

SEP 19 2008

JAMES N. HATTEN, Clerk

By: *J. White* Deputy Clerk

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA

Individually and on Behalf of all Others
Similarly Situated,

Plaintiff,

vs.

CARTER'S INC , FREDERICK ROWAN II,
JOSEPH PACIFICO, MICHAEL D. CASEY, and
CHARLES WHETZEL JR.,

Defendants.

1 08 - CV - 2940

Civil Action No. _____

CLASS ACTION COMPLAINT
FOR VIOLATIONS
OF FEDERAL SECURITIES
LAWS

JOF

JURY TRIAL DEMANDED

Plaintiff has alleged the following based upon the investigation of Plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Carter's Inc. ("Carter's" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION AND SUMMARY OF ALLEGATIONS

1. This is a federal securities class action on behalf of all purchasers of the securities of Carter's (the "Class") between February 21, 2006 and July 24, 2007, inclusive (the "Class Period"). This action seeks to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Carter's designs, sources, and markets apparel for babies and young children in the United States. It primarily offers its children wear products under the Carter's, Child of Mine, Just One Year, and OshKosh brand names. The company markets its products to national department stores, chain and specialty stores, off-price sales channels, and discount retailers. As of December 29, 2007, it operated 228 Carter's and 163 OshKosh outlet and brand retail stores. The Company is incorporated in Delaware and maintains its headquarters in Atlanta, Georgia. Its securities are traded on the New York Stock Exchange under the ticker symbol "CRI".

3. On July 14, 2005, Carter's, through its wholly-owned subsidiary, The William Carter Company, acquired all of the outstanding common stock of OshKosh B'Gosh, Inc. for a purchase price of \$312.1 million, which included payment for vested stock options. Fred Rowan, Carter's Chairman and CEO, was effusive about the acquisition: "We are excited to bring together two of America's most trusted children's apparel brands. We are eager to realize the tremendous potential of the Carter's and OshKosh brands. By leveraging our proven brand management and supply chain skills, we believe we can create significant, long-term value for Carter's shareholders, customers, and consumers."

4. Goodwill is an account that can be found in the assets portion of a company's balance sheet. Goodwill often arises when one company is purchased by another company. In an acquisition, the amount paid for the company over book value usually accounts for the target

firm's intangible assets. Goodwill typically reflects the value of intangible assets such as a strong brand name, good customer relations, good employee relations and any patents or proprietary technology. In connection with the acquisition of OshKosh, Carter's booked \$144,890,000 in goodwill assets and \$102 million in tradename assets.

5 Soon after Carter's acquired OshKosh, the Company experienced significant setbacks in successfully integrating OshKosh into its core business. Instead of honestly discussing the integration problems and the realistic chance of resolving these issues successfully, however, the Company made positive, but misleading, statements throughout the Class Period in relation to the integration of OshKosh.

6 Investors were belatedly made aware of the failure of the OshKosh integration, and on July 24, 2007 the Company announced that it was taking a write-down of \$142.9 million on the intangible assets/goodwill of its OshKosh subsidiary.

7. This disclosure caused the Company's stock to fall from \$24.87 per share to \$22.75 per share on heavy volume.

8. During the Class Period, the individual defendants sold significant portions of their Carter's stock, further evidencing their knowledge that the OshKosh integration had failed.

JURISDICTION AND VENUE

9. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission ("SEC") [17 C.F.R. § 240.10b-5].

10 This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1337 and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

11. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b); Carter's is headquartered in this District.

12. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

13. Plaintiff [REDACTED] ("Plaintiff"), as set forth in the accompanying certification, incorporated by reference herein, purchased the common stock of Carter's at artificially inflated prices during the Class Period

14. Defendant Carter's is a Delaware corporation, headquartered in Atlanta, Georgia

15. Defendant Frederick J. Rowan, II ("Rowan") was, during the Class Period, the Chairman of the Board and Chief Executive Officer ("CEO") of Carter's.

