PLAYTEX INDUSTRIES, INC.
Form 424B5
December 01, 2009

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. The preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer and sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-152733

Subject to completion, dated November 30, 2009

Preliminary prospectus supplement
(To prospectus dated August 1, 2008)

$500,000,000
% Senior Notes due 2016

We are offering $500,000,000 of our % Senior Notes due 2016, which we refer to as the notes. The notes will mature on , 2016. We will pay interest on the notes on each and , beginning on , 2010.

We may redeem some or all of the notes at any time on or after , 2013 at the redemption prices set forth under Description of notes Optional redemption and prior to such date at a make-whole redemption price. We may also redeem up to 35% of the notes prior to 2012 with cash proceeds we receive from certain equity offerings. If we sell certain assets and do not reinvest the proceeds or repay senior indebtedness or if we experience specific kinds of changes of control, we must offer to repurchase the notes.

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior unsecured indebtedness and senior in right of payment to all of our future subordinated indebtedness. The notes will be effectively subordinated to any of our existing and future secured debt to the extent of the value of the collateral securing such indebtedness, including all borrowings under our new senior secured credit facilities. The notes will be structurally subordinated to all liabilities of any of our subsidiaries that do not issue guarantees of the notes.

The obligations under the notes will be fully and unconditionally guaranteed by substantially all of our current domestic subsidiaries and by certain of our future restricted subsidiaries. The guarantee of any subsidiary will be released when such entity is no longer a subsidiary of ours (including as a result of a sale of a majority of the capital stock of such entity) if such entity no longer guarantees certain specified indebtedness, or when such entity is designated an unrestricted subsidiary under the terms of the indenture. The guarantees will rank equally in right of payment with the existing and future senior unsecured indebtedness of the guarantors and will rank senior to any future subordinated indebtedness of the guarantors. The guarantees will be effectively subordinated to all existing and future secured indebtedness of the guarantors, including guarantees of our borrowings under our new senior secured credit facilities to the extent of the value of the collateral securing such indebtedness.

Investing in the notes involves risk. See Risk factors beginning on page S-11 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to public[1]	Underwriting discounts and commissions	Proceeds, before expenses, to Hanesbrands Inc.
Per note	%	%	%
Total	$	$	$

(1) Plus accrued interest, if any, from , 2009.

The notes will not be listed on a securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes on or about , 2009 in book-entry form through The Depository Trust Company for the account of its participants, including Clearstream Banking société anonyme and Euroclear Bank S.A./N.V.

Joint book-running managers

J.P. Morgan **BofA Merrill Lynch** **HSBC** **Goldman, Sachs & Co.**

Co-managers

Barclays Capital **BB&T Capital Markets** **RBC Capital Markets**

, 2009

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About this prospectus supplement

This document is in two parts. The first part is the prospectus supplement and the documents incorporated herein, which describes the specific terms of this offering of the notes. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the notes or this offering. If the information relating to the offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and any related free writing prospectus filed by us with the Securities and Exchange Commission (SEC). We have not, and the underwriters have not, authorized any dealer, salesman or other person to provide you with additional or different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus are not an offer to sell or the solicitation of an offer to buy any securities other than the securities to which they relate and are not an offer to sell or a solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. You should not assume that the information contained in this prospectus supplement is accurate as of any date other than the date on the front cover of this prospectus supplement, or that the information contained in the accompanying prospectus, any document incorporated by reference and any such free writing prospectus is accurate as of any date other than their respective dates, regardless of the time of delivery of this prospectus supplement or any sale of a security. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless otherwise indicated or the context otherwise requires, all references in this prospectus supplement to we, our, us, the Company or Hanesbrands are to Hanesbrands Inc., a Maryland corporation, and its subsidiaries.

Where you can find more information

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site at www.sec.gov that makes available reports, proxy statements and other information regarding issuers that file electronically.

We make available free of charge at www.hanesbrands.com (in the Investors section) copies of materials we file with, or furnish to, the SEC. By referring to our website and the SEC s website, we do not incorporate such websites or their contents into this prospectus.

The SEC allows us to incorporate by reference information that we file with them, which means that we can disclose important information to you by referring you to documents previously filed with the SEC. The information incorporated by reference is an important part of this prospectus supplement, and the information that we later file with the SEC will automatically update and supersede this information. This prospectus incorporates by reference the documents and reports listed below (other than portions of these documents deemed to be furnished or not deemed to be filed, including the portions of these documents that are

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either (1) described in paragraphs (d)(1), (d)(2), (d)(3) or (e)(5) of Item 407 of Regulation S-K promulgated by the SEC or (2) furnished under Item 2.02 or Item 7.01 of a Current Report on Form 8-K, including any exhibits included with such Items):

our Annual Report on Form 10-K for the fiscal year ended January 3, 2009;

our Quarterly Report on Form 10-Q for the fiscal quarters ended April 4, 2009, July 4, 2009 and October 3, 2009;

our Current Reports on Form 8-K filed on March 16, 2009, April 27, 2009, July 30, 2009, September 21, 2009 and October 28, 2009; and

our Proxy Statement on Schedule 14A filed on March 12, 2009.

We also incorporate by reference the information contained in all other documents we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) (other than portions of these documents deemed to be furnished or not deemed to be filed, including the portions of these documents that are either (1) described in paragraphs (d)(1), (d)(2), (d)(3) or (e)(5) of Item 407 of Regulation S-K promulgated by the SEC or (2) furnished under Item 2.02 or Item 7.01 of a Current Report on Form 8-K, including any exhibits included with such Items, unless otherwise specifically indicated therein) after the date of this prospectus supplement and prior to the termination of this offering. The information contained in any such document will be considered part of this prospectus supplement from the date the document is filed with the SEC.

Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

We undertake to provide without charge to any person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon oral or written request of such person, a copy of any or all of the documents that have been incorporated by reference in this prospectus supplement, other than exhibits to such other documents (unless such exhibits are specifically incorporated by reference therein). We will furnish any exhibit not specifically incorporated by reference upon the payment of a specified reasonable fee, which fee will be limited to our reasonable expenses in furnishing such exhibit. All requests for such copies should be directed to Corporate Secretary, Hanesbrands Inc., 1000 East Hanes Mill Road, Winston-Salem, North Carolina 27105.

Cautionary statement regarding forward-looking statements

This prospectus supplement, the accompanying prospectus, any related free writing prospectus and the documents incorporated by reference therein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Exchange Act. Forward-looking statements include all statements that do not

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relate solely to historical or current facts, and can generally be identified by the use of words such as may, believe, will, expect, project, estimate, intend, anticipate, plan, continue or similar expressions. In particular, inf appearing under Description of our business, Risk factors and Management s discussion and analysis of financial condition and results of operations includes forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

our ability to execute our consolidation and globalization strategy, including migrating our production and manufacturing operations to lower-cost locations around the world;

our ability to successfully manage social, political, economic, legal and other conditions affecting our foreign operations and supply chain sources, such as disruption of markets, changes in import and export laws, currency restrictions and currency exchange rate fluctuations;

current economic conditions;

consumer spending levels;

the risk of inflation or deflation;

financial difficulties experienced by, or loss of or reduction in sales to, any of our top customers or groups of customers;

gains and losses in the shelf space that our customers devote to our products;

our debt and debt service requirements that restrict our operating and financial flexibility and impose interest and financing costs;

the financial ratios that our debt instruments require us to maintain;

future financial performance, including availability, terms and deployment of capital;

failure to protect against dramatic changes in the volatile market price of cotton;

the impact of increases in prices of other materials used in our products and increases in other costs;

the impact of increases in prices of oil-related materials and other costs such as energy and utility costs;

our ability to effectively manage our inventory and reduce inventory reserves;

retailer consolidation and other changes in the apparel essentials industry;

the highly competitive and evolving nature of the industry in which we compete;

our ability to keep pace with changing consumer preferences;

our ability to continue to effectively distribute our products through our distribution network as we continue to consolidate our distribution network;

our ability to comply with environmental and occupational health and safety laws and regulations;

costs and adverse publicity from violations of labor or environmental laws by us or our suppliers;

our ability to attract and retain key personnel;

new litigation or developments in existing litigation; and

possible terrorist attacks and ongoing military action in the Middle East and other parts of the world.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them does, what impact they will have on our results of operations and financial condition. You should carefully read the factors described in the Risk factors section of this prospectus supplement for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

All forward-looking statements speak only as of the date of this prospectus supplement and are expressly qualified in their entirety by the cautionary statements included in this prospectus supplement. We undertake no obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

Summary

This summary highlights selected information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference. It does not contain all of the information you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of our business and this offering. Please read the section entitled Risk factors and additional information contained in our Annual Report on Form 10-K for the year ended January 3, 2009 and our Quarterly Reports on Form 10-Q for the quarters ended October 3, 2009, July 4, 2009 and April 4, 2009 incorporated by reference in this prospectus supplement for more information about important factors you should consider before investing in the notes in this offering.

Our company

We are a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *C9 by Champion*, *Playtex*, *Bali*, *L eggs*, *Just My Size*, *barely there*, *Wonderbra*, *Stedman*, *Outer Banks*, *Zorba*, *Rinbros* and *Duofold*. We design, manufacture, source and sell a broad range of apparel essentials such as t-shirts, bras, panties, men s underwear, kids underwear, casualwear, activewear, socks and hosiery.

The apparel essentials sector of the apparel industry is characterized by frequently replenished items, such as t-shirts, bras, panties, men s underwear, kids underwear, socks and hosiery. Growth and sales in the apparel essentials industry are not primarily driven by fashion, in contrast to other areas of the broader apparel industry. We focus on the core attributes of comfort, fit and value, while remaining current with regard to consumer trends. The majority of our core styles continue from year to year, with variations only in color, fabric or design details. Some products, however, such as intimate apparel, activewear and sheer hosiery, do have an emphasis on style and innovation. We continue to invest in our largest and strongest brands to achieve our long-term growth goals. In addition to designing and marketing apparel essentials, we have a long history of operating a global supply chain that incorporates a mix of self-manufacturing, third-party contractors and third-party sourcing.

Our products are sold through multiple distribution channels. During the year ended January 3, 2009, approximately 44% of our net sales were to mass merchants, 18% were to national chains and department stores, 9% were direct to consumers, 11% were in our International segment and 18% were to other retail channels such as embellishers, specialty retailers, warehouse clubs and sporting goods stores. We have strong, long-term relationships with our top customers, including relationships of more than ten years with each of our top ten customers as of January 3, 2009. The size and operational scale of the high-volume retailers with which we do business require extensive category and product knowledge and specialized services regarding the quantity, quality and planning of product orders. We have organized multifunctional customer management teams, which has allowed us to form strategic long-term relationships with these customers and efficiently focus resources on category, product and service expertise. We also have customer-specific programs such as the *C9 by Champion* products marketed and sold through Target stores.

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Our brands

Our brands have a strong heritage in the apparel essentials industry. According to The NPD Group/Consumer Tracking Service, or NPD, our brands hold either the number one or number two U.S. market position by sales value in most product categories in which we compete, for the 12 month period ended November 30, 2008. In 2008, *Hanes* was number one for the fifth consecutive year on the Women s Wear Daily Top 100 Brands Survey for apparel and accessory brands that women know best and was number one for the fifth consecutive year as the most preferred men s, women s and children s apparel brand of consumers in Retailing Today magazine s Top Brands Study. Additionally, we had five of the top ten intimate apparel brands preferred by consumers in the Retailing Today study *Hanes*, *Playtex*, *Bali*, *Just My Size* and *L eggs*.

Our competitive strengths

Strong brands with leading market positions. According to NPD, our brands hold either the number one or number two U.S. market position by sales value in most product categories in which we compete, for the 12 month period ended November 30, 2008. According to NPD, our largest brand, *Hanes*, is the top-selling apparel brand in the United States by units sold, for the 12 month period ended November 30, 2008.

High-volume, core essentials focus. We sell high-volume, frequently replenished apparel essentials. The majority of our core styles continue from year to year, with variations only in color, fabric or design details, and are frequently replenished by consumers. We believe that our status as a high-volume seller of core apparel essentials creates a more stable and predictable revenue base and reduces our exposure to dramatic fashion shifts often observed in the general apparel industry.

Significant scale of operations. According to NPD, we are the largest seller of apparel essentials in the United States as measured by sales value for the 12 month period ended November 30, 2008. Most of our products are sold to large retailers that have high-volume demands. We believe that we are able to leverage our significant scale of operations to provide us with greater manufacturing efficiencies, purchasing power and product design, marketing and customer management resources than our smaller competitors.

Strong customer relationships. We sell our products primarily through large, high-volume retailers, including mass merchants, department stores and national chains. We have strong, long-term relationships with our top customers, including relationships of more than ten years with each of our top ten customers as of January 3, 2009. We have aligned significant parts of our organization with corresponding parts of our customers organizations. We also have entered into customer-specific programs such as the *C9 by Champion* products marketed and sold through Target stores.

Key business strategies

Sell more, spend less and generate cash are our broad strategies to build our brands, reduce our costs and generate cash.

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Sell more. Through our sell more strategy, we seek to drive profitable growth by consistently offering consumers brands they love and trust and products with unsurpassed value. Key initiatives we are employing to implement this strategy include:

Build big, strong brands in big core categories with innovative key items. Our ability to react to changing customer needs and industry trends is key to our success. Our design, research and product development teams, in partnership with our marketing teams, drive our efforts to bring innovations to market. We seek to leverage our insights into consumer demand in the apparel essentials industry to develop new products within our existing lines and to modify our existing core products in ways that make them more appealing, addressing changing customer needs and industry trends. We also support our key brands with targeted, effective advertising and marketing campaigns.

