CARTER HOLDINGS INC
Form S-1
August 23, 2002

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As filed with the Securities and Exchange Commission on August 23, 2002

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CARTER HOLDINGS, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Massachusetts	**424330**	**13-3912933**
(State or other jurisdiction of Incorporation or Organization)	(North American Industry Classification System Number)	(I.R.S. Employer Identification No.)

The Proscenium
1170 Peachtree Street NE, Suite 900
Atlanta, Georgia 30309
Telephone: (404) 745-2700
Facsimile: (404) 892-0968

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael D. Casey
Senior Vice President and Chief Financial Officer
The Proscenium
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Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933,

check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
COMMON STOCK, PAR VALUE $0.01 PER SHARE	$100,000,000.00	$9,200.00

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933. Includes shares subject to the underwriters' over-allotment option.

The registrant plans to re-incorporate in Delaware and change its name to Carter's, Inc. before circulating the prospectus included in this filing.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where an offer or sale is not permitted.

Subject to Completion. Dated August 23, 2002.

Shares

Common Stock

This is an initial public offering of common stock of Carter Holdings, Inc.

Carter's is offering of the shares to be sold in this offering. The selling stockholders identified in this prospectus are offering an additional shares. Carter's will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $ and $. Carter's intends to list the common stock on the New York Stock Exchange under the symbol "CRI."

See "Risk Factors" on page 9 to read more about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Carter's	$	$
Proceeds, before expenses, to the selling stockholders	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from Carter's and the selling stockholders at the initial price to public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2002.

Goldman, Sachs & Co.

Banc of America Securities LLC

Credit Suisse First Boston

Morgan Stanley

Prospectus dated , 2002.

[Pictures of children wearing body suits, blanket sleepers and other products that we market; pictures of our products presented on in-store fixtures; and pictures of the interior of one of our retail stores.]

PROSPECTUS SUMMARY

This summary highlights the key information contained in this prospectus. Because it is a summary, it does not contain all the information you should consider before investing in our common stock. You should read carefully this entire prospectus. In particular, you should read the section entitled "Risk Factors" and the consolidated financial statements and the notes relating to those statements included elsewhere in this prospectus. Carter Holdings, Inc.'s fiscal year ends on the Saturday in December or January nearest the last day of December. The terms "Carter's," "we," "our" and "us" refer to Carter Holdings, Inc. and its consolidated subsidiaries unless the context suggests otherwise. References to "baby" in this prospectus mean newborns through approximately age one, or up to size 9 months, and references to "young children" in this prospectus mean children from approximately age one to six, or children's clothing sizes 12 months to 7.

Our Business

We are the largest branded marketer of baby apparel and a leading marketer of young children's apparel in the United States. Over our 137 years of operation, *Carter's* has become one of the most highly recognized and most trusted brand names in the growing children's apparel industry. We sell our products under the *Carter's* and *Tykes* brand names in more than 8,200 department, national chain, specialty and discount stores, representing over 420 accounts, as well as through our 155 retail stores, which are primarily located in outlet centers. We focus on providing high-quality products at prices that represent an attractive value to consumers. We believe our strong value proposition appeals to a broad demographic, and our multi-channel distribution strategy allows us to reach consumers where they shop. Since 1992, when the current management team joined Carter's, we have increased net sales from $227 million to $519 million. In the past five years, we have increased net

sales at a compounded annual growth rate of 10% (more than twice the annual growth rate of the market for baby and young children's apparel) and operating income has grown at a compounded annual rate of 22%. In addition, through 2001, our *Carter's* stores have achieved five consecutive years of annual comparable store sales growth.

We focus on marketing high-volume, essential apparel for babies and young children. Our core products include bodysuits, pajamas, blanket sleepers, gowns, bibs, towels, washcloths and receiving blankets. Our top ten core products accounted for approximately 60% of our net sales in 2001. These core products are consumer staples and are insulated from changes in fashion trends. Whether they are shopping for their own children or purchasing gifts, consumers provide consistent demand for our products as they replace clothing outgrown by young children. In 2001, we shipped over 90 million units of *Carter's* products to our customers, up approximately 15% from 2000.

In the department, national chain, outlet and specialty store distribution channels, we are the leading provider of layette and sleepwear for babies and young children. Layette is comprised of a complete range of apparel and related products for newborns. Our aggregate market shares in fiscal 2001 in our channels, excluding the discount store channel, were approximately 29% for layette and 36% for sleepwear for babies and young children, which represent greater than two times the market shares of the next largest brands. Our share of the playclothes market for babies and young children grew from 2.5% in 2000 to 5.2% in 2001. Our top wholesale customers are leading children's retailers in the U.S.: Kohl's, Kids "R" Us/Babies "R" Us, JCPenney, Sears, Federated, May Company and Mervyn's. In the fourth quarter of 2000, we entered the discount store channel by launching the *Tykes* brand in all Target stores nationwide. In 2001, our first full year in Target, we generated $20.4 million of net sales. In addition, we extend the reach of the *Carter's* and *Tykes* brands in our channels through licensing arrangements with 19 marketers of related baby and young children's products.

1

Our Competitive Strengths

We attribute our market leadership and our significant opportunities for continued growth and increased profitability to the following competitive strengths:

Superior Brand Strength. During our 137 years of providing quality children's apparel, we have successfully established the *Carter's* brand as a trusted and well recognized name among consumers. Ninety-five percent of mothers and grandmothers surveyed know the *Carter's* name, and over 85% have purchased a *Carter's* product. We have leading market shares in our wholesale channels, where we command more dedicated floor space in baby departments than other brands.

High-Volume, Core Product Strategy. We develop and market high-volume, essential apparel products that consumers purchase frequently. The majority of our styles continue from year to year with variations only to color, fabric or creative applications. Given our products' low fashion risk and high turnover, over 90% of babywear sales to our wholesale customers in 2001 were of products that we automatically replenish. We believe this increases our productivity and creates a more stable revenue base.

