

18. This Agreement constitutes the entire agreement between the Commission and the Respondent, and supersedes all prior understandings, if any, whether oral or written, relating to the subject matter herein.

19. This Agreement cannot be modified except in writing, signed by the Respondent and a representative of the Commission.

20. In the event an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring the Commission or the Respondent by virtue of the authorship of any of the provisions of the Agreement.

The signatories below acknowledge acceptance of the foregoing terms and conditions.

RESPONDENT

11/23/2010
Date

Brendan M. Gibbons
Brendan M. Gibbons
Senior Vice President Legal & Corporate
Affairs, General Counsel and Secretary
Carter's, Inc.

On 11, 23 2010, Brendan M. Gibbons, a person known to me, personally appeared before me and acknowledged executing the foregoing agreement with full authority to do so on behalf of Carter's, Inc. as its Senior Vice President Legal & Corporate Affairs, General Counsel and Secretary, and pursuant to the attached Resolution of the Board of Directors.

Tamara A. Dowell
Notary Public
State: GA
Commission number:
Commission expiration: 4/27/14

TAMARA A DOWELL
NOTARY PUBLIC
HENRY COUNTY, GEORGIA
MY COMMISSION EXPIRES 04/27/2014

RESPONDENT'S COUNSEL

Approved as to form:

11/22/2010
Date

Randall W. Bodner
Randall W. Bodner
Ropes & Gray LLP
Prudential Tower, 800 Boylston Street
Boston, Massachusetts 02199-3600
(617) 951-7776

SECURITIES AND EXCHANGE COMMISSION
DIVISION OF ENFORCEMENT

12/17/10
Date

William P. Hicks
William P. Hicks
Associate Regional Director

Attachment: Exhibit A (Certificate of Corporate Resolution)

EXHIBIT A

CARTER'S, INC.

CERTIFICATE OF CORPORATE RESOLUTION