Foster strategic partnerships with key retailers via team selling. We foster relationships with key retailers by applying our extensive category and product knowledge, leveraging our use of multi-functional customer management teams and developing new customer-specific programs such as *C9 by Champion* for Target. Our goal is to strengthen and deepen our existing strategic relationships with retailers and develop new strategic relationships.

Use Kanban concepts to have the right products available in the right quantities at the right time. Through Kanban, a multi-initiative effort that determines production quantities, and in doing so, facilitates just-in-time production and ordering systems, we seek to ensure that products are available to meet customer demands while effectively managing inventory levels.

Spend less. Through our spend less strategy, we seek to become an integrated organization that leverages its size and global reach to reduce costs, improve flexibility and provide a high level of service. Key initiatives we are employing to implement this strategy include:

Globalizing our supply chain by balancing across hemispheres into economic clusters with fewer, larger facilities. As a provider of high-volume products, we are continually seeking to improve our cost-competitiveness and operating flexibility through supply chain initiatives. Through our consolidation and globalization strategy, which is discussed in more detail below, we will continue to transition additional parts of our supply chain to lower-cost locations in Asia, Central America and the Caribbean Basin in an effort to optimize our cost structure. As part of this process, we are using Kanban concepts to optimize the way we manage demand, to increase manufacturing flexibility to better respond to demand variability and to simplify our finished goods and the raw materials we use to produce them. We expect that these changes in our supply chain will result in significant cost efficiencies and increased asset utilization.

Leverage our global purchasing and manufacturing scale. Historically, we have had a decentralized operating structure with many distinct operating units. We are in the process of consolidating purchasing, manufacturing and sourcing across all of our product categories in the United States. We believe that these initiatives will streamline our operations, improve our inventory management, reduce costs and standardize processes.

Generate cash. Through our generate cash strategy, we seek to effectively generate and invest cash at or above our weighted average cost of capital to provide superior returns for both our equity and debt investors. Key initiatives we are employing to implement this strategy include:

Optimizing our capital structure to take advantage of our business model s strong and consistent cash flows. Maintaining appropriate debt leverage and utilizing excess cash to, for example, pay down debt, invest in our own stock and selectively pursue strategic acquisitions are keys to building a stronger business and generating additional value for investors.

Continuing to improve turns for accounts receivables, inventory, accounts payable and fixed assets. Our ability to generate cash is enhanced through more efficient management of accounts receivables, inventory, accounts payable and fixed assets.

Our ability to react to changing customer needs and industry trends will continue to be key to our success. Our design, research and product development teams, in partnership with our marketing teams, drive our efforts to bring innovations to market. We seek to leverage our insights into consumer demand in the apparel essentials industry to develop new products within our existing lines and to modify our existing core products in ways that make them more appealing, addressing changing customer needs and industry trends. Examples of our recent innovations include:

Hanes no ride up panties, specially designed for a better fit that helps women stay wedgie-free (2008).

Hanes Lay Flat Collar Undershirts and *Hanes No Ride Up Boxer briefs*, the brand s latest innovation in product comfort and fit (2008).

Bali Concealers bras, the first and only bra with revolutionary concealing petals for complete modesty (2008).

Hanes Comfort Soft T-shirt (2007).

Bali Passion for Comfort bra, designed to be the ultimate comfort bra, features a silky smooth lining for a luxurious feel against the body (2007).

Hanes All-Over Comfort Bra, which features stay-put straps that don t slip, cushioned wires that don t poke and a tag-free back (2006).

One of our key initiatives is to globalize our supply chain by balancing across hemispheres into economic clusters with fewer, larger facilities. We expect to continue our restructuring efforts through the end of 2009 as we continue to execute our consolidation and globalization strategy. We have closed plant locations, reduced our workforce, and relocated some of our manufacturing capacity to lower cost locations in Asia, Central America and the Caribbean Basin. We have restructured our supply chain over the past three years to create more efficient production clusters that utilize fewer, larger facilities and to balance our production capability between the Western Hemisphere and Asia. With our global supply chain restructured, we are now focused on optimizing our supply chain to further enhance efficiency, improve working capital and asset turns and reduce costs. We are focused on optimizing the working capital needs of our supply chain through several initiatives, such as supplier-managed inventory for raw materials and sourced goods ownership relationships.

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Company information

We were incorporated in Maryland on September 30, 2005 and became an independent public company following our spin off from Sara Lee Corporation (Sara Lee) on September 5, 2006. Our principal executive offices are located at 1000 East Hanes Mill Road, Winston-Salem, North Carolina 27105. Our main telephone number is (336) 519-8080.

The transactions

As used in this prospectus supplement, the term Transactions refers to the financing transactions described below.

We will use the proceeds from this offering, together with the borrowings under the term loan and revolving loan facilities under our existing senior secured first lien credit facility (the Senior Secured Credit Facilities) that will be amended and restated concurrently with the consummation of this offering (as amended and restated, the New Senior Secured Credit Facilities), including borrowings under the revolving credit facility of the New Senior Secured Credit Facilities, to (i) refinance all borrowings outstanding under the Senior Secured Credit Facilities, (ii) repay all borrowings outstanding under our existing senior secured second lien credit facility (the Second Lien Credit Facility and, together with the Senior Secured Credit Facilities, the Existing Credit Facilities) and (iii) to pay the fees and expenses related to the Transactions. The Second Lien Credit Facility will be paid in full and terminated concurrently with the closing of this offering. See Use of proceeds.

The offering

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section in this prospectus supplement entitled Description of notes and the section in the accompanying prospectus entitled Description of debt securities.

Issuer	Hanesbrands Inc.
The notes	$500,000,000 aggregate principal amount of % Senior Notes due 2016.
Maturity	, 2016.
Interest payment dates	Interest is payable on the notes on and of each year, beginning on , 2010.
Optional redemption	We may, at our option, redeem all or part of the notes at any time prior to , 2013 at a make-whole price, and at any time on or after , 2013 at fixed redemption prices, plus accrued and unpaid interest, if any, to the date of redemption, as described under Description of notes Optional redemption. In addition, prior to , 2012, we may, at our option, redeem up to 35% of the notes with the proceeds of certain equity offerings.
Guarantees	The payment of the principal, premium and interest on the notes will be fully and unconditionally guaranteed on a senior unsecured basis by substantially all of our existing domestic subsidiaries and by certain of our future restricted subsidiaries. In the future, the guarantees may be released or terminated under certain circumstances. See Description of notes Guarantees.
Ranking	The notes and the guarantees will be our and the guarantors senior unsecured obligations and will: rank equally in right of payment with all our and the guarantors existing and future senior unsecured indebtedness; rank senior in right of payment to all our and the guarantors future senior subordinated and subordinated indebtedness; be effectively subordinated in right of payment to all our and the guarantors existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness (including all of our borrowings and the guarantors guarantees under our New Senior Secured Credit Facilities); and be structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of our subsidiaries that is not also a guarantor of the notes.

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As of October 3, 2009, after giving effect to the Transactions and the application of the estimated net proceeds therefrom as set forth under Use of proceeds, we would have had total consolidated indebtedness of $2,087.7 million, consisting of $845.0 million of secured indebtedness outstanding under our New Senior Secured Credit Facilities, $500.0 million of the notes offered hereby, $493.7 million of our floating rate senior notes and $249.0 million outstanding under accounts receivable securitization facility that we entered into on November 27, 2007 (the Accounts Receivable Securitization Facility). The subsidiary guarantors would have guaranteed total indebtedness of $1,838.7 million, consisting of $845.0 million of secured guarantees under our New Senior Secured Credit Facilities, $500.0 million of unsecured guarantees of the notes offered hereby and $493.7 million of unsecured guarantees of our floating rate senior notes, excluding intercompany indebtedness, and we would have been able to incur an additional $305.0 million of secured indebtedness under our New Senior Secured Credit Facilities. Our non-guarantor subsidiaries would have had $249.0 million of total indebtedness, consisting of the amounts outstanding under the Accounts Receivable Securitization Facility. For further discussion, see Description of other indebtedness.

Covenants

The indenture governing the notes will contain covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

incur additional debt;

make certain investments or pay dividends or distributions on our capital stock or purchase, redeem or retire capital stock (restricted payments);

sell assets, including capital stock of our restricted subsidiaries;

restrict dividends or other payments by restricted subsidiaries;

create liens that secure debt;

enter into transactions with affiliates; and

merge or consolidate with another company.

These covenants are subject to a number of important limitations and exceptions, including a provision allowing us to make restricted payments in an amount calculated pursuant to a formula based upon 50% of our adjusted consolidated net income (as defined in the indenture) since October 1, 2006. As of October 3, 2009, after giving effect to the Transactions, we would have had approximately $391.9 million of available restricted payment capacity pursuant to that provision, in addition to the restricted payment capacity available under other exceptions. See Description of notes Covenants.

	In addition, most of the covenants will be suspended if both Standard & Poor s Ratings Services and Moody s Investors Service, Inc., assign the notes an investment grade rating and no default exists with respect to the notes.
Change of control offer	If we experience certain kinds of changes of control, we must give the holders of the notes the opportunity to sell us their notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.
No public market	The notes are a series of securities for which there is currently no established trading market. The underwriters have advised us that they presently intend to make a market in the notes. However, you should be aware that they are not obligated to make a market in the notes and may discontinue their market-making activities at any time without notice. As a result, a liquid market for the notes may not be available if you try to sell your notes. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.
Use of proceeds	We will use the estimated net proceeds from this offering of approximately $485.2 million to repay or refinance a portion of the borrowings under our Existing Credit Facilities. See Use of proceeds.
Form	The notes will be represented by one or more registered global securities registered in the name of Cede & Co., the nominee of the depositary, The Depository Trust Company. Beneficial interests in the notes will be shown on, and transfers of beneficial interests will be effected through, records maintained by The Depository Trust Company and its participants.
Original issue discount	The notes may be issued with original issue discount, or OID, for U.S. federal income tax purposes, in which case, U.S. holders generally will be required to include the OID in gross income for U.S. federal income tax purposes in advance of the receipt of cash attributable to that income regardless of the holders method of tax accounting. See U.S. federal income tax consequences United States holders Original issue discount.

Risk factors

Investing in the notes involves substantial risk. You should carefully consider the risk factors set forth in the section entitled Risk factors and the other information contained in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference therein, prior to making an investment in the notes. See Risk factors beginning on page S-11.

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Summary financial data

Set forth below is our summary consolidated historical financial data for the periods indicated. The historical financial data for the periods ended January 3, 2009 and December 29, 2007 and the balance sheet data as of January 3, 2009 and December 29, 2007 have been derived from our audited financial statements incorporated by reference in this prospectus supplement. Our historical financial data as of October 3, 2009 and September 27, 2008 and for the nine months ended October 3, 2009 and September 27, 2008 are derived from our unaudited financial statements. You should read the following summary financial data in conjunction with Management s discussion and analysis of financial condition and results of operations and our historical financial statements and related notes thereto incorporated by reference in this prospectus supplement.

	Nine months ended		Years ended	
(in thousands)	**October 3, 2009**	**September 27, 2008**	**January 3, 2009**	**December 29, 2007**
Statement of Income Data:				
Net sales	$ 2,902,536	$ 3,213,653	$ 4,248,770	$ 4,474,537
Cost of sales	1,960,589	2,145,949	2,871,420	3,033,627
Gross profit	941,947	1,067,704	1,377,350	1,440,910
Selling, general and administrative expenses	702,204	776,267	1,009,607	1,040,754
Gain on curtailment of postretirement benefits				(32,144)
Restructuring	46,319	32,355	50,263	43,731
Operating profit	193,424	259,082	317,480	388,569
Other (income) expense	6,537		(634)	5,235
Interest expense, net	124,548	115,282	155,077	199,208
Income before income tax expense (benefit)	62,339	143,800	163,037	184,126
Income tax expense (benefit)	9,974	34,512	35,868	57,999
Net income	$ 52,365	$ 109,288	$ 127,169	$ 126,127

(in thousands)	October 3, 2009	September 27, 2008	January 3, 2009	December 29, 2007
Balance Sheet Data:				
Cash and cash equivalents	$ 38,617	$ 86,212	$ 67,342	$ 174,236
Total assets	3,491,913	3,627,638	3,534,049	3,439,483
Accounts Receivable Securitization Facility	249,043		45,640	
Noncurrent liabilities:				
Long-term debt	1,793,680	2,315,250	2,130,907	2,315,250
Other noncurrent liabilities	481,425	159,870	469,703	146,347
Total noncurrent liabilities	2,275,105	2,475,120	2,600,610	2,461,597
Total stockholders equity	293,184	380,934	185,155	288,904

Risk factors

An investment in the notes involves risk. In addition to the risks described below, you should also carefully read all of the other information included in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference into this prospectus supplement in evaluating an investment in the notes. If any of the described risks actually were to occur, our business, financial condition or results of operations could be affected materially and adversely. In that case, our ability to fulfill our obligations under the notes could be materially affected and you could lose all or part of your investment.

The risks described below are not the only ones facing our company. Additional risks not presently known to us or that we currently deem immaterial individually or in the aggregate may also impair our business operations.

This prospectus supplement and documents incorporated by reference also contain forward-looking statements that involve risks and uncertainties, some of which are described in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks and uncertainties faced by us described below or incorporated by reference in this prospectus supplement and the accompanying prospectus.

Risks related to our business

We are continuing to execute our consolidation and globalization strategy and this process involves significant costs and the risk of operational interruption.

Since becoming an independent company, we have undertaken a variety of restructuring efforts in connection with our consolidation and globalization strategy designed to improve operating efficiencies and lower costs. As a result of this strategy, we expected to incur approximately $250 million in restructuring and related charges over the three year period following the spin off from Sara Lee on September 5, 2006, of which approximately half was expected to be noncash. As of October 3, 2009, we have recognized approximately $262 million and announced approximately $253 million in restructuring and related charges related to this strategy since September 5, 2006, approximately half of which have been noncash. This process may also result in operational interruptions, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

Our supply chain relies on an extensive network of foreign operations and any disruption to or adverse impact on such operations may adversely affect our business, results of operations, financial condition and cash flows.