Multiple Distribution Channels with Broad Customer Reach. Our multi-channel distribution strategy allows us to reach consumers with varying demographic and socio-economic traits. In addition to our historic wholesale strength and retail store presence, we entered the discount store channel by launching the *Tykes* brand in all Target stores in the fourth quarter of 2000.

Operational Expertise. We believe that our skill at servicing our customers with on-time deliveries of high-quality products and our replenishment capabilities have been key drivers in building market share at our wholesale customer accounts and have been important factors in our entry into the discount store channel. As a result of improvements in our logistics over the past several years, we have increased our speed to market with new products while reducing overall inventory levels. In addition, our global sourcing initiatives have enabled us to improve product quality while reducing costs.

Strong Management Team With a Proven Track Record. We have a strong and experienced management team, with our five senior executives averaging more than 20 years of experience in the textile and apparel industries. Since joining Carter's in 1992, our management team has been responsible for increasing net sales at a compounded annual growth rate of approximately 10%. In recent years, we have expanded the management team to include expertise in outlet and mass channel retailing, global sourcing and logistics. After this offering, management will continue to own approximately % of the equity of our company.

Our Growth Strategy

We intend to continue increasing sales and enhancing our profitability by capitalizing on our competitive strengths through the following growth strategies:

Increase Brand Leadership in Existing Distribution Channels. We intend to strengthen our market position by continuing to drive the growth of our core products through further fabric improvement, new packaging and merchandising strategies, additional investment in point-of-sale fixturing and development of creative license arrangements. Our goal is to continually improve the value proposition of our products for our consumers.

Leverage Carter's Brand in Large, Fragmented Playclothes Market. As the leading brand in layette and sleepwear for babies and young children, we have a significant opportunity to

expand our market share in the highly fragmented $11 billion playclothes market for babies and young children. We intend to build brand leadership in our core playclothes products such as t-shirts, leggings, shorts, casual pants and jumpsuits.

Expand Presence in Discount Store Channel. Forty-one percent of sales in the $17 billion U.S. apparel market for babies and young children are generated through discount stores nationwide. Given the size and growth of the discount store channel and our success with Target, we expect to explore opportunities to further expand the presence of our brands in this market segment.

Extend Reach and Increase Productivity of Retail Stores. We intend to add eight to ten stores per year. All of our retail stores were profitable in 2001. Generally, new stores are profitable within the first year of operation and produce a payback of initial investment within one year after opening. We further intend to increase our store productivity by focusing on the merchandising of our core products, improving logistics and identifying superior site locations.

Continue Expansion of Global Sourcing. Our full-package global sourcing accounts for approximately 51% of our total product mix. Full-package sourcing means entirely outsourcing the manufacturing and packaging of products from third parties. Significant cost reduction and margin improvement are possible as we continue to expand our global sourcing capabilities.

Improve Operating Efficiencies. We are reducing the complexity of our product development process and have made investments in demand forecasting and supply chain technology to improve the process and enable quicker inventory turns. We believe that our continued focus on shortening the product development cycle will enable us to further improve operating efficiencies.

General

In August 2001, investment funds affiliated with Berkshire Partners LLC purchased control of our company from Investcorp S.A., which had been our controlling stockholder since acquiring us in 1996. Our management team has remained in place since 1992 and has provided continuity to our business through both of these acquisitions. Berkshire Partners is a Boston-based private investment firm that invests in

businesses that offer strong growth prospects and are supported by high-quality management teams. Since 1984, Berkshire Partners' funds have invested in over 70 operating companies in a wide variety of industries, including industrial and consumer products manufacturing, retail and related services, business services, communications and transportation. Berkshire Partners currently manages approximately $3.5 billion of capital through six private equity partnerships.

We are incorporated in The Commonwealth of Massachusetts. Prior to the distribution of this prospectus and the offering of our common stock, we expect to have re-incorporated in the State of Delaware through a merger with a newly formed Delaware corporation to be named Carter's, Inc. All references to our charter documents and by-laws in this prospectus assume that this re-incorporation has taken place. Our principal executive offices are located at The Proscenium, 1170 Peachtree Street NE, Suite 900, Atlanta, Georgia 30309. Our telephone number is (404) 745-2700. Our internet address is www.carters.com. Information contained on our website or that can be accessed through our website is not incorporated by reference in this prospectus. You should not consider information contained in or accessible through our website to be part of this prospectus.

Risk Factors

We face risks operating our business that you should consider before investing in our company. For a discussion of some of these risks, you should read the section entitled "Risk Factors" beginning on page 9 of this prospectus.

Trademarks

Our trademarks, some of which are federally registered pursuant to applicable intellectual property laws, include: *Carter's*®, *Carter's Starters* , *Celebrating Childhood* , *Celebrating Imagination* , *Child of Mine* , *Dreamakers* , *Jiffon* , *Just One Year* and [illegible] .

This Offering

Common stock offered by us	shares(1)
Common stock offered by selling stockholders	shares(2)
Total common stock offered	shares(1)(2)
Common stock outstanding after this offering	shares(1)(3)
Use of proceeds	We intend to contribute a portion of the net proceeds from the sale of the common stock offered by us to our operating subsidiary, The William Carter Company, which will use those proceeds to redeem some of its outstanding senior subordinated notes and repay indebtedness under its senior credit facility. We will also pay Berkshire Partners $3.7 million from the net proceeds to terminate our future obligations under our management agreement with them. We intend to use any remaining net proceeds for general corporate purposes, such as funding working capital. We will not receive any proceeds from the sale of shares by the selling stockholders.

Proposed NYSE symbol	CRI
Risk factors	See "Risk Factors" beginning on page 9 of this prospectus for a discussion of factors that you should carefully consider before deciding to invest in shares of our common stock.

(1) Does not include shares of common stock that may be sold by us if the underwriters choose to exercise their over-allotment option in full.

(2) Does not include shares of common stock that may be sold by the selling stockholders if the underwriters choose to exercise their over-allotment option in full.

(3) Does not include 986,049 shares of common stock reserved for issuance under our 2001 Equity Incentive Plan, under which options to purchase 866,858 shares of common stock are outstanding as of the date of this prospectus.