16. Defendant Joseph Pacifico ("Pacifico") was, during the Class Period, President of Carter's

17. Defendant Michael D. Casey ("Casey") was, during the Class Period, Executive Vice-President and Chief Financial Officer ("CFO") of Carter's.

18. Defendant Charles E. Whetzel, Jr. ("Whetzel") was, during the Class Period, Executive Vice-President, Chief Sourcing Officer.

19. The Defendants Rowan, Pacifico, Casey, and Whetzel are collectively referred to as the "Individual Defendants" and, along with Carter's, as the "Defendants".

20. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about the Company's business, operations,

operational trends, financial statements and markets via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith

21. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of defendants identified above. Each of the above officers of Carter's, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements, and financial condition, as alleged herein. Said Defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

22. As officers and controlling persons of a publicly-held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was, and is, traded on the New York Stock Exchange, and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate prompt, accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management and earnings, and to correct any

previously issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded common stock would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

23. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, recklessly, and/or negligently disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with Carter's, each of the Individual Defendants had access to the adverse undisclosed information about Carter's financial condition and performance as particularized herein and knew (or recklessly or negligently disregarded) that these adverse facts rendered the positive representations made by or about Carter's and its business issued or adopted by the Company materially false and misleading.

24. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

25. Each of the Defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Carter's securities by

disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Carter's financial condition; and (ii) caused Plaintiff and other members of the Class to purchase Carter's securities at artificially inflated prices.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

26. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all purchasers of the securities of Carter's (the "Class") between February 21, 2006 and July 24, 2007, inclusive (the "Class Period"), and who were damaged when the truth about Carter's business was disclosed. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

27. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Carter's had more than 56 million shares of common stock outstanding that traded on the New York Stock Exchange. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Carter's or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

28. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

29 Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

30. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are.

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Carter's; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

31. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

Carter's Fiscal Year 2005 False and Misleading Statements

32 The Class Period begins on February 21, 2006, when Carter's issued a press release announcing its financial results for its fourth quarter and fiscal 2005 results for the periods ended December 31, 2005. Fred Rowan, Chairman and CEO, noted:

Our results continue to reflect the strength of our diversified platform for growth. We grew in all of our channels of distribution in the fourth quarter, including a 6.1% comparable store sales increase in our Carter's retail stores. We have made significant progress in the initial phases of the OshKosh integration. With OshKosh, we reached over \$1 billion in sales in fiscal 2005 and created significant synergies and organic growth opportunities, which we believe will enable us to sustain our long-term growth objectives.

33 On April 27, 2006, Carter's published its 2005 Annual Report, signed by Defendants Rowan and Pacifico. The Company stated that "Carter's and OshKosh are distinct and powerful brands ... we believe that each has the potential to be a billion dollar lifestyle brand." The Company added:

OshKosh in 2004 resembled Carter's in 1992, a strong but underperforming brand .. Given our successful track record and the power of OshKosh, we believe we can grow its shares of the \$18 billion baby and young children's market to be as large or even larger than Carter's.

34. The representations contained in Carter's press releases, SEC filings, conference calls, and presentations during fiscal year 2005 were materially false and misleading when made because the Defendants concealed serious difficulties relating to the integration of OshKosh's product lines and retail channel with Carter's. Goodwill was artificially inflated because the profitability of the Company's OshKosh wholesale and retail segments had declined, and the Cost in Excess of Fair Value of Net Assets Acquired should have been written-down as a result.

Carter's Fiscal Year 2006 False and Misleading Statements

35. On April 25, 2006, Carter's issued a press release announcing its financial results for its first quarter 2006 results for the period ended March 31, 2006. Commenting on the OshKosh integration, Defendant Rowan stated:

We are off to a strong start and we are on track to achieve our growth objectives for 2006. We had a good quarter in terms of growth in sales and earnings and we continue to make significant progress integrating and improving the OshKosh business... We continue to believe that our balanced platform for growth, strengthened by the addition of OshKosh, will enable us to achieve our long-term growth objectives.