We have an extensive global supply chain in which a significant portion of our products are manufactured in or sourced from locations in Asia, Central America, the Caribbean Basin and Mexico and we are continuing to add new manufacturing capacity in Asia, Central America and the Caribbean Basin. Potential events that may disrupt our foreign operations include:

- political instability and acts of war or terrorism or other international events resulting in the disruption of trade;
- other security risks;

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disruptions in shipping and freight forwarding services;

increases in oil prices, which would increase the cost of shipping;

interruptions in the availability of basic services and infrastructure, including power shortages;

fluctuations in foreign currency exchange rates resulting in uncertainty as to future asset and liability values, cost of goods and results of operations that are denominated in foreign currencies;

extraordinary weather conditions or natural disasters, such as hurricanes, earthquakes, tsunamis, floods or fires; and

the occurrence of an epidemic, the spread of which may impact our ability to obtain products on a timely basis.

Disruptions in our foreign supply chain could negatively impact our business by interrupting production in facilities outside the United States, increasing our cost of sales, disrupting merchandise deliveries, delaying receipt of the products into the United States or preventing us from sourcing our products at all. Depending on timing, these events could also result in lost sales, cancellation charges or excessive markdowns. All of the foregoing can have an adverse effect on our business, results of operations, financial condition and cash flows.

Current economic conditions may adversely impact demand for our products, reduce access to credit and cause our customers and others with which we do business to suffer financial hardship, all of which could adversely impact our business, results of operations, financial condition and cash flows.

Worldwide economic conditions have recently deteriorated significantly in many countries and regions, including the United States, and may remain depressed for the foreseeable future. Although the majority of our products are replenishment in nature and tend to be purchased by consumers on a planned, rather than on an impulse, basis, our sales are impacted by discretionary spending by our customers. Discretionary spending is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, currency exchange rates, taxation, electricity power rates, gasoline prices, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside of our control. Our customers purchases of discretionary items, including our products, could decline during periods when disposable income is lower, when prices increase in response to rising costs, or in periods of actual or perceived unfavorable economic conditions. For example, we experienced a spike in oil related commodity prices during the summer of 2008. Increases in our product costs may not be offset by comparable rises in the income of consumers of our products. These consumers may choose to purchase fewer of our products or lower-priced products of our competitors in response to higher prices for our products, or may choose not to purchase our products at prices that reflect our domestic price increases that become effective from time to time. If any of these events occur, or if unfavorable economic conditions continue to challenge the consumer environment, our business, results of operations, financial condition and cash flows could be adversely affected.

In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our customers, suppliers of raw materials and finished goods, logistics and other service

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providers and financial institutions which are counterparties to our credit facilities and derivatives transactions. In addition, the inability of these third parties to overcome these difficulties may increase. For example, one of our customers, Mervyn s, a regional retailer in California and the Southwest that originally filed for reorganization under Chapter 11 in July 2008, announced in October 2008 its intention to wind down its business and conduct going-out-of-business sales at remaining store locations. If third parties on which we rely for raw materials, finished goods or services are unable to overcome difficulties resulting from the deterioration in worldwide economic conditions and provide us with the materials and services we need, or if counterparties to our credit facilities or derivatives transactions do not perform their obligations, our business, results of operations, financial condition and cash flows could be adversely affected.

Our customers generally purchase our products on credit, and as a result, our results of operations, financial condition and cash flows may be adversely affected if our customers experience financial difficulties.

During the past several years, various retailers, including some of our largest customers, have experienced significant difficulties, including restructurings, bankruptcies and liquidations, and the inability of retailers to overcome these difficulties may increase due to the recent deterioration of worldwide economic conditions. This could adversely affect us because our customers generally pay us after goods are delivered. Adverse changes in a customer s financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer s future purchases or limit our ability to collect accounts receivable relating to previous purchases by that customer. Any of these occurrences could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our substantial indebtedness subjects us to various restrictions and could decrease our profitability and otherwise adversely affect our business.

We have, and following the consummation of this offering continue to have, a substantial amount of indebtedness. As described in Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources, our indebtedness includes the $2.1 billion existing Senior Secured Credit Facilities, the $450 million existing Second Lien Credit Facility, our $500 million Floating Rate Senior Notes due 2014 (the Floating Rate Senior Notes) and the $250 million Accounts Receivable Securitization Facility. Simultaneous with the closing of this offering, we expect to refinance the Senior Secured Credit Facilities and to repay and terminate the Second Lien Credit Facility. As of October 3, 2009, after giving effect to the Transactions, our total debt would have been $2,087.7 million, excluding $305.0 million of unused commitments under the revolving loan facility of the New Senior Secured Credit Facilities. See Use of proceeds. The Existing Credit Facilities and the indenture governing the Floating Rate Senior Notes contain, and the New Senior Secured Credit Facilities and the indenture governing the notes offered hereby will contain, restrictions that affect, and in some cases significantly limit or prohibit, among other things, our ability to borrow funds, pay dividends or make other distributions, make investments, engage in transactions with affiliates, or create liens on our assets.

Our leverage also could put us at a competitive disadvantage compared to our competitors that are less leveraged. These competitors could have greater financial flexibility to pursue strategic

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acquisitions, secure additional financing for their operations by incurring additional debt, expend capital to expand their manufacturing and production operations to lower-cost areas and apply pricing pressure on us. In addition, because many of our customers rely on us to fulfill a substantial portion of their apparel essentials demand, any concern these customers may have regarding our financial condition may cause them to reduce the amount of products they purchase from us. Our leverage could also impede our ability to withstand downturns in our industry or the economy.

If we are unable to maintain financial ratios associated with our indebtedness, such failure could cause the acceleration of the maturity of such indebtedness which would adversely affect our business.

Covenants in the Existing Credit Facilities and the Accounts Receivable Securitization Facility require us to maintain a minimum interest coverage ratio and a maximum total debt to EBITDA (earnings before income taxes, depreciation expense and amortization), or leverage ratio. The recent deterioration of worldwide economic conditions could impact our ability to maintain the financial ratios contained in these agreements. If we fail to maintain these financial ratios, that failure could result in a default that accelerates the maturity of the indebtedness under such facilities, which could require that we repay such indebtedness in full, together with accrued and unpaid interest, unless we are able to negotiate new financial ratios or waivers of our current ratios with our lenders. Even if we are able to negotiate new financial ratios or waivers of our current financial ratios, we may be required to pay fees or make other concessions that may adversely impact our business. Any one of these options could result in significantly higher interest expense in 2009 and beyond. In addition, these options could require modification of our interest rate derivative portfolio, which could require us to make a cash payment in the event of terminating a derivative instrument or impact the effectiveness of our interest rate hedging instruments and require us to take non-cash charges. For information regarding our compliance with these covenants, see Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources Trends and uncertainties affecting liquidity. We expect that the New Senior Secured Credit Facilities will contain similar restrictions. See Description of other indebtedness New senior secured credit facilities.

If we fail to meet our payment or other obligations, the lenders could foreclose on, and acquire control of, substantially all of our assets.

In connection with our incurrence of indebtedness under the Existing Credit Facilities, the lenders under those facilities have received a pledge of substantially all of our existing and future direct and indirect subsidiaries, with certain customary or agreed-upon exceptions for foreign subsidiaries and certain other subsidiaries. Additionally, these lenders generally have a lien on substantially all of our assets and the assets of our subsidiaries, with certain exceptions. The financial institutions that are party to the Accounts Receivable Securization Facility have a lien on certain of our domestic accounts receivables. As a result of these pledges and liens, if we fail to meet our payment or other obligations under the Existing Credit Facilities, the New Senior Secured Credit Facilities or the Accounts Receivable Securization Facility, the lenders under those facilities will be entitled to foreclose on substantially all of our assets and, at their option, liquidate these assets.

Our indebtedness restricts our ability to obtain additional capital in the future.

The restrictions contained in the Existing Credit Facilities, the New Senior Secured Credit Facilities and in the indentures governing the Floating Rate Senior Notes and the notes offered hereby could limit our ability to obtain additional capital in the future to fund capital expenditures or acquisitions, meet our debt payment obligations and capital commitments, fund any operating losses or future development of our business affiliates, obtain lower borrowing costs that are available from secured lenders or engage in advantageous transactions that monetize our assets, or conduct other necessary or prudent corporate activities.

If we need to incur additional debt or issue equity in order to fund working capital and capital expenditures or to make acquisitions and other investments, debt or equity financing may not be available to us on acceptable terms or at all. If we are not able to obtain sufficient financing, we may be unable to maintain or expand our business. If we raise funds through the issuance of debt or equity, any debt securities or preferred stock issued will have rights, preferences and privileges senior to those of holders of our common stock in the event of a liquidation, and the terms of the debt securities may impose restrictions on our operations. If we raise funds through the issuance of equity, the issuance would dilute the ownership interest of our stockholders.

To service our debt obligations, we may need to increase the portion of the income of our foreign subsidiaries that is expected to be remitted to the United States, which could increase our income tax expense.

The amount of the income of our foreign subsidiaries that we expect to remit to the United States may significantly impact our U.S. federal income tax expense. We pay U.S. federal income taxes on that portion of the income of our foreign subsidiaries that is expected to be remitted to the United States and be taxable. In order to service our debt obligations, we may need to increase the portion of the income of our foreign subsidiaries that we expect to remit to the United States, which may significantly increase our income tax expense. Consequently, our income tax expense has been, and will continue to be, impacted by our strategic initiative to make substantial capital investments outside the United States.

Significant fluctuations and volatility in the price of cotton and other raw materials we purchase may have a material adverse effect on our business, results of operations, financial condition and cash flows.

Cotton is the primary raw material used in the manufacturing of many of our products. Our costs for cotton yarn and cotton-based textiles vary based upon the fluctuating cost of cotton, which is affected by weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. While we attempt to protect our business from the volatility of the market price of cotton through short-term supply agreements and hedges from time to time, our business can be adversely affected by dramatic movements in cotton prices. The cotton prices reflected in our results were 58 cents per pound for the nine months ended October 3, 2009 and 62 cents per pound for the nine months ended September 27, 2008. After taking into consideration the cotton costs currently included in inventory, we expect our cost of cotton to average 55 cents per pound for the full year of 2009 compared to 65 cents per pound for 2008. The ultimate effect of these pricing levels on our earnings cannot be quantified, as the effect of movements in cotton prices on industry selling prices are uncertain, but any dramatic increase in the price of cotton could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We are not always successful in our efforts to protect our business from the volatility of the market price of cotton through short-term supply agreements and hedges, and our business can be adversely affected by dramatic movements in cotton prices. For example, we estimate that a change of $0.01 per pound in cotton prices would affect our annual raw material costs by $3 million, at levels of production as of January 3, 2009. The ultimate effect of this change on our earnings cannot be quantified, as the effect of movements in cotton prices on industry selling prices are uncertain, but any dramatic increase in the price of cotton would have a material adverse effect on our business, results of operations, financial condition and cash flows.

In addition, during the summer of 2008 we experienced a spike in oil related commodity prices and other raw materials used in our products, such as dyes and chemicals, and increases in other costs, such as fuel, energy and utility costs. These costs may fluctuate due to a number of factors outside our control, including government policy and regulation and weather conditions.

Current market returns have had a negative impact on the return on plan assets for our pension and other postemployment plans, which may require significant funding.

As widely reported, financial markets in the United States, Europe and Asia have been experiencing extreme disruption in recent months. As a result of this disruption in the domestic and international equity and bond markets, our pension plans and other postemployment plans had a decrease in asset values of approximately 32% during the year ended January 3, 2009. We are unable to predict the severity or the duration of the current disruptions in the financial markets and the adverse economic conditions in the United States, Europe and Asia. The funded status of these plans, and the related cost reflected in our financial statements, are affected by various factors that are subject to an inherent degree of uncertainty, particularly in the current economic environment. Under the Pension Protection Act of 2006 (the Pension Protection Act), continued losses of asset values may necessitate increased funding of the plans in the future to meet minimum federal government requirements. The continued downward pressure on the asset values of these plans may require us to fund obligations earlier than we had originally planned, which would have a negative impact on cash flows from operations.

The loss of one or more of our suppliers of finished goods or raw materials may interrupt our supplies and materially harm our business.

As of January 3, 2009, we purchase all of the raw materials used in our products and approximately 34% of the apparel designed by us from a limited number of third-party suppliers and manufacturers. Our ability to meet our customers needs depends on our ability to maintain an uninterrupted supply of raw materials and finished products from our third-party suppliers and manufacturers. Our business, financial condition or results of operations could be adversely affected if any of our principal third-party suppliers or manufacturers experience financial difficulties that they are not able to overcome resulting from the deterioration in worldwide economic conditions, reproduction problems, lack of capacity or transportation disruptions. The magnitude of this risk depends upon the timing of any interruptions, the materials or products that the third-party manufacturers provide and the volume of production.

Our dependence on third parties for raw materials and finished products subjects us to the risk of supplier failure and customer dissatisfaction with the quality of our products. Quality failures

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by our third-party manufacturers or changes in their financial or business condition that affect their production could disrupt our ability to supply quality products to our customers and thereby materially harm our business.

If we fail to manage our inventory effectively, we may be required to establish additional inventory reserves or we may not carry enough inventory to meet customer demands, causing us to suffer lower margins or losses.