5

Summary Historical and Pro Forma Consolidated Financial Data

The summary historical consolidated financial data as of the end of and for each of the fiscal years 1999 and 2000 and the period from August 15, 2001 through December 29, 2001 and the summary historical consolidated financial data for the period from December 31, 2000 through August 14, 2001 were derived from our audited consolidated financial statements. The audited consolidated financial statements as of the end of and for fiscal year 2000 and the period from August 15, 2001 through December 29, 2001 and the audited consolidated financial statements for the period from December 31, 2000 through August 14, 2001 are included elsewhere in this prospectus. The summary historical consolidated financial data for each of the six-month periods ended June 30, 2001 and June 29, 2002 and as of June 29, 2002 were derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data as of June 30, 2001 were derived from our unaudited condensed consolidated financial statements. The pro forma operating data for the fiscal year 2001 were derived from the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus. As a result of adjustments made in connection with our acquisition by Berkshire Partners LLC, its affiliates and associated investors in August 2001, which we refer to as the "Acquisition," the results of operations for the period from August 15, 2001 through December 29, 2001 and for the six months ended June 29, 2002 (the "Successor" periods) are not comparable to prior periods (the "Predecessor" periods). This data is qualified in its entirety by the more detailed information appearing in our consolidated historical financial statements and related notes, our unaudited pro forma condensed consolidated financial statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included elsewhere in this prospectus.

6

(dollars in thousands, except per share data)

Predecessor			Successor			
Fiscal Years		Period from December 31, 2000 through August 14, 2001	Period from August 15, 2001 through December 29, 2001(a)	Pro Forma for the Acquisition	Six-month periods ended	
1999	2000			Fiscal Year 2001(a)	June 30, 2001	June 29, 2002(a)

(dollars in thousands, except per share data)

						(Predecessor)	(Successor)
OPERATING DATA:							
Wholesale sales	$ 223,612	$ 248,095	$ 155,639	$ 127,689	$ 283,328	$ 119,868	$ 135,228
Retail sales	183,312	215,280	127,088	108,091	235,179	97,370	108,462
Net sales	406,924	463,375	282,727	235,780	518,507	217,238	243,690
Cost of goods sold	271,844	293,340	182,863	149,352	327,349	140,996	150,069
Gross profit	135,080	170,035	99,864	86,428	191,158	76,242	93,621
Selling, general and administrative expenses	117,334	135,322	88,895	57,987	147,991	68,517	78,913
Acquisition-related non-recurring charges(b)			11,289				
Writedown of long-lived assets(c)	7,124		3,156		3,156	3,156	
Non-recurring charges plant closure costs(d)			1,116	(268)	848	1,116	
Royalty income	(4,233)	(5,808)	(4,993)	(2,624)	(7,617)	(3,477)	(3,775)
Operating income	14,855	40,521	401	31,333	46,780	6,930	18,483
Interest income		(303)	(73)	(207)	(280)	(68)	(167)
Interest expense	20,437	18,982	11,803	11,307	30,722	9,252	14,137
(Loss) income before income taxes, extraordinary item and cumulative effect of change in accounting principle	(5,582)	21,842	(11,329)	20,233	16,338	(2,254)	4,513
(Benefit from) provision for income taxes	(1,782)	8,835	(1,981)	7,395	6,113	(902)	1,738
(Loss) income before extraordinary item and cumulative effect of change in accounting principle	(3,800)	13,007	(9,348)	12,838	$ 10,225	(1,352)	2,775
Extraordinary item, net of tax benefit of $4,876(e)			7,649				
Cumulative effect of change in accounting principle for revenue recognition, net of income tax benefit of $217(f)		354					
Net (loss) income	$ (3,800)	$ 12,653	$ (16,997)	$ 12,838		$ (1,352)	$ 2,775
Pro forma amounts assuming accounting change for revenue recognition is applied retroactively	$ (3,384)	$ 13,007	$ (16,997)	$ 12,838		$ (1,352)	$ 2,775
EARNINGS PER SHARE DATA:							
Basic net income per common share				$ 2.30			$ 0.50
Diluted net income per common share				$ 2.18			$ 0.46

(dollars in thousands, except per share data)

Basic weighted average number of common shares outstanding				5,583,034			5,596,122
Diluted weighted average number of common shares outstanding				5,889,826			5,995,057
OTHER OPERATING DATA:							
Gross margin	33.2%	36.7%	35.3%	36.7%	36.9%	35.1%	38.4%
EBITDA before non-recurring charges and writedown of long-lived assets(h)	$ 38,834	$ 58,041	$ 28,207	$ 37,983	$ 70,721	$ 20,627	$ 27,048
Depreciation and amortization	16,855	17,520	12,245	6,918	19,937	9,425	8,565
Capital expenditures	12,726	17,179	9,480	9,556	19,036	6,128	5,552
BALANCE SHEET DATA (end of period):							
Working capital(g)	$ 83,471	$ 87,862		$ 111,148		$ 85,523	$ 117,945
Property, plant and equipment, net	51,776	54,441		46,503		48,565	45,879
Total assets	314,944	327,545		604,162		339,321	605,565
Total debt, including current maturities	162,300	161,400		298,742		176,700	297,870
Stockholders' equity	56,953	69,596		158,338		68,244	162,254

CASH FLOW DATA:							
Net cash provided by (used in) operating activities	$ 36,458	$ 24,197	$ 168	$ 31,113		$ (14,845)	$ (632)
Net cash used in investing activities	(12,362)	(19,217)	(9,266)	(247,459)		(6,083)	(5,054)
Net cash (used in) provided by financing activities	(24,667)	(4,698)	5,925	240,514		20,339	(852)
PRO FORMA PRESENTATION ASSUMING SFAS NO. 142 WAS IN EFFECT FOR ALL PERIODS:							
Pro forma (loss) income before income taxes, extraordinary item and cumulative effect of change in accounting principle for revenue recognition	$ (2,272)	$ 25,081	$ (9,270)			$ (620)	
Pro forma (benefit from) provision for income taxes	(782)	9,835	(1,384)			(427)	
Pro forma (loss) income before extraordinary item and cumulative effect of change in accounting principle for revenue recognition	(1,490)	15,246	(7,886)			(193)	
Pro forma net (loss) income	(1,490)	14,892	(15,535)			(193)	

(a) As a result of the Acquisition, we adjusted our assets and liabilities to their estimated fair values as of August 15, 2001. In addition, we entered into new financing arrangements and changed our capital structure in connection with the Acquisition. At the time of the Acquisition, we adopted the provisions of Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" ("SFAS 141") and No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), which affect the amortization of goodwill and other intangibles. Accordingly, the results of operations for the Successor periods from August 15, 2001 through December 29, 2001 and the six-month period ended June 29, 2002 are not comparable to prior periods.