36. On July 25, 2006, Carter's issued a press release announcing its financial results for its second quarter 2006 results for the period ended June 30, 2006. Defendant Rowan commented:

We are on track to achieve our consolidated sales and earnings goals for 2006... We are pleased with the progress of the OshKosh integration, and we expect OshKosh to contribute meaningfully to our second half results.

37. On October 24, 2006, Carter's issued a press release announcing its financial results for its third quarter 2006 results for the period ended September 30, 2006. Defendant Rowan, commenting on the Company's performance, stated:

We are committed to improving our retail store performance, building Carter's and OshKosh's brand equity, and elevating product design under each brand's umbrella. We are encouraged by the response from our customers to our spring and summer 2007 products, which reflect the benefit from investments we have made in talent and branding this past year.

38. The representations contained in Carter's press releases, SEC filings, conference calls, and presentations during fiscal year 2006 were materially false and misleading when made because the Defendants concealed serious difficulties relating to the integration of OshKosh's

product lines and retail channel with Carter's. Goodwill was artificially inflated because the profitability of the Company's OshKosh wholesale and retail segments had declined, and the Cost in Excess of Fair Value of Net Assets Acquired should have been written-down as a result.

39. On February 20, 2007, Carter's issued a press release announcing its financial results for its fourth quarter and fiscal year 2006 results for the period ended December 31, 2006. The Company announced that on February 15, 2007, its Board of Directors approved a plan to close the Company's White House, Tennessee distribution center, which had been utilized to distribute its OshKosh products. As a result, in fiscal 2007 and fiscal 2008, the Company stated that it expected to incur approximately \$5.8 million (\$3.6 million after-tax) in cash charges related to severance and other exit costs. Additionally, the Company said that it expected to incur approximately \$3.9 million (\$2.4 million after-tax) of non-cash charges related to accelerated depreciation and impairment.

Carter's Fiscal Year 2007 False and Misleading Statements

40. On April 24, 2007, Carter's issued a press release announcing its financial results for its first quarter 2007 results for the period ended March 31, 2007. Defendant Rowan commented positively on the performance of OshKosh, saying "... I'm pleased with the progress we're making to improve the performance of our Retail and OshKosh wholesale segments. We're on track to realize the benefits from our product sourcing initiatives, and we expect our operating margins will improve in the second half of this year."

41. On April 25, 2007, Carter's published its 2006 Annual Report, signed by Defendants Rowan and Pacifico. The Company stated that "We were overly optimistic and projected having better product in place for our Fall 2006 line. Now in the process of correcting our product positioning and pricing, we have confidence in our Spring 2008 product line." The

Company continued: "For 2007, we are taking time to strengthen retail and OshKosh."

Commenting on the integration, Carter's proclaimed: "With our integration of OshKosh nearly complete, we are ready to grow this brand."

42 In the Annual Report, the Company explained the state of OshKosh at the time of the acquisition:

When we acquired OshKosh in July 2005, the product line was complex and the brand had been diluted. While many OshKosh stores were losing money, the wholesale business had promise, but its product costs were too high. For 2006, our major goals were to elevate the product position, expand the wholesale business, improve the retail stores, and reduce costs. We underestimated the work to be done.

43. Carter's stated, "We have made significant progress integrating the OshKosh business."

44 Discussing its accounting for goodwill, the Company stated.

We measure our goodwill and tradename for impairment (by comparing the fair values of our reporting units to their respective carrying values including allocated goodwill) on at least an annual basis or if events or changes in circumstances so dictate. As of December 30, 2006, we found there to be no impairment of our costs in excess of fair value of net assets acquired or tradename assets.

THE TRUTH IS DISCLOSED

45. On July 24, 2007, after the market closed, Carter's issued a press release revealing that it was taking a large writedown on the intangible assets/goodwill of its OshKosh subsidiary.

Under generally accepted accounting principles ("GAAP"), the Company is required to review the carrying value of its intangible assets on an annual basis, or more frequently if events or circumstances indicate that a decrease in their values may be warranted. Due to the continued negative trends in sales and profitability of the Company's OshKosh wholesale and retail

segments and the current outlook for such segments for the balance of the year, the Company conducted an interim review of the value of the intangible assets that the Company recorded in connection with the acquisition of OshKosh B'Gosh, Inc. As a result of this analysis, the Tradename was adjusted from \$102 million to \$90 million and the Cost in Excess of Fair Value of Net Assets Acquired of \$142.9 million was written off.