We are faced with the constant challenge of balancing our inventory with our ability to meet marketplace needs. We continually monitor our inventory levels to best balance current supply and demand with potential future demand that typically surges when consumers no longer postpone purchases in our product categories. Inventory reserves can result from the complexity of our supply chain, a long manufacturing process and the seasonal nature of certain products. Increases in inventory levels may also be needed to service our business as we continue to execute our consolidation and globalization strategy. As a result, we could be subject to high levels of obsolescence and excess stock. Based on discussions with our customers and internally generated projections, we produce, purchase and/or store raw material and finished goods inventory to meet our expected demand for delivery. However, we sell a large number of our products to a small number of customers, and these customers generally are not required by contract to purchase our goods. If, after producing and storing inventory in anticipation of deliveries, demand is lower than expected, we may have to hold inventory for extended periods or sell excess inventory at reduced prices, in some cases below our cost. There are inherent uncertainties related to the recoverability of inventory, and it is possible that market factors and other conditions underlying the valuation of inventory may change in the future and result in further reserve requirements. Excess inventory charges can reduce gross margins or result in operating losses, lowered plant and equipment utilization and lowered fixed operating cost absorption, all of which could have a material adverse effect on our business, results of operations, financial condition or cash flows.

Conversely, we also are exposed to lost business opportunities if we underestimate market demand and produce too little inventory for any particular period. Because sales of our products are generally not made under contract, if we do not carry enough inventory to satisfy our customers demands for our products within an acceptable time frame, they may seek to fulfill their demands from one or several of our competitors and may reduce the amount of business they do with us. Any such action could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We rely on a relatively small number of customers for a significant portion of our sales, and the loss of or material reduction in sales to any of our top customers would have a material adverse effect on our business, results of operations, financial condition and cash flows.

During the year ended January 3, 2009, our top ten customers accounted for 65% of our net sales and our top customers, Wal-Mart and Target, accounted for 27% and 16% of our net sales, respectively. We expect that these customers will continue to represent a significant portion of our net sales in the future. In addition, our top customers are the largest market participants in our primary distribution channels across all of our product lines. Any loss of or material reduction in sales to any of our top ten customers, especially Wal-Mart and Target, would be difficult to recapture, and would have a material adverse effect on our business, results of operations, financial condition and cash flows.

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We generally do not sell our products under contracts, and, as a result, our customers are generally not contractually obligated to purchase our products, which causes some uncertainty as to future sales and inventory levels.

We generally do not enter into purchase agreements that obligate our customers to purchase our products, and as a result, most of our sales are made on a purchase order basis. If any of our customers experiences a significant downturn in its business, or fails to remain committed to our products or brands, the customer is generally under no contractual obligation to purchase our products and, consequently, may reduce or discontinue purchases from us. In the past, such actions have resulted in a decrease in sales and an increase in our inventory and have had an adverse effect on our business, results of operations, financial condition and cash flows. If such actions occur again in the future, our business, results of operations and financial condition will likely be similarly affected.

Our existing customers may require products on an exclusive basis, forms of economic support and other changes that could be harmful to our business.

Customers increasingly may require us to provide them with some of our products on an exclusive basis, which could cause an increase in the number of stock keeping units, or SKUs, we must carry and, consequently, increase our inventory levels and working capital requirements. Moreover, our customers may increasingly seek markdown allowances, incentives and other forms of economic support which reduce our gross margins and affect our profitability. Our financial performance is negatively affected by these pricing pressures when we are forced to reduce our prices without being able to correspondingly reduce our production costs.

We operate in a highly competitive and rapidly evolving market, and our market share and results of operations could be adversely affected if we fail to compete effectively in the future.

The apparel essentials market is highly competitive and evolving rapidly. Competition is generally based upon price, brand name recognition, product quality, selection, service and purchasing convenience. Our businesses face competition today from other large corporations and foreign manufacturers. These competitors include Berkshire Hathaway Inc. through its subsidiary Fruit of the Loom, Inc., Warnaco Group Inc., Maidenform Brands, Inc. and Gildan Activewear, Inc. in our Innerwear business segment and Gildan Activewear, Inc., Berkshire Hathaway Inc. through its subsidiaries Russell Corporation and Fruit of the Loom, Inc., Nike, Inc., adidas AG through its adidas and Reebok brands and Under Armour Inc. in our Outerwear business segment. We also compete with many small manufacturers across all of our business segments, including our International segment. Additionally, department stores, specialty stores and other retailers, including many of our customers, market and sell apparel essentials products under private labels that compete directly with our brands. These customers may buy goods that are manufactured by others, which represents a lost business opportunity for us, or they may sell private label products manufactured by us, which have significantly lower gross margins than our branded products. We also face intense competition from specialty stores that sell private label apparel not manufactured by us, such as Victoria s Secret, Old Navy and The Gap. Increased competition may result in a loss of or a reduction in shelf space and promotional support and reduced prices, in each case decreasing our cash flows, operating margins and profitability. Our ability to remain competitive in the areas of price, quality, brand recognition, research and product development, manufacturing and distribution will, in large part, determine our future

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success. If we fail to compete successfully, our market share, results of operations and financial condition will be materially and adversely affected.

Sales of and demand for our products may decrease if we fail to keep pace with evolving consumer preferences and trends, which could have an adverse effect on net sales and profitability.

Our success depends on our ability to anticipate and respond effectively to evolving consumer preferences and trends and to translate these preferences and trends into marketable product offerings. If we are unable to successfully anticipate, identify or react to changing styles or trends or misjudge the market for our products, our sales may be lower than expected and we may be faced with a significant amount of unsold finished goods inventory. In response, we may be forced to increase our marketing promotions, provide markdown allowances to our customers or liquidate excess merchandise, any of which could have a material adverse effect on our net sales and profitability. Our brand image may also suffer if customers believe that we are no longer able to offer innovative products, respond to consumer preferences or maintain the quality of our products.

We are prohibited from selling our *Wonderbra* and *Playtex* intimate apparel products in the EU, as well as certain other countries in Europe and South Africa, and therefore are unable to take advantage of business opportunities that may arise in such countries.

In February 2006, Sara Lee sold its European branded apparel business to an affiliate of Sun Capital Partners, Inc. (Sun Capital). In connection with the sale, Sun Capital received an exclusive, perpetual, royalty-free license to manufacture, sell and distribute apparel products under the *Wonderbra and Playtex* trademarks in the member states of the European Union (EU), as well as Russia, South Africa, Switzerland and certain other nations in Europe. Due to the exclusive license, we are not permitted to sell *Wonderbra* and *Playtex* branded products in these nations and Sun Capital is not permitted to sell *Wonderbra* and *Playtex* branded products outside of these nations. Consequently, we will not be able to take advantage of business opportunities that may arise relating to the sale of *Wonderbra* and *Playtex* products in these nations. For more information on these sales restrictions see Description of our business Intellectual property.

Our business could be harmed if we are unable to deliver our products to the market due to problems with our distribution network.

We distribute our products from facilities that we operate as well as facilities that are operated by third-party logistics providers. These facilities include a combination of owned, leased and contracted distribution centers. We are in the process of consolidating our distribution network to fewer larger facilities, including the recent opening of a 1.3 million square foot facility in Perris, California. This consolidation of our distribution network will involve significant change, including movement of product during the transitional period, implementation of new warehouse management systems and technology, and opening of new distribution centers and new third-party logistics providers to replace parts of our legacy distribution network. Because substantially all of our products are distributed from a relatively small number of locations, our operations could also be interrupted by extraordinary weather conditions or natural disasters, such as hurricanes, earthquakes, tsunamis, floods or fires near our distribution centers. We maintain business interruption insurance, but it may not adequately protect us from the adverse

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effects that could be caused by significant disruptions to our distribution network. In addition, our distribution network is dependent on the timely performance of services by third parties, including the transportation of product to and from our distribution facilities. If we are unable to successfully operate our distribution network, our business, results of operations, financial condition and cash flows could be adversely affected.

Any inadequacy, interruption, integration failure or security failure with respect to our information technology could harm our ability to effectively operate our business.

Our ability to effectively manage and operate our business depends significantly on our information technology systems. As part of our efforts to consolidate our operations, we also expect to continue to incur costs associated with the integration of our information technology systems across our company over the next several years. This process involves the consolidation or possible replacement of technology platforms so that our business functions are served by fewer platforms, and has resulted in operational inefficiencies and in some cases increased our costs. We are subject to the risk that we will not be able to absorb the level of systems change, commit the necessary resources or focus the management attention necessary for the implementation to succeed. Many key strategic initiatives of major business functions, such as our supply chain and our finance operations, depend on advanced capabilities enabled by the new systems and if we fail to properly execute or if we miss critical deadlines in the implementation of this initiative, we could experience serious disruption and harm to our business. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, difficulty in integrating new systems or systems of acquired businesses or a breach in security of these systems could adversely impact the operations of our business.

If we experience a data security breach and confidential customer information is disclosed, we may be subject to penalties and experience negative publicity, which could affect our customer relationships and have a material adverse effect on our business.

We and our customers could suffer harm if customer information were accessed by third parties due to a security failure in our systems. The collection of data and processing of transactions through our direct-to-consumer internet and catalog operations require us to receive and store a large amount of personally identifiable data. This type of data is subject to legislation and regulation in various jurisdictions. Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting state and federal legislative proposals addressing data privacy and security. If some of the current proposals are adopted, we may be subject to more extensive requirements to protect the customer information that we process in connection with the purchases of our products. We may become exposed to potential liabilities with respect to the data that we collect, manage and process, and may incur legal costs if our information security policies and procedures are not effective or if we are required to defend our methods of collection, processing and storage of personal data. Future investigations, lawsuits or adverse publicity relating to our methods of handling personal data could adversely affect our business, results of operations, financial condition and cash flows due to the costs and negative market reaction relating to such developments.

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Compliance with environmental and other regulations could require significant expenditures.

We are subject to various federal, state, local and foreign laws and regulations that govern our activities, operations and products that may have adverse environmental, health and safety effects, including laws and regulations relating to generating emissions, water discharges, waste, product and packaging content and workplace safety. Noncompliance with these laws and regulations may result in substantial monetary penalties and criminal sanctions. Future events that could give rise to manufacturing interruptions or environmental remediation include changes in existing laws and regulations, the enactment of new laws and regulations, a release of hazardous substances on or from our properties or any associated offsite disposal location, or the discovery of contamination from current or prior activities at any of our properties. While we are not aware of any proposed regulations or remedial obligations that could trigger significant costs or capital expenditures in order to comply, any such regulations or obligations could adversely affect our business, results of operations, financial condition and cash flows.

International trade regulations may increase our costs or limit the amount of products that we can import from suppliers in a particular country, which could have an adverse effect on our business.

Because a significant amount of our manufacturing and production operations are located, or our products are sourced from, outside the United States, we are subject to international trade regulations. The international trade regulations to which we are subject or may become subject include tariffs, safeguards or quotas. These regulations could limit the countries in which we produce or from which we source our products or significantly increase the cost of operating in or obtaining materials originating from certain countries. Restrictions imposed by international trade regulations can have a particular impact on our business when, after we have moved our operations to a particular location, new unfavorable regulations are enacted in that area or favorable regulations currently in effect are changed. The countries in which our products are manufactured or into which they are imported may from time to time impose additional new regulations, or modify existing regulations, including:

- additional duties, taxes, tariffs and other charges on imports, including retaliatory duties or other trade sanctions, which may or may not be based on World Trade Organization (WTO) rules, and which would increase the cost of products produced in such countries;
- limitations on the quantity of goods which may be imported into the United States from a particular country, including the imposition of further safeguard mechanisms by the U.S. government or governments in other jurisdictions, limiting our ability to import goods from particular countries, such as China;
- changes in the classification of products that could result in higher duty rates than we have historically paid;
- modification of the trading status of certain countries;
- requirements as to where products are manufactured;
- creation of export licensing requirements, imposition of restrictions on export quantities or specification of minimum export pricing; or
- creation of other restrictions on imports.

Adverse international trade regulations, including those listed above, would have a material adverse effect on our business, results of operations, financial condition and cash flows.

Due to the extensive nature of our foreign operations, fluctuations in foreign currency exchange rates could negatively impact our results of operations.

We sell a majority of our products in transactions denominated in U.S. dollars; however, we purchase many of our raw materials, including cotton, our primary raw material, pay a portion of our wages and make other payments in our supply chain in foreign currencies. As a result, when the U.S. dollar weakens against any of these currencies, our cost of sales could increase substantially. Outside the United States, we may pay for materials or finished products in U.S. dollars, and in some cases a strengthening of the U.S. dollar could effectively increase our costs where we use foreign currency to purchase the U.S. dollars we need to make such payments. We use foreign exchange forward and option contracts to hedge material exposure to adverse changes in foreign exchange rates. We are also exposed to gains and losses resulting from the effect that fluctuations in foreign currency exchange rates have on the reported results in our financial statements due to the translation of operating results and financial position of our foreign subsidiaries.

We had approximately 45,200 employees worldwide as of January 3, 2009, and our business operations and financial performance could be adversely affected by changes in our relationship with our employees or changes to U.S. or foreign employment regulations.

We had approximately 45,200 employees worldwide as of January 3, 2009. This means we have a significant exposure to changes in domestic and foreign laws governing our relationships with our employees, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers compensation rates, citizenship requirements and payroll taxes, which likely would have a direct impact on our operating costs. Approximately 35,000 of those employees were outside of the United States. A significant increase in minimum wage or overtime rates in countries where we have employees could have a significant impact on our operating costs and may require that we relocate those operations or take other steps to mitigate such increases, all of which may cause us to incur additional costs, expend resources responding to such increases and lower our margins.

In addition, some of our employees are members of labor organizations or are covered by collective bargaining agreements. If there were a significant increase in the number of our employees who are members of labor organizations or become parties to collective bargaining agreements, we would become vulnerable to a strike, work stoppage or other labor action by these employees that could have an adverse effect on our business.