(b) The Acquisition-related non-recurring charges for the Predecessor period from December 31, 2000 through August 14, 2001 include $4.5 million in management bonuses and $6.8 million in other seller expenses.

(c)

The writedown for the 1999 fiscal year represents the $6.9 million writedown in the carrying value of our textile facility assets, for which the operations were closed in December 1999, and a $0.2 million loss on property, plant and equipment related to the closures of three domestic sewing facilities. The $3.2 million writedown of long-lived assets for the Predecessor period from December 31, 2000 through August 14, 2001 and the Predecessor six-month period ended June 30, 2001 relates to the closure of two domestic manufacturing facilities closed in the periods.

(d) The $1.1 million plant closure non-recurring charge for the Predecessor period from December 31, 2000 through August 14, 2001 and the Predecessor six-month period ended June 30, 2001 relates to closure costs associated with the two domestic manufacturing facilities closed in the periods.

(e) The extraordinary item for the Predecessor period December 31, 2000 through August 14, 2001 reflects the write-off of debt issuance costs of approximately $2.9 million, net of a tax benefit of approximately $1.8 million, and a debt prepayment penalty of approximately $4.7 million, net of a tax benefit of approximately $3.1 million.

(f) In fiscal 2000, we recorded the cumulative effect of a change in accounting principle in order to comply with guidance provided by the Securities and Exchange Commission's ("SEC") Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements."

(g) Represents total current assets less total current liabilities.

(h) As defined for presentation in the summary historical and pro forma consolidated financial data table, EBITDA represents earnings before interest, income tax expense, depreciation and amortization and also excludes the items referred to in notes (b), (c), (d) and (e) above. Included in EBITDA for the Successor period from August 15, 2001 through December 29, 2001, is a $4.5 million charge related to the amortization of the step-up in the inventory valuation as of the Acquisition. Included in EBITDA for the Predecessor period from December 31, 2000 through August 14, 2001, are $1.3 million of costs incurred in connection with activities leading up to the Acquisition. EBITDA, as defined above, is presented because we believe it is helpful to securities analysts, investors and other interested parties in the evaluation of companies in our industry. It is not a measurement of financial performance under generally accepted accounting principles and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as an indicator of our operating performance or any other measures of performance derived in accordance with generally accepted accounting principles. See the "Consolidated Statements of Cash Flows" included in our financial statements.

RISK FACTORS

You should carefully consider the risk factors set forth below and all other information contained in this prospectus before making an investment decision regarding our common stock. The risks described below are not the only risks we face. Additional risks and uncertainties that we have not yet identified or that we currently consider to be immaterial may also materially and adversely affect our business, financial condition and results of operations. You could lose part or all of your investment.

Risks Relating to Our Business

The loss of one or more of our key customers could result in a material loss of revenues.

In 2001, we derived approximately 40% of our total net sales from our top eight customers. We expect that these customers will continue to represent a significant portion of our sales in the future. A significant decrease in business from one or more of these customers could have a material adverse effect on our revenue and results of operations.

Retail trends could result in increased downward pressure on our prices.

With the growing trend toward retail trade consolidation, we increasingly depend upon a reduced number of key retailers whose bargaining strength is growing. We may be negatively affected by changes in the policies of our retail trade customers, such as inventory de-stocking, limitations on access to shelf space, scan-based trading and other conditions. Further consolidations in the retail industry could result in price and other competition that could damage our business.

Our dependence on foreign supply sources may result in disruptions to our operations in the event of political instability or foreign regulations.

We currently source substantially all of our sewing, embroidery and cutting and a substantial portion of our fabric production through our offshore facilities and other offshore production arrangements. We expect to source more of our fabric production offshore over time. We may be adversely affected by:

- political instability resulting in the disruption of trade from foreign countries in which our manufacturing facilities are located; and
- the imposition of new regulations relating to imports, duties, taxes and other charges on imports.

These and other events beyond our control could interrupt production in offshore facilities or delay receipt of the products in the United States, which may have a material adverse effect on our financial condition and results of operations.

Our business and reputation may be adversely affected if our brand is associated with negative publicity.

While our staff and third party compliance auditors periodically visit and monitor the operations of our vendors, independent manufacturers and licensees, we do not control these vendors and independent manufacturers or their labor practices. The violation of our guidelines or labor or other laws by these vendors or independent manufacturers could interrupt or otherwise disrupt our sourcing or damage our brand image. As a result, negative publicity regarding our company, brand or products, including licensed products, could adversely affect our reputation and sales.

The loss of one or more of our major suppliers for raw materials may interrupt our supplies.

Of the fabrics we source in the United States, we purchase a majority from a few vendors of each material. The loss of one or more of these suppliers could interrupt our supply, which could have an adverse effect on our sales and increase our costs.

We operate in a highly competitive market and our business will suffer if we are unable to compete effectively.

The baby and young children's apparel markets are highly competitive. Both branded and private label manufacturers compete in the baby and young children's apparel markets. Our primary branded competitors include GAP, Gerber, Oshkosh B'Gosh and Disney-licensed products in playclothes and sleepwear. Some retailers, including several that are our customers, have significant private label product offerings in playclothes that compete with us. Because of the highly fragmented nature of the industry, we also compete with many small manufacturers and retailers. Some of our competitors have greater financial resources and larger customer bases than we have and are less financially leveraged than we are. As a result, these competitors may be able to:

- adapt to changes in customer requirements more quickly;
- take advantage of acquisition and other opportunities more readily; and
- devote greater resources to the marketing and sale of their products and adopt more aggressive pricing policies than we can.