46. Carter's write down of \$142.9 million of goodwill that it booked for OshKosh at the time of the acquisition shows that Carter's viewed OshKosh as a greatly diminished brand. Despite positive assurances throughout the Class Period that the integration of OshKosh into Carter's was proceeding smoothly, the Company's write-down belied the truth: that Carter's viewed OshKosh as overvalued, and its product lines and retail channel as extremely difficult to integrate

47. In reaction to the news, Carter's stock fell from \$24.87 per share to \$22.75 per share, on heavy volume.

ADDITIONAL SCIENTER ALLEGATIONS

48 The Individual Defendants sold significant portions of their holdings of Carter's stock, evidencing their knowledge of serious problems within Carter's relating to the integration of OshKosh, at a time when they were touting the progress the Company had made on the integration. Specifically, Defendant Rowan sold 1,046,400 shares, reaping proceeds of \$28.8 million. Defendant Pacifico sold 190,000 shares for proceeds of \$5.1 million. Defendant Casey sold 149,200 shares for proceeds of \$4.9 million. Defendant Whetzel sold 154,400 shares for proceeds of \$4.2 million

49 As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were

materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Carter's, their control over, and/or receipt and/or modification of Carter's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Carter's, participated in the fraudulent scheme alleged herein.

50. Because of their position with the Company, Defendants at all times had the opportunity to, and did, commit the wrongdoing alleged herein.

**APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD ON THE MARKET DOCTRINE**

51. At all relevant times, the market for Carter's common stock was an efficient market for the following reasons, among others

(a) Carter's stock met the requirements for listing, and was listed and actively traded on the New York Stock Exchange, a highly efficient and automated market;

(b) As a regulated issuer, Carter's filed periodic public reports with the SEC and the New York Stock Exchange,

(c) Carter's regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Carter's was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

52. As a result of the foregoing, the market for Carter's common stock promptly digested current information regarding Carter's from all publicly available sources and reflected such information in Carter's stock price. Under these circumstances, all purchasers of Carter's common stock during the Class Period suffered similar injury through their purchase of Carter's common stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

53. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Carter's who knew that those statements were false when made.

LOSS CAUSATION/ECONOMIC LOSS

54 Defendants' wrongful conduct, as alleged herein, directly and proximately caused the damages suffered by Plaintiff and the Class

55 During the Class Period, Plaintiff and the Class purchased securities of Carter's at artificially inflated prices. The price of Carter's common stock declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses, as alleged above.

COUNT I

**Violation Of Section 10(b) Of
The Exchange Act Against And Rule 10b-5
Promulgated Thereunder Against All Defendants**

56. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

57. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public regarding Carter's business, operations, management and the intrinsic value of Carter's common stock; and (ii) cause Plaintiff and other members of the Class to purchase Carter's common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

58 Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading, and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort

to maintain artificially high market prices for Carter's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

59. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business and operations of Carter's as specified herein

60. The Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information, and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Carter's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Carter's and its business operations in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Carter's common stock during the Class Period

61 Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these Defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these Defendants enjoyed significant personal contact and

familiarity with the other Defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

62. The Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Carter's operating condition from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by Defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading

63. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Carter's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Carter's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the common stock trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by defendants during the Class Period, Plaintiff and the other members of the Class acquired

Carter's securities during the Class Period at artificially high prices and were damaged when the value of their securities declined upon disclosure of the truth about Defendants false and misleading statements.

64. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding Carter's financial results, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Carter's securities, or, if they had acquired such common stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

65. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

66. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

COUNT II

Violation Of Section 20(a) Of The Exchange Act Against the Individual Defendants

67. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein

68. The Individual Defendants acted as controlling persons of Carter's within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the

Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

69. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

70 As set forth above, Carter's and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon,

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: September 11^{19th}, 2008