We may suffer negative publicity if we or our third-party manufacturers violate labor laws or engage in practices that are viewed as unethical or illegal, which could cause a loss of business.

We cannot fully control the business and labor practices of our third-party manufacturers, the majority of whom are located in Asia, Central America and the Caribbean Basin. If one of our own manufacturing operations or one of our third-party manufacturers violates or is accused of violating local or international labor laws or other applicable regulations, or engages in labor or other practices that would be viewed in any market in which our products are sold as unethical, we could suffer negative publicity, which could tarnish our brands image or result in a loss of sales. In addition, if such negative publicity affected one of our customers, it could result in a loss of business for us.

Our business depends on our senior management team and other key personnel.

Our success depends upon the continued contributions of our senior management team and other key personnel, some of whom have unique talents and experience and would be difficult to replace. The loss or interruption of the services of a member of our senior management team or other key personnel could have a material adverse effect on our business during the transitional period that would be required for a successor to assume the responsibilities of the position. Our future success will also depend on our ability to attract and retain key managers, sales people and others. We may not be able to attract or retain these employees, which could adversely affect our business.

The success of our business is tied to the strength and reputation of our brands, including brands that we license to other parties. If other parties take actions that weaken, harm the reputation of or cause confusion with our brands, our business, and consequently our sales, results of operations and cash flows, may be adversely affected.

We license some of our important trademarks to third parties. For example, we license *Champion* to third parties for athletic-oriented accessories. Although we make concerted efforts to protect our brands through quality control mechanisms and contractual obligations imposed on our licensees, there is a risk that some licensees may not be in full compliance with those mechanisms and obligations. In that event, or if a licensee engages in behavior with respect to the licensed marks that would cause us reputational harm, we could experience a significant downturn in that brand s business, adversely affecting our sales and results of operations. Similarly, any misuse of the *Wonderbra* or *Playtex* brands by Sun Capital could result in negative publicity and a loss of sales for our products under these brands, any of which may have a material adverse effect on our business, results of operations, financial condition or cash flows.

We design, manufacture, source and sell products under trademarks that are licensed from third parties. If any licensor takes actions related to their trademarks that would cause their brands or our company reputational harm, our business may be adversely affected.

We design, manufacture, source and sell a number of our products under trademarks that are licensed from third parties such as our *Polo Ralph Lauren* men s underwear. Because we do not control the brands licensed to us, our licensors could make changes to their brands or business models that could result in a significant downturn in a brand s business, adversely affecting our sales and results of operations. If any licensor engages in behavior with respect to the licensed marks that would cause us reputational harm, or if any of the brands licensed to us violates the trademark rights of another or are deemed to be invalid or unenforceable, we could experience a significant downturn in that brand s business, adversely affecting our sales and results of operations, and we may be required to expend significant amounts on public relations, advertising and, possibly, legal fees.

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Businesses that we may acquire may fail to perform to expectations, and we may be unable to successfully integrate acquired businesses with our existing business.

From time to time, we may evaluate potential acquisition opportunities to support and strengthen our business. We may not be able to realize all or a substantial portion of the anticipated benefits of acquisitions that we may consummate. Newly acquired businesses may not achieve expected results of operations, including expected levels of revenues, and may require unanticipated costs and expenditures. Acquired businesses may also subject us to liabilities that we were unable to discover in the course of our due diligence, and our rights to indemnification from the sellers of such businesses, even if obtained, may not be sufficient to offset the relevant liabilities. In addition, the integration of newly acquired businesses may be expensive and time-consuming and may not be entirely successful. Integration of the acquired businesses may also place additional pressures on our systems of internal control over financial reporting. If we are unable to successfully integrate newly acquired businesses or if acquired businesses fail to produce targeted results, it could have an adverse effect on our results of operations or financial condition.

Our historical financial information and operations for periods prior to the spin off are not necessarily indicative of our results as a separate company and therefore may not be reliable as an indicator of our future financial results.

Our historical financial statements for periods prior to the spin off on September 5, 2006 were created from Sara Lee s financial statements using our historical results of operations and historical bases of assets and liabilities as part of Sara Lee. Accordingly, historical financial information for periods prior to the spin off is not necessarily indicative of what our financial position, results of operations and cash flows would have been if we had been a separate, stand alone entity during those periods. Our historical financial information for periods prior to the spin off is also not necessarily indicative of what our results of operations, financial position and cash flows will be in the future and, for periods prior to the spin off, does not reflect many significant changes in our capital structure, funding and operations resulting from the spin off. While our results of operations for periods prior to the spin off include all costs of Sara Lee s branded apparel business, these costs and expenses do not include all of the costs that would have been incurred by us had we been an independent company during those periods. In addition, we have not made adjustments to our historical financial information to reflect changes, many of which are significant, that occurred in our cost structure, financing and operations as a result of the spin off, including the substantial debt we incurred and pension liabilities we assumed in connection with the spin off. In addition, our effective income tax rate as reflected in our historical financial information for periods prior to the spin off has not been and may not be indicative of our future effective income tax rate.

If the Internal Revenue Service determines that our spin off from Sara Lee does not qualify as a tax-free distribution or a tax-free reorganization, we may be subject to substantial liability.

Sara Lee has received a private letter ruling from the Internal Revenue Service, or the IRS, to the effect that, among other things, the spin off qualifies as a tax-free distribution for U.S. federal income tax purposes under Section 355 of the Internal Revenue Code of 1986, as amended, or the Code, and as part of a tax-free reorganization under Section 368(a)(1)(D) of the Code, and the transfer to us of assets and the assumption by us of liabilities in connection with the spin off will not result in the recognition of any gain or loss for U.S. federal income tax purposes to Sara Lee.

Although the private letter ruling relating to the qualification of the spin off under Sections 355 and 368(a)(1)(D) of the Code generally is binding on the IRS, the continuing validity of the ruling is subject to the accuracy of factual representations and assumptions made in connection with obtaining such private letter ruling. Also, as part of the IRS s general policy with respect to rulings on spin off transactions under Section 355 of the Code, the private letter ruling obtained by Sara Lee is based upon representations by Sara Lee that certain conditions which are necessary to obtain tax-free treatment under Section 355 and Section 368(a)(1)(D) of the Code have been satisfied, rather than a determination by the IRS that these conditions have been satisfied. Any inaccuracy in these representations could invalidate the ruling.

If the spin off does not qualify for tax-free treatment for U.S. federal income tax purposes, then, in general, Sara Lee would be subject to tax as if it has sold the common stock of our company in a taxable sale for its fair market value. Sara Lee s stockholders would be subject to tax as if they had received a taxable distribution equal to the fair market value of our common stock that was distributed to them, taxed as a dividend (without reduction for any portion of a Sara Lee s stockholder s basis in its shares of Sara Lee common stock) for U.S. federal income tax purposes and possibly for purposes of state and local tax law, to the extent of a Sara Lee s stockholder s pro rata share of Sara Lee s current and accumulated earnings and profits (including any arising from the taxable gain to Sara Lee with respect to the spin off). It is expected that the amount of any such taxes to Sara Lee s stockholders and to Sara Lee would be substantial.

Pursuant to a tax sharing agreement we entered into with Sara Lee in connection with the spin off, we agreed to indemnify Sara Lee and its affiliates for any liability for taxes of Sara Lee resulting from: (1) any action or failure to act by us or any of our affiliates following the completion of the spin off that would be inconsistent with or prohibit the spin off from qualifying as a tax-free transaction to Sara Lee and to Sara Lee s stockholders under Sections 355 and 368(a)(1)(D) of the Code, or (2) any action or failure to act by us or any of our affiliates following the completion of the spin off that would be inconsistent with or cause to be untrue any material, information, covenant or representation made in connection with the private letter ruling obtained by Sara Lee from the IRS relating to, among other things, the qualification of the spin off as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code. Our indemnification obligations to Sara Lee and its affiliates are not limited in amount or subject to any cap. We expect that the amount of any such taxes to Sara Lee would be substantial.

Anti-takeover provisions of our charter and bylaws, as well as Maryland law and our stockholder rights agreement, may reduce the likelihood of any potential change of control or unsolicited acquisition proposal that our investors might consider favorable.

Our charter permits our Board of Directors, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have the authority to issue. In addition, our Board of Directors may classify or reclassify any unissued shares of common stock or preferred stock and may set the preferences, conversion or other rights, voting powers and other terms of the classified or reclassified shares. Our Board of Directors could establish a series of preferred stock that could have the effect of delaying, deferring or preventing a transaction or a change in

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control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. Our Board of Directors also is permitted, without stockholder approval, to implement a classified board structure at any time.

Our bylaws, which only can be amended by our Board of Directors, provide that nominations of persons for election to our Board of Directors and the proposal of business to be considered at a stockholders meeting may be made only in the notice of the meeting, by our Board of Directors or by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures of our bylaws. Also, under Maryland law, business combinations between us and an interested stockholder or an affiliate of an interested stockholder, including mergers, consolidations, share exchanges or, in circumstances specified in the statute, asset transfers or issuances or reclassifications of equity securities, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. An interested stockholder includes any person who beneficially owns 10% or more of the voting power of our shares or any affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our stock. A person is not an interested stockholder under the statute if our Board of Directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, our Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our board. After the five-year prohibition, any business combination between us and an interested stockholder generally must be recommended by our Board of Directors and approved by two supermajority votes or our common stockholders must receive a minimum price, as defined under Maryland law, for their shares. The statute permits various exemptions from its provisions, including business combinations that are exempted by our Board of Directors prior to the time that the interested stockholder becomes an interested stockholder.

In addition, we have adopted a stockholder rights agreement which provides that in the event of an acquisition of or tender offer for 15% of our outstanding common stock, our stockholders, other than the acquiror, shall be granted rights to purchase our common stock at a certain price. The stockholder rights agreement could make it more difficult for a third-party to acquire our common stock without the approval of our Board of Directors.

These and other provisions of Maryland law or our charter and bylaws could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be considered favorably by our investors.

Risks relating to the notes

We and the guarantors have significant indebtedness and may incur substantial additional indebtedness in the future, including indebtedness ranking equal to the notes and the guarantees.

At October 3, 2009, after giving effect to the Transactions and the application of the estimated net proceeds therefrom as set forth under Use of proceeds, we would have had total consolidated indebtedness of $2,087.7 million, (including $845.0 million of secured indebtedness and guarantees under our New Senior Secured Credit Facilities) and we would have been able to incur an additional $305.0 million of secured indebtedness under our New Senior Secured Credit Facilities. For further discussion, see Description of other indebtedness New senior secured credit facilities.

Subject to the restrictions in the indenture governing the notes and in other instruments governing our other outstanding indebtedness (including our New Senior Secured Credit Facilities), we and our subsidiaries may incur substantial additional indebtedness (including secured indebtedness) in the future. Although the indenture governing the notes and the instruments governing certain of our other outstanding indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to waiver and a number of significant qualifications and exceptions, and indebtedness incurred in compliance with these restrictions could be substantial.

If we or any subsidiary guarantor incurs any additional indebtedness that ranks equally with the notes (or with the guarantee thereof), including trade payables, the holders of that indebtedness will be entitled to share ratably with noteholders in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us or such subsidiary guarantor. This may have the effect of reducing the amount of proceeds paid to noteholders in connection with such a distribution and we may not be able to meet some or all of our debt obligations, including repayment of notes.

Any increase in our level of indebtedness will have several important effects on our future operations, including, without limitation:

- we will have additional cash requirements in order to support the payment of interest on our outstanding indebtedness;
- increases in our outstanding indebtedness and leverage will increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and
- depending on the levels of our outstanding indebtedness, our ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes may be limited.

Our debt instruments have restrictive covenants that could limit our financial flexibility.

The indentures related to the notes offered hereby and to our existing Floating Rate Senior Notes and the Existing Credit Facilities and the New Senior Secured Credit Facilities contain or will contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our ability to borrow under these credit facilities is subject to compliance with certain financial covenants, including total leverage and interest coverage ratios. The Existing Credit Facilities and the New Senior Secured Credit Facilities also include or will include other restrictions that, among other things, limit our ability to incur certain additional indebtedness and certain types of liens, to effect mergers and sales or transfer of assets and to pay cash dividends.

The indenture governing the notes will contain covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur additional debt;
- make certain investments or pay dividends or distributions on our capital stock or purchase, redeem or retire capital stock;
- sell assets, including capital stock of our restricted subsidiaries;

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restrict dividends or other payments by restricted subsidiaries;

create liens that secure debt;

enter into transactions with affiliates; and

merge or consolidate with another company.

These restrictions could, among other things, limit our ability to finance our future operations or capital needs, make acquisitions or pursue available business opportunities.

These covenants are subject to a number of important limitations and exceptions, including a provision allowing us to make restricted payments in an amount calculated pursuant to a formula based upon 50% of our adjusted consolidated net income (as defined in the indenture) since October 1, 2006. As of October 3, 2009, after giving effect to the Transactions, we would have had approximately $391.9 million of available restricted payment capacity pursuant to that provision, in addition to the restricted payment capacity available under other exceptions. See Description of notes Covenants.

In addition, most of the covenants will be suspended if both Standard & Poor s Ratings Services and Moody s Investors Service, Inc., assign the notes an investment grade rating and no default exists with respect to the notes.

See Description of other indebtedness and Description of notes. Our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our indebtedness. We do not have sufficient working capital to satisfy our debt obligations in the event of an acceleration of all or a significant portion of our outstanding indebtedness.

We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay planned investments and capital expenditures, or to sell assets, seek additional financing in the debt or equity markets or restructure or refinance our indebtedness, including the notes. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing the notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. We could also face substantial liquidity problems and might be required to dispose of material assets or operations

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to meet our debt service and other obligations. Our credit facilities and the indentures governing the notes offered hereby and our existing Floating Rate Senior Notes restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could have realized from them and any proceeds may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

An increase in interest rates would increase the cost of servicing our debt and could reduce our profitability.