The loss of key members of our senior management team could adversely affect our business.

Our success depends largely on the efforts and abilities of our current senior management team. Their experience and industry contacts significantly benefit us. If we were to lose the benefit of their experience and contacts, our business could be adversely affected.

Our substantial leverage could adversely affect our financial condition.

On June 29, 2002, after giving effect to this offering and our intended use of proceeds specified in this prospectus, we had total debt of approximately $ million (consisting of $ million of senior subordinated notes of our operating subsidiary and $ million of secured borrowings under the senior credit facility of our operating subsidiary, which we have guaranteed) and common stockholders' equity of approximately $ million. In addition, we and our subsidiaries are permitted to incur substantial additional indebtedness in the future.

Our substantial indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements, or to carry out other aspects of our business plan;
- require us to dedicate a substantial portion of our cash flow from operations to pay principal of, and interest on, our indebtedness, thereby reducing the availability of that cash flow to fund working capital, capital expenditures or other general corporate purposes, or to carry out other aspects of our business plan;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry; and

- place us at a competitive disadvantage compared to our competitors that have less debt.

In addition, the senior credit facility contains financial and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt.

The current and future economic downturns may adversely affect our sales.

A downturn in the economy may affect consumer purchases of discretionary items, which could adversely affect our sales. Our success depends on the sustained demand for our products and consumer confidence. Consumer purchases of discretionary items, such as many of our products, tend to decline during recessionary periods when disposable income is lower. These downturns have been characterized by diminished product demand and subsequent accelerated erosion of average selling prices. A general slowdown in the economies in which we sell our products or even an uncertain economic outlook could adversely affect consumer spending on our products and, in turn, our sales and results of operations. Since the third quarter of 2000, the U.S. economy has shown signs of a downturn. If this general economic slowdown continues, it may adversely impact our future business and operating results.

Governmental regulations and environmental risks applicable to our business may require us to take actions which limit our business and increase our costs.

Our business is subject to federal, state, provincial, local and foreign laws and regulations, including regulations with respect to air emissions, wastewater discharges and the generation, handling, storage, transportation, treatment and disposal of waste materials. Although we believe we are in substantial compliance with all applicable laws and regulations, legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures to comply with governmental laws and regulations. Complying with existing or future laws or regulations may materially limit our business and increase our costs.

Seasonal fluctuations in the children's apparel market may have an adverse impact on our business.

We experience seasonal fluctuations in our sales and profitability, with generally lower sales and gross profit in the first and second quarters of our fiscal year. We believe that the seasonality of sales and profitability is a factor that affects the baby and young children's apparel industry generally and is primarily due to retailers' emphasis on price reductions in the first quarter, promotional retailers' and manufacturers' emphasis on closeouts of the prior year's product lines and "back-to-school" and holiday shopping patterns. Accordingly, our results of

operations for the first and second quarters of any year are not indicative of the results we expect for the full year.

Risks Relating to Investment in Our Common Stock

Shares eligible for future sale may cause the market price of our common stock to drop significantly, even if our business is doing well.

The potential for sales of substantial amounts of our common stock in the public market after this offering may adversely affect the market price of the common stock. After this offering is concluded, our current stockholders will have shares of common stock outstanding, or shares if the underwriters exercise their over-allotment option in full, which will be "restricted securities" within the meaning of Rule 144 under the Securities Act and will be eligible for resale subject to the volume, manner of sale, holding period and other limitations of Rule 144. We have

granted Berkshire Partners the right to require us to register their shares of our common stock. These shares, and the shares held by our other stockholders, are subject to lock-up agreements and may not be sold to the public during the 180-day period following the date of this prospectus without the consent of the underwriters.

In addition to outstanding shares eligible for sale, 866,858 shares of our common stock are issuable under currently outstanding stock options granted to several executive officers, directors, employees and consultants under our 2001 Equity Incentive Plan.

We are controlled by Berkshire Partners, whose interests may differ from your interests as a stockholder.

Berkshire Partners and its affiliates will own % of our outstanding common stock after this offering, and % if the underwriters exercise their over-allotment option in full. As a result, they will control our business, policies and affairs and will be able to elect our entire board of directors, determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including mergers, consolidations and sales of substantially all of our assets. They will also be able to prevent or cause a change in control of our company and an amendment to our certificate of incorporation and by-laws. We cannot assure you that the interests of Berkshire Partners will be consistent with your interests as a stockholder.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus. These forward-looking statements are subject to risks and uncertainties and include statements regarding our financial position, business strategy and other plans and objectives for future operations and any other statements which are not historical facts. Although we believe that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties include, among other things:

- the success of our wholesale customers;
- changes in retail trends and consumer preferences;
- our dependence on foreign supply sources;
- our ability to maintain our reputation;

- our dependence on our major vendors of raw materials;
- our ability to compete;
- our ability to retain or replace our executives and other key employees;
- our substantial leverage;
- downturns in general economic conditions;
- governmental and environmental regulations; and
- our ability to grow and improve operating efficiencies.

These factors expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf. Except for any ongoing obligations to disclose material information as required by the federal securities laws, we do not have any intention or obligation to update forward-looking statements after we distribute this prospectus.

Actual results may differ materially from those suggested by the forward-looking statements for various reasons, including those discussed under "Risk Factors" in this prospectus.

INDUSTRY AND OTHER DATA

All references to demographic data in this prospectus are based upon industry publications, census information and our data. In this prospectus, we rely on and refer to information regarding the baby and young children's apparel market from the 2001 NPD Group, Inc. purchase data. Information regarding brand recognition and market perception is taken from *Carter's Infant and Children's Wear Brand: Awareness & Attitudes*, a study by Fitzgerald & Co. that we commissioned, dated April 2001. Although we believe this information is reliable, we have not independently verified and cannot guarantee the accuracy or completeness of the information. All references in this prospectus to the numbers of stores and accounts are as of June 29, 2002, unless we otherwise indicate.