Our debt under our New Senior Secured Credit Facilities will bear and our existing Floating Rate Senior Notes bear interest at variable rates. We may also incur indebtedness with variable interest rates in the future. As a result, an increase in market interest rates could increase the cost of servicing our debt and could materially reduce our profitability and cash flows.

Your right to receive payments on the notes is effectively subordinated to the right of lenders who have a security interest in our assets to the extent of the value of those assets.

Our obligations under the notes and the guarantors obligations under their guarantees of the notes will be unsecured, but our obligations under our New Senior Secured Credit Facilities and each guarantor s obligations under its guarantee of our New Senior Secured Credit Facilities will be secured by a security interest in substantially all of our assets and the ownership interests of all of our subsidiaries. If we are declared bankrupt or insolvent, or if we default under our New Senior Secured Credit Facilities the funds borrowed thereunder, together with accrued interest, could become immediately due and payable. If we were unable to repay such indebtedness, the lenders under our New Senior Secured Credit Facilities could foreclose on the pledged assets to the exclusion of holders of the notes, even if an event of default exists under the indenture governing the notes at such time. Furthermore, if the lenders foreclose and sell the pledged equity interests in any guarantor in a transaction permitted under the terms of the indenture governing the notes, then such guarantor will be released from its guarantee of the notes automatically and immediately upon such sale. In any such event, because the notes are not secured by any of such assets or by the equity interests in any such guarantor, it is possible that there would be no assets from which your claims could be satisfied or, if any assets existed, they might be insufficient to satisfy your claims in full.

As of October 3, 2009, after giving effect to the Transactions and the application of the estimated net proceeds therefrom as set forth under Use of proceeds, we would have had total consolidated indebtedness of $2,087.7 million, consisting of $845.0 million of secured indebtedness outstanding under the New Senior Secured Credit Facilities, $500.0 million of the notes offered hereby, $493.7 million of the Floating Rate Senior Notes and $249.0 million outstanding under our Accounts Receivable Securitization Facility. The subsidiary guarantors would have guaranteed total indebtedness of $1,838.7 million, consisting of $845.0 million of secured guarantees under our New Senior Secured Credit Facilities $500.0 million of guarantees of the notes offered hereby and $493.7 million of guarantees of the Floating Rate Senior Notes, excluding intercompany indebtedness, and we would have been able to incur an additional $305.0 million of secured indebtedness under our New Senior Secured Credit Facilities. For further discussion, see Description of other indebtedness.

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Our ability to repay our debt, including the notes, is affected by the cash flow generated by our subsidiaries.

Our subsidiaries own a portion of our assets and conduct a portion of our operations. Accordingly, repayment of our indebtedness, including the notes, will be dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Substantially all of our existing domestic subsidiaries on the date of completion of this offering will guarantee our obligations under the notes. Unless they guarantee the notes, any of our future subsidiaries will not have any obligation to pay amounts due on the notes or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture governing the notes limits the ability of our subsidiaries to incur consensual encumbrances or restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to waiver and certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal, premium, if any, and interest payments on our indebtedness, including the notes. If we are unable to obtain sufficient funds from our subsidiaries, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot guarantee that such alternative financing would be possible or successful. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms would have an adverse effect on our business, financial condition, results of operations and cash flow as well as on our ability to pay interest or principal on the notes when due, or redeem the notes upon a change of control.

Claims of noteholders will be structurally subordinated to claims of creditors of any of our future subsidiaries that do not guarantee the notes.

We conduct a portion of our operations through our subsidiaries. Subject to certain limitations, the indenture governing the notes permits us to form or acquire certain subsidiaries that are not guarantors of the notes and to permit such non-guarantor subsidiaries to acquire assets and incur indebtedness, and noteholders would not have any claim as a creditor against any of our non-guarantor subsidiaries to the assets and earnings of those subsidiaries. The claims of the creditors of those subsidiaries, including their trade creditors, banks and other lenders, would have priority over any of our claims or those of our other subsidiaries as equity holders of the non-guarantor subsidiaries. Consequently, in any insolvency, liquidation, reorganization, dissolution or other winding-up of any of the non-guarantor subsidiaries, creditors of those subsidiaries would be paid before any amounts would be distributed to us or to any of the guarantors as equity, and thus be available to satisfy our obligations under the notes and other claims against us or the guarantors.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under our New Senior Secured Credit Facilities and the indentures governing our existing Floating Rate Senior Notes and the notes offered hereby, that is not waived, and the remedies sought by the holders of such indebtedness, could prevent us from paying principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the instruments governing our indebtedness, including covenants in our New Senior Secured Credit Facilities and the indentures governing the notes offered hereby and our existing Floating Rate Senior Notes, we could be in default under the terms of the agreements governing such indebtedness, including our New Senior Secured Credit Facilities and the indentures governing the notes offered hereby and our existing Floating Rate Senior Notes. In the event of such default:

the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest;

the lenders under our New Senior Secured Credit Facilities could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets; and

we could be forced into bankruptcy or liquidation.

If our operating performance declines, we may in the future need to obtain waivers under our New Senior Secured Credit Facilities to avoid being in default. If we breach our covenants under our New Senior Secured Credit Facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our New Senior Secured Credit Facilities, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, we may be required to offer to repurchase all outstanding notes offered hereby and our existing Floating Rate Senior Notes at 101% of their principal amount plus accrued and unpaid interest, if any. The source of funds for any such purchase of such notes will be our available cash or cash generated from the operations of our subsidiaries or other sources, including borrowings, sales of assets or sales of equity or debt securities. We may not be able to repurchase such notes upon a change of control because we may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control. Our failure to repurchase the notes offered hereby and our existing Floating Rate Senior Notes upon a change of control could cause a default under the indentures governing the notes offered hereby and our existing Floating Rate Senior Notes and could lead to a cross default under our New Senior Secured Credit Facilities.

The change of control put right might not be enforceable.

In a recent decision, the Chancery Court of Delaware raised the possibility that a change of control put right occurring as a result of a failure to have continuing directors comprising a majority of a board of directors might be unenforceable on public policy grounds.

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Federal bankruptcy and state fraudulent transfer laws and other limitations may preclude the recovery of payments under the guarantees.

Initially, substantially all of our domestic subsidiaries will guarantee the notes. Federal bankruptcy and state fraudulent transfer laws permit a court, if it makes certain findings, to avoid all or a portion of the obligations of the guarantors pursuant to their guarantees of the notes, or to subordinate any such guarantor s obligations under such guarantee to claims of its other creditors, reducing or eliminating the noteholders ability to recover under such guarantees. Although laws differ among these jurisdictions, in general, under applicable fraudulent transfer or conveyance laws, a guarantee could be voided as a fraudulent transfer or conveyance if (1) the guarantee was incurred with the intent of hindering, delaying or defrauding creditors; or (2) the guarantor received less than reasonably equivalent value or fair consideration in return for incurring the guarantee and, in the case of (2) only, one of the following is also true:

- the guarantor was insolvent or rendered insolvent by reason of the incurrence of the guarantee or subsequently become insolvent for other reasons;
- the incurrence of the guarantee left the guarantor with an unreasonably small amount of capital to carry on the business; or
- the guarantor intended to, or believed that it would, incur debts beyond its ability to pay such debts as they mature.

A court would likely find that a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee if the guarantor did not substantially benefit directly or indirectly from the issuance of the notes. If a court were to void a guarantee, you would no longer have a claim against the guarantor. Sufficient funds to repay the notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from the guarantor.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the governing law. Generally, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they became absolute and mature; or
- it could not pay its debts as they became due.

Each guarantee will contain a provision intended to limit the guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law.

An active trading market for the notes may not develop.

There is no existing market for the notes. The notes will not be listed on any securities exchange. There can be no assurance that a trading market for the notes will ever develop or will be maintained. Further, there can be no assurance as to the liquidity of any market that may develop for the notes, your ability to sell your notes or the price at which you will be able to sell your

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notes. Future trading prices of the notes will depend on many factors, including prevailing interest rates, our financial condition and results of operations, the then-current ratings assigned to the notes and the market for similar securities. Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including the:

- time remaining to the maturity of the notes;
- outstanding amount of the notes;
- terms related to optional redemption of the notes; and
- level, direction and volatility of market interest rates generally.

If an active market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected.

The notes may be issued with OID for U.S. federal income tax purposes.

The notes may be issued with OID for U.S. federal income tax purposes. If this is the case and if you are a U.S. holder, you generally will be required to accrue OID on a current basis as ordinary income and pay tax accordingly, even before you receive cash attributable to that income and regardless of your method of tax accounting. For further discussion of the computation and reporting of OID, see U.S. federal income tax consequences United States holders Original issue discount.

If a bankruptcy petition were filed by or against us, holders of the notes may receive a lesser amount for their claim than they would have been entitled to receive under the indenture governing the notes.

If a bankruptcy petition were filed by or against us under the U.S. Bankruptcy Code after the issuance of the notes, the claim by any holder of the notes for the principal amount of the notes may be limited to an amount equal to the sum of:

- the original issue price for the notes; and

- that portion of any OID that does not constitute unmatured interest for purposes of the U.S. Bankruptcy Code.

Any OID that was not amortized as of the date of the bankruptcy filing would constitute unmatured interest. Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the indenture governing the notes, even if sufficient funds are available.

Many of the covenants contained in the indenture will be suspended if the notes are rated investment grade by both of Standard & Poor s Ratings Services and Moody s Investors Service, Inc.

Many of the covenants in the indenture governing the notes will be suspended if the notes are rated investment grade by both of Standard & Poor s Ratings Service and Moody s Investors Service, Inc., provided at such time no default under the indenture has occurred and is continuing. These covenants restrict, among other things, our ability to pay dividends, to incur debt and to enter into certain other transactions. There can be no assurance that the notes will ever be rated investment grade, or that if they are rated investment grade, that the notes will maintain such ratings. However, suspension of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force. Please see Description of notes Covenants Changes in covenants when notes rated investment grade.

Ratio of earnings to fixed charges

	Nine months ended October 3, 2009	Years ended January 3, 2009	December 29, 2007	Six months ended December 30, 2006	July 1, 2006	Years ended July 2, 2005	July 3, 2004
Ratio of earnings to fixed charges(1)	1.35	1.91	1.83	2.24	10.37	7.64	8.71

(1) The Ratio of Earnings to Fixed Charges should be read in conjunction with our financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included or incorporated by reference in this prospectus supplement. The interest expense included in the fixed charges calculation above excludes interest expense relating to the Company s uncertain tax positions. The percentage of rent included in the calculation is a reasonable approximation of the interest factor.

Use of proceeds

We expect the net proceeds of this offering to be approximately $485.2 million, after deducting underwriting discounts and estimated expenses payable by us (assuming no discount relating to the notes).

We intend to use the net proceeds from this offering, together with the proceeds from the borrowings under our New Senior Secured Credit Facilities to refinance the borrowings under our existing Senior Secured Credit Facilities, to repay the borrowings under our existing Second Lien Credit Facility and to pay fees and expenses relating to the Transactions. Our Second Lien Credit Facility will be terminated concurrently with the closing of this offering. In connection with the Transactions, we expect to recognize cash and non-cash expenses relating to the unamortized portion of the deferred financing fees relating to our Existing Credit Facilities and expenses related to this offering and our New Senior Credit Facilities. We also expect to recognize an expense of approximately $30.0 million relating to the termination of a portion of the hedging arrangements relating to our Existing Credit Facilities. The expense related to the termination of the hedging arrangements could change based on changes in interest rates and overall market conditions.

The revolving credit facility under our Senior Secured Credit Facilities matures on September 5, 2011 and the term A loan facility and the term B loan facility under our Senior Secured Credit Facilities mature on September 5, 2012 and September 5, 2013, respectively. The Second Lien Credit Facility matures on March 5, 2014.

As of October 3, 2009, borrowings under the revolving credit facility of our Senior Secured Credit Facilities would bear interest at 6.75% and borrowings under the term A loan facility and the term B loan facility of our Senior Secured Credit Facilities bore interest at 5.00% and 5.25%, respectively. Borrowings under the Second Lien Credit Facility bore interest at 4.25%. See Description of other indebtedness Senior Secured Credit Facilities and Description of other indebtedness Second Lien Credit Facility, for additional information.

We used borrowings under our Existing Credit Facilities for payments to Sara Lee in connection with our spin off and for general corporate purposes.

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Capitalization

The following table sets forth our cash and cash equivalents and capitalization on a historical basis as of October 3, 2009, on an actual basis and as adjusted to give effect to the Transactions. This table should be read in conjunction with Use of proceeds, Selected historical financial data, Management s discussion and analysis of financial condition and results of operations, and our financial statements and corresponding notes incorporated by reference in this prospectus supplement.

	October 3, 2009	
(in thousands)	**Actual**	**As adjusted[(6)]**
Cash and cash equivalents	$ 38,617	$ 38,617
Debt, including current and long-term		
Senior Secured Credit Facilities:[(1)]		
Term A loan facility	139,000	
Term B loan facility	711,000	
Revolving credit facility[(2)]		
Second Lien Credit Facility[(3)]	450,000	
New Senior Secured Credit Facilities:[(4)]		
Term loan facility		750,000
Revolving credit facility		95,000
Notes offered hereby[(5)]		500,000
Floating Rate Senior Notes	493,680	493,680
Accounts Receivable Securitization Facility	249,043	249,043
Total debt	$ 2,042,723	$ 2,087,723
Total stockholders equity	$ 293,184	$ 293,184
Total capitalization	$ 2,335,907	$ 2,380,907

(1) The Senior Secured Credit Facilities consist of a term loan A facility, a term loan B facility and a revolving credit facility and provide for aggregate borrowings of up to $2.15 billion. As of October 3, 2009, we had $139.0 million outstanding under the term loan A facility, $711.0 million outstanding under the term loan B facility and no amounts outstanding under the revolving credit facility. See Description of other indebtedness for additional information.

(2) As of November 27, 2009, we had approximately $30.0 million outstanding under the revolving credit facility, excluding approximately $26.0 million in letters of credit outstanding.

(3) The Second Lien Credit Facility provides for aggregate borrowings of $450.0 million by our wholly-owned subsidiary, HBI Branded Apparel Limited, Inc. As of October 3, 2009, we had $450.0 million outstanding under the Second Lien Credit Facility. See Description of other indebtedness for additional information.

(4) The New Senior Secured Credit Facilities will consist of a term loan facility and a revolving credit facility, provide for aggregate borrowings of up to $1.15 billion, subject to certain conditions, and will have a six-year maturity for the term loan facility and a four-year maturity for the revolving credit facility. See Description of other indebtedness New senior secured credit facilities.

(5) Represents the aggregate principal amount of the notes. The fees and expenses and any discount related to this offering will accrete over the life of the notes and will be amortized into interest expense.

(6) Actual amounts may vary from estimated amounts depending on several factors, including the actual size of this offering, any discounts to the stated principal amount of the notes in connection with this offering, fluctuations in cash on hand between October 3, 2009 and the actual closing date of the Transactions, payments of accrued interest subsequent to October 3, 2009 and differences from our estimated fees and expenses. Any changes in these amounts may affect the amount of cash required for the Transactions.

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Selected historical financial data

The following table presents our selected historical financial data. The statement of income data for the years ended January 3, 2009 and December 29, 2007, the six-month period ended December 30, 2006 and the years ended July 1, 2006, July 2, 2005 and July 3, 2004, and the balance sheet data as of January 3, 2009, December 29, 2007, December 30, 2006, July 1, 2006, July 2, 2005 and July 3, 2004 have been derived from our audited Consolidated Financial Statements. The statement of income data for the nine months ended October 3, 2009 and September 27, 2008 and the balance sheet data as of October 3, 2009 and September 27, 2008 have been derived from our unaudited Condensed Consolidated Financial Statements and, in our opinion, have been prepared on a basis consistent with our audited financial statements. The results for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year.

In October 2006, our Board of Directors approved a change in our fiscal year end from the Saturday closest to June 30 to the Saturday closest to December 31. As a result of this change, our financial statements include presentation of the transition period beginning on July 2, 2006 and ending on December 30, 2006.

Our historical financial data for periods prior to our spin off from Sara Lee on September 5, 2006 is not necessarily indicative of our future performance or what our financial position and results of operations would have been if we had operated as a separate, stand alone entity during all of the periods shown. The data should be read in conjunction with our historical financial statements and Management s discussion and analysis of financial condition and results of operations included elsewhere or incorporated by reference in this prospectus supplement.

	Nine months ended		Years ended		Six months ended			Years en
housands)	October 3, 2009	September 27, 2008	January 3, 2009	December 29, 2007	December 30, 2006	July 1, 2006	July 2, 2005	Jul 2
ement of me Data:								
ales	$ 2,902,536	$ 3,213,653	$ 4,248,770	$ 4,474,537	$ 2,250,473	$ 4,472,832	$ 4,683,683	$ 4,632,
of sales	1,960,589	2,145,949	2,871,420	3,033,627	1,530,119	2,987,500	3,223,571	3,092,
s profit	941,947	1,067,704	1,377,350	1,440,910	720,354	1,485,332	1,460,112	1,540,
ng, general nistrative nses	702,204	776,267	1,009,607	1,040,754	547,469	1,051,833	1,053,654	1,087,
on ilment of etirement fits				(32,144)	(28,467)			
ucturing	46,319	32,355	50,263	43,731	11,278	(101)	46,978	27,

ating profit	193,424	259,082	317,480	388,569	190,074	433,600	359,480	425,
r (income) nse	6,537		(634)	5,235	7,401			
est expense,	124,548	115,282	155,077	199,208	70,753	17,280	13,964	24,
me before me tax nse efit)	62,339	143,800	163,037	184,126	111,920	416,320	345,516	400,
me tax nse efit)	9,974	34,512	35,868	57,999	37,781	93,827	127,007	(48,
ncome	$ 52,365	$ 109,288	$ 127,169	$ 126,127	$ 74,139	$ 322,493	$ 218,509	$ 449,

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usands)	October 3, 2009	September 27, 2008	January 3, 2009	December 29, 2007	December 30, 2006	July 1, 2006	July 2, 2005	J
e Sheet Data:								
d cash ents	$ 38,617	$ 86,212	$ 67,342	$ 174,236	$ 155,973	$ 298,252	$ 1,080,799	$ 67
ssets	3,491,913	3,627,638	3,534,049	3,439,483	3,435,620	4,903,886	4,257,307	4,40
ts Receivable zation Facility	249,043		45,640		NA	NA	NA	
rent liabilities:								
erm debt	1,793,680	2,315,250	2,130,907	2,315,250	2,484,000			
oncurrent es	481,425	159,870	469,703	146,347	271,168	49,987	53,559	3
oncurrent es	2,275,105	2,475,120	2,600,610	2,461,597	2,755,168	49,987	53,559	3
ockholders or companies	293,184	380,934	185,155	288,904	69,271	3,229,134	2,602,362	2,79

Management s discussion and analysis of financial condition and results of operations

This management s discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see Cautionary statement regarding forward-looking statements and Risk factors in this prospectus supplement for a discussion of the uncertainties, risks and assumptions associated with these statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this prospectus supplement. On October 26, 2006, our Board of Directors approved a change in our fiscal year end from the Saturday closest to June 30 to the Saturday closest to December 31. We refer to the resulting transition period from July 2, 2006 to December 30, 2006 in this prospectus supplement as the six months ended December 30, 2006. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those listed under Risk factors in this prospectus supplement and included elsewhere in this prospectus supplement.

MD&A is a supplement to our financial statements and notes thereto incorporated by reference in this prospectus supplement, and is provided to enhance your understanding of our results of operations and financial condition. Our MD&A is organized as follows:

Overview. This section provides a general description of our company and operating segments, business and industry trends, our key business strategies, our consolidation and globalization strategy, and background information on other matters discussed in this MD&A.

Components of net sales and expense. This section provides an overview of the components of our net sales and expense that are key to an understanding of our results of operations.

Highlights from the year ended January 3, 2009. This section discusses some of the highlights of our performance and activities during 2008.

Consolidated results of operations and operating results by business segment. These sections provide our analysis and outlook for the significant line items on our statements of income, as well as other information that we deem meaningful to an understanding of our results of operations on both a consolidated basis and a business segment basis.

Liquidity and capital resources. This section provides an analysis of trends and uncertainties affecting liquidity, cash requirements for our business, sources and uses of our cash and our financing arrangements.

Critical accounting policies and estimates. This section discusses the accounting policies that we consider important to the evaluation and reporting of our financial condition and results of operations, and whose application requires significant judgments or a complex estimation process.

Recently issued accounting pronouncements. This section provides a summary of the most recent authoritative accounting pronouncements and guidance that we will be required to adopt in a future period.

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Overview

Our company

We are a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *C9 by Champion*, *Playtex*, *Bali*, *L eggs*, *Just My Size*, *barely there*, *Wonderbra*, *Stedman*, *Outer Banks*, *Zorba*, *Rinbros and Duofold*. We design, manufacture, source and sell a broad range of apparel essentials such as t-shirts, bras, panties, men s underwear, kids underwear, casualwear, activewear, socks and hosiery.

According to NPD, our brands hold either the number one or number two U.S. market position by sales value in most product categories in which we compete, for the 12 month period ended November 30, 2008. In 2008, *Hanes* was number one for the fifth consecutive year on the Women s Wear Daily Top 100 Brands Survey for apparel and accessory brands that women know best and was number one for the fifth consecutive year as the most preferred men s, women s and children s apparel brand of consumers in Retailing Today magazine s Top Brands Study. Additionally, the company had five of the top ten intimate apparel brands preferred by consumers in the Retailing Today study *Hanes, Playtex, Bali, Just My Size* and *L eggs*.

Our distribution channels include direct-to-consumer sales at our outlet stores, national chains and department stores and warehouse clubs, mass-merchandise outlets and international sales. For the year ended January 3, 2009, approximately 44% of our net sales were to mass merchants, 18% were to national chains and department stores, 9% were direct to consumers, 11% were in our International segment and 18% were to other retail channels such as embellishers, specialty retailers, warehouse clubs and sporting goods stores.

Our segments

Our operations are managed in five operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Outerwear, Hosiery, International and Other. These segments are organized principally by product category and geographic location. Management of each segment is responsible for the operations of these segments businesses but share a common supply chain and media and marketing platforms.

Innerwear. The Innerwear segment focuses on core apparel essentials, and consists of products such as women s intimate apparel, men s underwear, kids underwear, socks and thermals, marketed under well-known brands that are trusted by consumers. We are an intimate apparel category leader in the United States with our *Hanes, Playtex, Bali, barely there, Just My Size* and *Wonderbra* brands. We are also a leading manufacturer and marketer of men s underwear and kids underwear under the *Hanes*, *Champion*, *C9 by Champion* and *Polo Ralph Lauren* brand names. Our direct-to-consumer retail operations are included within the Innerwear segment. The retail operations include our value-based (outlet) stores, internet operations and catalogs which sell products from our portfolio of leading brands. As of October 3, 2009 and January 3, 2009, we had 228 and 213 outlet stores, respectively. Net sales for the nine months ended October 3, 2009 from our Innerwear segment were $1.71 billion, representing approximately 58% of total segment net sales. Net sales for the year ended January 3, 2009 from our Innerwear segment were $2.4 billion, representing approximately 56% of total segment net sales.

Outerwear. We are a leader in the casualwear and activewear markets through our *Hanes*, *Champion* and *Just My Size* brands, where we offer products such as t-shirts and fleece. Our casualwear lines offer a range of quality, comfortable clothing for men, women and children marketed under the *Hanes* and *Just My Size* brands. The *Just My Size* brand offers casual apparel designed exclusively to meet the needs of plus-size women. In addition to activewear for men and women, *Champion* provides uniforms for athletic programs and includes an apparel program, *C9 by Champion*, at Target stores. We also license our *Champion* name for collegiate apparel and footwear. We also supply our t-shirts, sportshirts and fleece products, including brands such as *Hanes*, *Champion*, *Outer Banks* and *Hanes Beefy-T*, to customers, primarily wholesalers, who then resell to screen printers and embellishers. Net sales for the nine months ended October 3, 2009 from our Outerwear segment were $776 million, representing approximately 26% of total segment net sales. Net sales for the year ended January 3, 2009 from our Outerwear segment were $1.2 billion, representing approximately 28% of total segment net sales.

Hosiery. We are the leading marketer of women s sheer hosiery in the United States. We compete in the hosiery market by striving to offer superior values and executing integrated marketing activities, as well as focusing on the style of our hosiery products. We market hosiery products under our *L eggs, Hanes* and *Just My Size* brands. Net sales for the nine months ended October 3, 2009 from our Hosiery segment were $139 million, representing approximately 5% of total segment net sales. Net sales for the year ended January 3, 2009 from our Hosiery segment were $228 million, representing approximately 5% of total segment net sales. We expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences.

International. International includes products that span across the Innerwear, Outerwear and Hosiery reportable segments and are primarily marketed under the *Hanes, Wonderbra, Champion, Stedman, Playtex, Zorba, Rinbros, Kendall, Sol y Oro, Ritmo* and *Bali* brands. Net sales for the nine months ended October 3, 2009 from our International segment were $295 million, representing approximately 10% of total segment net sales. Net sales for the year ended January 3, 2009 from our International segment were $460 million, representing approximately 11% of total segment net sales and included sales in Latin America, Asia, Canada and Europe. Canada, Europe, Japan and Mexico are our largest international markets, and we also have sales offices in India and China.

Other. Our Other segment primarily consists of sales of yarn to third parties in the United States and Latin America that maintain asset utilization at certain manufacturing facilities and are intended to generate approximate break even margins. Net sales for the nine months ended October 3, 2009 in our Other segment were $12 million, representing less than 1% of total segment net sales. Net sales for the year ended January 3, 2009 in our Other segment were $22 million, representing less than 1% of total segment net sales. Net sales from our Other segment are expected to continue to decline and to ultimately become insignificant to us as we complete the implementation of our consolidation and globalization efforts. In September 2009, we announced that we will cease making our own yarn and that we will source all of our yarn requirements from large-scale yarn suppliers, which is expected to further reduce net sales of our Other segment.

Business and industry trends

We are operating in an uncertain and volatile economic environment, which could have unanticipated adverse effects on our business. The current retail environment has been impacted by recent volatility in the financial markets, including declines in stock prices, and by uncertain

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economic conditions. Increases in food and fuel prices, changes in the credit and housing markets leading to the current financial and credit crisis, actual and potential job losses among many sectors of the economy, significant declines in the stock market resulting in large losses to consumer retirement and investment accounts, and uncertainty regarding future federal tax and economic policies have all added to declines in consumer confidence and curtailed retail spending.

The apparel essentials market is highly competitive and evolving rapidly. Competition is generally based upon price, brand name recognition, product quality, selection, service and purchasing convenience. The majority of our core styles continue from year to year, with variations only in color, fabric or design details. Some products, however, such as intimate apparel, activewear and sheer hosiery, do have an emphasis on style and innovation. Our businesses face competition today from other large corporations and foreign manufacturers, as well as smaller companies, department stores, specialty stores and other retailers that market and sell apparel essentials products under private labels that compete directly with our brands.