USE OF PROCEEDS

We estimate that our net proceeds from our sale of shares of common stock in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $ million or approximately $ million if the underwriters exercise their over-allotment option in full. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

Our operating subsidiary's senior credit facility, which we guarantee, currently requires us to use 50% of our proceeds from this offering to repay a portion of the indebtedness under the senior credit facility. We intend to contribute a portion of the net proceeds from this offering to our operating subsidiary, for use as follows:

- approximately $ million to redeem approximately $ million in principal amount of the outstanding senior subordinated notes at a redemption price of 110.875% of the principal amount, plus accrued and unpaid interest to the redemption date, and

approximately $ million to repay approximately $ million of indebtedness under the senior credit facility pursuant to its terms.

We will also pay Berkshire Partners $3.7 million from the net proceeds to terminate our future obligations under our management agreement with them. We intend to use any remaining net proceeds for general corporate purposes, such as funding working capital. Our operating subsidiary issued the senior subordinated notes and entered into the senior credit facility in connection with financing the transactions in which Berkshire Partners acquired us. The $175.0 million senior subordinated notes of our operating subsidiary bear interest at 10.875% and mature on August 15, 2011. The senior credit facility includes a $125.0 million term loan and a $60.0 million revolving credit facility. Amounts outstanding under the term loan are due on September 30, 2008 and accrue interest, at our option, at a rate per annum equal to either:

- a base rate equal to the greater of the Fleet National Bank prime lending rate and the Federal Funds Effective Rate plus 1/2 of 1%; or

- a rate related to the Eurodollar rate,

in each case, plus an applicable interest margin. The applicable interest margin for the term loan was initially 3.50% for Eurodollar rate loans and 2.50% for base rate loans.

DIVIDEND POLICY

We do not anticipate paying cash dividends on our common stock in the foreseeable future but intend to retain future earnings, if any, for reinvestment in the future operation and expansion of our business and related development activities. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, terms of financing arrangements, capital requirements and such other factors as our board of directors deems relevant. Provisions in the indenture governing our operating subsidiary's senior subordinated notes restrict its ability to pay us dividends. Provisions in the senior credit facility restrict both our ability and the ability of our operating subsidiary to pay dividends.

CAPITALIZATION

The following table presents our consolidated capitalization as of June 29, 2002 on a historical basis and as adjusted to give pro forma effect to this offering. This table should be read in conjunction with "Use of Proceeds," "Unaudited Pro Forma Condensed Consolidated Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included elsewhere in this prospectus.

	As of June 29, 2002	
	Historical	**As Adjusted**
	(dollars in thousands)	
Debt:		
Senior credit facility:		
Revolving credit facility(1)	$	$
Term loan	124,063	
Senior subordinated notes	173,807	
Total debt	297,870	
Stockholders' equity:		

	As of June 29, 2002	
Preferred stock, $0.01 par value; 100,000 shares authorized; none issued or outstanding		
Common stock, voting; $0.01 par value; 8,000,000 shares authorized; 5,616,881 shares issued and outstanding, historical; 8,000,000 shares authorized, shares issued and outstanding, as adjusted(2)	56	
Additional paid-in capital	146,585	
Retained earnings	15,613	15,613
Total stockholders' equity	162,254	
Total capitalization	$ 460,124	$

(1) As of June 29, 2002, we had outstanding letters of credit of $10.4 million.

(2) Does not include 986,049 shares reserved for issuance under our 2001 Equity Incentive Plan, under which options to purchase 866,858 shares of common stock are outstanding as of the date of this prospectus with a weighted average exercise price of $17.21 per share, of which options to purchase 444,496 shares are currently exercisable.

DILUTION

The net tangible book deficit of our common stock as of June 29, 2002 was $220.0 million, or $39.17 per share. Net tangible book value per share represents the amount of our total tangible assets, reduced by the amount of our total liabilities, and then divided by the total number of shares of common stock outstanding.

Dilution in net tangible book value per share represents the difference between the amount paid per share by purchasers of shares of common stock in this offering and the pro forma net tangible book value per share of common stock immediately after the completion of this offering. After giving effect to the sale of the shares of common stock offered by us at an assumed initial public offering price of $ per share, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value at June 29, 2002 would have been $ million or $ per share of common stock. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares at the assumed initial public offering price. The following table illustrates this dilution on a per share basis:

Pro forma net tangible book value per share after this offering	$
Net tangible book deficit per share as of June 29, 2002	39.17
Increase in net tangible book value per share to existing stockholders	$
Assumed initial public offering price per share	$
Pro forma net tangible book value per share after this offering	
Dilution per share to new investors	$

The following table sets forth, as of August 23, 2002, the differences between the existing stockholders and the new investors with respect to the number of shares of common stock purchased from us since the Acquisition, the total consideration paid to us and the average price per share paid by our existing stockholders and to be paid by new investors in this offering at $, the mid-point of the range of the initial public offering price set forth on the cover page of this prospectus, and before deducting estimated underwriting discounts and

commissions:

	Shares purchased(1)		Total consideration		
	Number	Percent	Amount	Percent	Average price per share
Existing stockholders	5,207,354	%	$ 128,205	%	$ 24.62
New investors					
Totals		100%	$	100%	$

(1) The number of shares shown as purchased by existing stockholders represents shares of our common stock purchased by Berkshire Partners and other investors from Investcorp at $24.62 per share in August 2001, shares of our common stock purchased by Berkshire Partners and other investors from us at $24.62 per share in August 2001 and shares of our common stock purchased by an executive officer and two of our directors at a price of $24.62 per share since the Acquisition. This number includes shares being sold by the selling stockholders in this offering. The number of shares disclosed for the new investors does not include the shares being purchased by the new investors from the selling stockholders in this offering.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data as of the end of and for each of the fiscal years 1997 through 2000 and the period from August 15, 2001 through December 29, 2001 and the selected historical consolidated financial data for the period from December 31, 2000 through August 14, 2001 were derived from our audited consolidated financial statements. The audited consolidated financial statements as of the end of and for fiscal year 2000 and the period from August 15, 2001 through December 29, 2001 and the audited consolidated financial statements for the period from December 31, 2000 through August 14, 2001 and for fiscal year 1999 are included elsewhere in this prospectus. The selected historical consolidated financial data for each of the six-month periods ended June 30, 2001 and June 29, 2002 and as of June 29, 2002 were derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data as of June 30, 2001 were derived from our unaudited condensed consolidated financial statements. As a result of adjustments made in connection with the Acquisition, the results of operations for the Successor periods from August 15, 2001 through December 29, 2001 and for the six months ended June 29, 2002 are not comparable to prior periods. This data is qualified in its entirety by the more detailed information appearing in our consolidated historical financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included elsewhere in this prospectus.

(dollars in thousands, except per share data)

	Predecessor					Successor		
	Fiscal Years				Period from December 31, 2000 through August 14, 2001	Period from August 15, 2001 through December 29, 2001(a)	Six-month periods ended	
	1997	1998	1999	2000			June 30, 2001	June 29, 2002(a)
							(Predecessor)	(Successor)
OPERATING DATA:								
Wholesale sales	$ 215,082	$ 230,788	$ 223,612	$ 248,095	$ 155,639	$ 127,689	$ 119,868	$ 135,228

(dollars in thousands, except per share data)

Retail sales	143,419	171,696	183,312	215,280	127,088	108,091	97,370	108,462
Net sales	358,501	402,484	406,924	463,375	282,727	235,780	217,238	243,690
Cost of goods sold	227,332	256,482	271,844	293,340	182,863	149,352	140,996	150,069
Gross profit	131,169	146,002	135,080	170,035	99,864	86,428	76,242	93,621
Selling, general and administrative expenses	109,868	121,090	117,334	135,322	88,895	57,987	68,517	78,913
Acquisition-related non-recurring charges(b)					11,289			
Writedown of long-lived assets(c)			7,124		3,156		3,156	
Non-recurring charges plant closure costs(d)					1,116	(268)	1,116	
Royalty income	(1,790)	(2,510)	(4,233)	(5,808)	(4,993)	(2,624)	(3,477)	(3,775)
Operating income	23,091	27,422	14,855	40,521	401	31,333	6,930	18,483
Interest income				(303)	(73)	(207)	(68)	(167)
Interest expense	20,246	21,215	20,437	18,982	11,803	11,307	9,252	14,137
Income (loss) before income taxes, extraordinary item and cumulative effect of change in accounting principle	2,845	6,207	(5,582)	21,842	(11,329)	20,233	(2,254)	4,513
Provision for (benefit from) income taxes	1,391	2,697	(1,782)	8,835	(1,981)	7,395	(902)	1,738
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	1,454	3,510	(3,800)	13,007	(9,348)	12,838	(1,352)	2,775
Extraordinary item, net of tax benefit of $4,876(e)					7,649			
Cumulative effect of change in accounting principle for revenue recognition, net of tax benefit of $217(f)				354				
Net income (loss)	$ 1,454	$ 3,510	$ (3,800)	$ 12,653	$ (16,997)	$ 12,838	$ (1,352)	$ 2,775
Pro forma amounts assuming accounting change for revenue recognition is applied retroactively	$ 1,426	$ 3,348	$ (3,384)	$ 13,007	$ (16,997)	$ 12,838	$ (1,352)	$ 2,775
EARNINGS PER SHARE DATA:								
						$ 2.30		$ 0.50

(dollars in thousands, except per share data)

Basic net income per common share		
Diluted net income per common share	$ 2.18	$ 0.46
Basic weighted average number of common shares outstanding	5,583,034	5,596,122
Diluted weighted average number of common shares outstanding	5,889,826	5,995,057

18

(dollars in thousands, except per share data)

	Predecessor					Successor		
	Fiscal Years				Period from December 31, 2000 through August 14, 2001	Period from August 15, 2001 through December 29, 2001(a)	Six-month periods ended	
	1997	1998	1999	2000			June 30, 2001	June 29, 2002(a)
OTHER OPERATING DATA:								
Gross margin	36.6%	36.3%	33.2%	36.7%	35.3%	36.7%	35.1%	38.4%
EBITDA before non-recurring charges and writedown of long-lived assets(h)	$ 36,926	$ 43,021	$ 38,834	$ 58,041	$ 28,207	$ 37,983	$ 20,627	$ 27,048
Depreciation and amortization	13,835	15,599	16,855	17,520	12,245	6,918	9,425	8,565
Capital expenditures	14,013	17,991	12,726	17,179	9,480	9,556	6,128	5,552
BALANCE SHEET DATA (end of period):								
Working capital(g)	$ 88,273	$ 100,524	$ 83,471	$ 87,862		$ 111,148	$ 85,523	$ 117,945
Property, plant and equipment, net	53,011	59,674	51,776	54,441		46,503	48,565	45,879
Total assets	334,565	351,295	314,944	327,545		604,162	339,321	605,565
Total debt, including current maturities	177,100	187,600	162,300	161,400		298,742	176,700	297,870
Stockholders' equity	57,920	61,200	56,953	69,596		158,338	68,244	162,254
CASH FLOW DATA:								
Net cash provided by (used in) operating activities activities	$ 1,642	$ 7,064	$ 36,458	$ 24,197	$ 168	$ 31,113	$ (14,845)	$ (632)
Net cash used in investing activities	(13,965)	(17,960)	(12,362)	(19,217)	(9,266)	(247,459)	(6,083)	(5,054)
Net cash provided by (used in) financing activities	14,621	10,623	(24,667)	(4,698)	5,925	240,514	20,339	(852)

PRO FORMA

(dollars in thousands, except per share data)

PRESENTATION ASSUMING SFAS NO. 142 WAS IN EFFECT FOR ALL PERIODS:						
Pro forma income (loss) before income taxes, extraordinary item and cumulative effect of change in accounting principle for revenue recognition	$ 6,307	$ 9,517	$ (2,272)	$ 25,081	$ (9,270)	$ (620)
Pro forma provision for (benefit from) income taxes	2,391	3,697	(782)	9,835	(1,384)	(427)
Pro forma income (loss) before extraordinary item and cumulative effect of change in accounting principle for revenue recognition	3,916	5,820	(1,490)	15,246	(7,886)	(193)
Pro forma net income (loss)	3.916	5,820	(1,490)	14,892	(15,535)	(193)

(a) As a result of the Acquisition, we adjusted our assets and liabilities to their estimated fair values as of August 15, 2001. In addition, we entered into new financing arrangements and changed our capital structure in connection with the Acquisition. At the time of the Acquisition, we also adopted the provisions of SFAS 141 and SFAS 142, which affect the amortization of goodwill and other intangibles. Accordingly, the results of operations for the Successor periods from August 15, 2001 through December 29, 2001 and the six months ended June 29, 2002 are not comparable to prior periods.

(b) The Acquisition-related non-recurring charges for the Predecessor period from December 31, 2000 through August 14, 2001 include $4.5 million in management bonuses and $6.8 million in other seller expenses.

(c) The writedown for the 1999 fiscal year represents the $6.9 million writedown in the carrying value of our textile facility assets, for which the operations were closed in December 1999, and a $0.2 million loss on property, plant and equipment related to the closures of three domestic sewing facilities. The $3.2 million writedown of long-lived assets for the Predecessor period from December 31, 2000 through August 14, 2001 and the Predecessor six-month period ended June 30, 2001 relates to the closure of two domestic manufacturing facilities in the periods.

(d) The $1.1 million plant closure non-recurring charge for the Predecessor period from December 31, 2000 through August 14, 2001 and the Predecessor six-month period ended June 30, 2001 relates to closure costs associated with the two domestic manufacturing facilities closed in the periods.

(e) The extraordinary item for the Predecessor period December 31, 2000 through August 14, 2001 reflects the write-off of debt issuance costs of approximately $2.9 million, net of a tax benefit of approximately $1.8 million, and a debt prepayment penalty of approximately $4.7 million, net of a tax benefit of approximately $3.1 million.

(f) In fiscal 2000, we recorded the cumulative effect of a change in accounting principle in order to comply with guidance provided by the SEC SAB No. 101, "Revenue Recognition in Financial Statements."

(g) Represents total current assets less total current liabilities.

(h)

As defined for presentation in the selected historical consolidated financial data table, EBITDA represents earnings before interest, income tax expense, depreciation and amortization and also excludes the items referred to in notes (b), (c), (d) and (e) above. Included in EBITDA for the Successor period from August 15, 2001 through December 29, 2001, is a $4.5 million charge related to the amortization of the step-up in the inventory valuation as of the Acquisition. Included in EBITDA for the Predecessor period from December 31, 2000 through August 14, 2001, are $1.3 million of costs incurred in connection with activities leading up to the Acquisition. EBITDA, as defined above, is presented because we believe it is helpful to securities analysts, investors and other interested parties in the evaluation of companies in our industry. It is not a measurement of financial performance under generally accepted accounting principles and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as an indicator of our operating performance or any other measures of performance derived in accordance with generally accepted accounting principles. See the "Consolidated Statements of Cash Flows" included in our financial statements.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial information is derived from our audited consolidated financial statements for the fiscal year ended December 29, 2001 and our unaudited condensed consolidated financial statements for the six-month period ended June 29, 2002, each of which is included elsewhere in this prospectus. The unaudited pro forma condensed consolidated financial information has been prepared to give effect to the following transactions as though each had occurred at December 31, 2000:

- this offering, including;
  - our redemption of existing indebtedness; and
  - the payment of related expenses.
- the Acquisition of us by Berkshire Partners with sources of funds, including, among others:
  - the new senior credit facility, including a revolving credit facility with initial borrowings of $24.0 million and a term loan facility of $125.0 million; and
  - $173.7 million in gross proceeds from our operating subsidiary's senior subordinated notes.
- and uses of funds for the Acquisition, including the payment of fees and expenses and:
  - the repayment of $12.9 million owed under our then existing revolving credit facility, plus accrued interest;
  - the repayment of $38.7 million of the term loan portion of our then existing senior credit facility, plus accrued interest;
  - the redemption of $120.0 million of our then existing senior subordinated notes, plus accrued interest and prepayment premiums; and
  - the debt issuance costs of $13.4 million.

The unaudited pro forma condensed consolidated financial statements are presented for informational purposes only and are not necessarily indicative of the financial position or results of operations that would have occurred had the Acquisition and this offering been consummated as of the dates indicated. In addition, the unaudited pro forma condensed consolidated financial statements are not necessarily indicative of our future condition or operating results. The unaudited pro forma condensed consolidated financial information should be read in conjunction with

our historical consolidated financial statements and accompanying notes, and other financial information, appearing elsewhere in this prospectus.

The Acquisition was accounted for, and is presented in the pro forma financial information that follows, under the purchase method of accounting prescribed in SFAS 141, with the estimated useful lives of intangibles determined in accordance with SFAS 142. The purchase price for the Acquisition, including the related fees and expenses, has been allocated to the tangible and identifiable intangible assets and liabilities of the acquired business based upon our estimates of their fair value, with the remainder allocated to goodwill. In accordance with the provisions of SFAS 142, no amortization of indefinite lived intangibles and goodwill will be recorded. We adopted these pronouncements effective as of the consummation of the Acquisition.

Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Fiscal Year Ended December 29, 2001
(dollars in thousands, except per share data)

	For the Predecessor period from December 31, 2000 through August 14, 2001	For the Successor period from August 15, 2001 through December 29, 2001	Acquisition Adjustments(a)	Offering Adjustments	Pro Forma for the Fiscal Year 2001
Net sales	$ 282,727	$ 235,780	$		