Our top ten customers accounted for 65% of our net sales and our top customer, Wal-Mart, accounted for over $1.1 billion of our sales for the year ended January 3, 2009. Our largest customers in the year ended January 3, 2009 were Wal-Mart, Target and Kohl s, which accounted for 27%, 16% and 6% of total sales, respectively. The growth in retailers can create pricing pressures as our customers grow larger and seek to have greater concessions in their purchase of our products, while they can be increasingly demanding that we provide them with some of our products on an exclusive basis. To counteract these effects, it has become increasingly important to leverage our national brands through investment in our largest and strongest brands as our customers strive to maximize their performance especially in today s challenging economic environment. In addition, during the past several years, various retailers, including some of our largest customers, have experienced significant difficulties, including restructurings, bankruptcies and liquidations, and the ability of retailers to overcome these difficulties may increase due to the recent deterioration of worldwide economic conditions.

Anticipating changes in and managing our operations in response to consumer preferences remains an important element of our business. In recent years, we have experienced changes in our net sales, revenues and cash flows in accordance with changes in consumer preferences and trends. For example, we expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences. The Hosiery segment only comprised 5% of our net sales in the year ended January 3, 2009 however, and as a result, the decline in the Hosiery segment has not had a significant impact on our net sales, revenues or cash flows. Generally, we manage the Hosiery segment for cash, placing an emphasis on reducing our cost structure and managing cash efficiently.

Our key business strategies

Sell more, spend less and generate cash are our broad strategies to build our brands, reduce our costs and generate cash.

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Sell more

Through our sell more strategy, we seek to drive profitable growth by consistently offering consumers brands they love and trust and products with unsurpassed value. Key initiatives we are employing to implement this strategy include:

Build big, strong brands in big core categories with innovative key items. Our ability to react to changing customer needs and industry trends is key to our success. Our design, research and product development teams, in partnership with our marketing teams, drive our efforts to bring innovations to market. We seek to leverage our insights into consumer demand in the apparel essentials industry to develop new products within our existing lines and to modify our existing core products in ways that make them more appealing, addressing changing customer needs and industry trends. We also support our key brands with targeted, effective advertising and marketing campaigns.

Foster strategic partnerships with key retailers via team selling. We foster relationships with key retailers by applying our extensive category and product knowledge, leveraging our use of multi-functional customer management teams and developing new customer-specific programs such as *C9 by Champion* for Target. Our goal is to strengthen and deepen our existing strategic relationships with retailers and develop new strategic relationships.

Use Kanban concepts to have the right products available in the right quantities at the right time. Through Kanban, a multi-initiative effort that determines production quantities, and in doing so, facilitates just-in-time production and ordering systems, we seek to ensure that products are available to meet customer demands while effectively managing inventory levels.

Spend less

Through our spend less strategy, we seek to become an integrated organization that leverages its size and global reach to reduce costs, improve flexibility and provide a high level of service. Key initiatives we are employing to implement this strategy include:

Globalizing our supply chain by balancing across hemispheres into economic clusters with fewer, larger facilities. As a provider of high-volume products, we are continually seeking to improve our cost-competitiveness and operating flexibility through supply chain initiatives. Through our consolidation and globalization strategy, which is discussed in more detail below, we will continue to transition additional parts of our supply chain to lower-cost locations in Asia, Central America and the Caribbean Basin in an effort to optimize our cost structure. As part of this process, we are using Kanban concepts to optimize the way we manage demand, to increase manufacturing flexibility to better respond to demand variability and to simplify our finished goods and the raw materials we use to produce them. We expect that these changes in our supply chain will result in significant cost efficiencies and increased asset utilization.

Leverage our global purchasing and manufacturing scale. Historically, we have had a decentralized operating structure with many distinct operating units. We are in the process of consolidating purchasing, manufacturing and sourcing across all of our product categories in the United States. We believe that these initiatives will streamline our operations, improve our inventory management, reduce costs and standardize processes.

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Generate cash

Through our generate cash strategy, we seek to effectively generate and invest cash at or above our weighted average cost of capital to provide superior returns for both our equity and debt investors. Key initiatives we are employing to implement this strategy include:

Optimizing our capital structure to take advantage of our business model s strong and consistent cash flows. Maintaining appropriate debt leverage and utilizing excess cash to, for example, pay down debt, invest in our own stock and selectively pursue strategic acquisitions are keys to building a stronger business and generating additional value for investors.

Continuing to improve turns for accounts receivables, inventory, accounts payable and fixed assets. Our ability to generate cash is enhanced through more efficient management of accounts receivables, inventory, accounts payable and fixed assets.

Consolidation and globalization strategy

We expect to continue our restructuring efforts through the end of 2009 as we continue to execute our consolidation and globalization strategy. We have closed plant locations, reduced our workforce, and relocated some of our manufacturing capacity to lower cost locations in Asia, Central America and the Caribbean Basin.

During the nine months of 2009, we announced that we will cease making our own yarn and that we will source all of our yarn requirements from large-scale yarn suppliers. We entered into an agreement with Parkdale America, LLC (Parkdale America) under which we agreed to sell or lease assets related to operations at our four yarn manufacturing facilities to Parkdale America. The transaction closed in October 2009 and resulted in Parkdale America operating three of the four facilities. We approved an action to close the fourth yarn manufacturing facility, as well as a yarn warehouse and a cotton warehouse, all located in the United States, which will result in the elimination of approximately 175 positions. We also entered into a yarn purchase agreement with Parkdale America and Parkdale Mills, LLC (together with Parkdale America, Parkdale). Under this agreement, which has an initial term of six years, Parkdale will produce and sell to us a substantial amount of our Western Hemisphere yarn requirements. During the first two years of the term, Parkdale will also produce and sell to us a substantial amount of the yarn requirements of our Nanjing, China textile facility.

We have restructured our supply chain over the past three years to create more efficient production clusters that utilize fewer, larger facilities and to balance our production capability between the Western Hemisphere and Asia. With our global supply chain restructured, we are now focused on optimizing our supply chain to further enhance efficiency, improve working capital and asset turns and reduce costs. We are focused on optimizing the working capital needs of our supply chain through several initiatives, such as supplier-managed inventory for raw materials and sourced goods ownership relationships.

In addition to the actions discussed above relating to our yarn operations, during the nine months ended October 3, 2009, in furtherance of our consolidation and globalization strategy, we approved actions to close four manufacturing facilities and two distribution centers in the Dominican Republic, the United States, Honduras, Puerto Rico and Canada, and eliminate an aggregate of approximately 2,925 positions in those countries and El Salvador. In addition, approximately 300 management and administrative positions were eliminated, with the majority of these positions based in the United States. We also have recognized accelerated depreciation

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with respect to owned or leased assets associated with manufacturing facilities and distribution centers which closed during 2009 or we anticipate closing in the next year as part of our consolidation and globalization strategy.

During the year ended January 3, 2009, in furtherance of our consolidation and globalization strategy, we approved actions to close 11 manufacturing facilities and three distribution centers and eliminate approximately 6,800 positions in Mexico, the United States, Costa Rica, Honduras and El Salvador. In addition, approximately 200 management and administrative positions were eliminated, with the majority of these positions based in the United States. We also have recognized accelerated depreciation with respect to owned or leased assets associated with manufacturing facilities and distribution centers which closed during 2008 or we anticipate closing in the next several years as part of our consolidation and globalization strategy.

While we believe that this strategy has had and will continue to have a beneficial impact on our operational efficiency and cost structure, we have incurred significant costs to implement these initiatives. In particular, we have recorded charges for severance and other employment-related obligations relating to workforce reductions, as well as payments in connection with lease and other contract terminations. In addition, we incurred charges for one-time write-offs of stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate related to the closure of manufacturing facilities. These amounts are included in the Cost of sales, Restructuring and Selling, general and administrative expenses lines of our statements of income.

Our significant supply chain capital spending and acquisition actions during 2008 include:

- During the second quarter of 2008, we added three company-owned sewing plants in Southeast Asia two in Vietnam and one in Thailand giving us four sewing plants in Asia.

- In October 2008, we acquired a 370-employee embroidery facility in Honduras. For the past eight years, these operations have produced embroidered and screen-printed apparel for us. This acquisition better positions us for long-term growth in these segments.

- During the fourth quarter of 2008, we commenced production at our 500,000 square foot socks manufacturing facility in El Salvador. This facility, co-located with textile manufacturing operations that we acquired in 2007, provides a manufacturing base in Central America from which to leverage our production scale at a lower cost location.

- We continued construction of a textile production plant in Nanjing, China, which is our first company-owned textile production facility in Asia. We commenced production in the fourth quarter of 2009. The Nanjing textile facility will enable us to expand and leverage our production scale in Asia as we balance our supply chain across hemispheres.

We have made significant progress in our multiyear goal of generating gross savings that could approach or exceed $200 million. As a result of the restructuring actions taken since our spin off from Sara Lee on September 5, 2006, our cost structure was reduced and efficiencies improved, generating savings of $62 million during the nine months ended October 3, 2009 and during the year ended January 3, 2009. In addition to the savings generated from restructuring actions, we benefited from $21 million in savings related to other cost reduction initiatives during the nine months ended October 3, 2009, and we benefited from $14 million in savings related to other cost reduction initiatives during the year ended January 3, 2009. Of the seven manufacturing facilities and distribution centers approved for closure in 2006, two were closed in 2006 and five were closed in 2007. Of the 19 manufacturing facilities and distribution centers approved

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for closure in 2007, 10 were closed in 2007 and nine were closed in 2008. Of the 14 manufacturing facilities and distribution centers approved for closure in 2008, nine were closed in 2008 and five are expected to close in 2009. For more information about our restructuring actions, see Note 5, titled Restructuring to our Consolidated Financial Statements for the year ended January 3, 2009 and Note 4 to our Condensed Consolidated Financial Statements for the period ended October 3, 2009 incorporated by reference in this prospectus supplement.

The continued implementation of our globalization and consolidation strategy, which is designed to improve operating efficiencies and lower costs, has resulted and is likely to continue to result in significant costs in the short-term and generate savings as well as higher inventory levels for the next 12 to 15 months. As further plans are developed and approved, we expect to recognize additional restructuring costs as we eliminate duplicative functions within the organization and transition a significant portion of our manufacturing capacity to lower-cost locations. As a result of this strategy, we expect to incur approximately $250 million in restructuring and related charges over the three year period following the spin off from Sara Lee on September 5, 2006, of which approximately half is expected to be noncash. As of January 3, 2009, we have recognized approximately $209 million and announced approximately $219 million in restructuring and related charges related to these efforts since September 5, 2006. Of these charges, approximately $84 million relates to accelerated depreciation of buildings and equipment for facilities that have been or will be closed, approximately $79 million relates to employee termination and other benefits, approximately $19 million relates to write-offs of stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate, approximately $17 million relates to lease termination and other costs and approximately $10 million related to impairments of fixed assets.

Seasonality and other factors

Our operating results are subject to some variability. Generally, our diverse range of product offerings helps mitigate the impact of seasonal changes in demand for certain items. Sales are typically higher in the last two quarters (July to December) of each fiscal year. Socks, hosiery and fleece products generally have higher sales during this period as a result of cooler weather, back-to-school shopping and holidays. Sales levels in any period are also impacted by customers decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice to us. For example, we have experienced a shift in timing by our largest retail customers of back-to-school programs between June and July the last two years. Our results of operations are also impacted by fluctuations and volatility in the price of cotton and oil-related materials and the timing of actual spending for our media, advertising and promotion expenses. Media, advertising and promotion expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Although the majority of our products are replenishment in nature and tend to be purchased by consumers on a planned, rather than on an impulse, basis, our sales are impacted by discretionary spending by our customers. Discretionary spending is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, currency exchange rates, taxation, electricity power rates, gasoline prices, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside of our control. Our customers purchases of discretionary items, including our products, could decline during periods when disposable

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income is lower, when prices increase in response to rising costs, or in periods of actual or perceived unfavorable economic conditions. These consumers may choose to purchase fewer of our products or to purchase lower-priced products of our competitors in response to higher prices for our products, or may choose not to purchase our products at prices that reflect our price increases that become effective from time to time.

Inflation and changing prices

Inflation can have a long-term impact on us because increasing costs of materials and labor may impact our ability to maintain satisfactory margins. For example, a significant portion of our products are manufactured in other countries and declines in the value of the U.S. dollar may result in higher manufacturing costs. Similarly, the cost of the materials that are used in our manufacturing process, such as oil related commodity prices, rose during the summer of 2008 as a result of inflation and other factors. In addition, inflation often is accompanied by higher interest rates, which could have a negative impact on spending, in which case our margins could decrease. Moreover, increases in inflation may not be matched by rises in income, which also could have a negative impact on spending. If we incur increased costs that we are unable to recoup, or if consumer spending continues to decrease generally, our business, results of operations, financial condition and cash flows may be adversely affected. In an effort to mitigate the impact of these incremental costs on our operating results, we raised domestic prices effective February 2009. We implemented an average gross price increase of four percent in our domestic product categories. The range of price increases varies by individual product category.

Our costs for cotton yarn and cotton-based textiles vary based upon the fluctuating cost of cotton, which is affected by weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. While we do enter into short-term supply agreements and hedges from time to time in an attempt to protect our business from the volatility of the market price of cotton, our business can be affected by dramatic movements in cotton prices, although cotton historically represents only 8% of our cost of sales. The cotton prices reflected in our results were 58 cents per pound for the nine months ended October 3, 2009, 62 cents per pound for the nine months ended September 27, 2008, 65 cents per pound for the year ended January 3, 2009 and 56 cents per pound for the year ended December 29, 2007. After taking into consideration the cotton costs currently included in inventory, we expect our cost of cotton to average 55 cents per pound for the full year of 2009 compared to 65 cents per pound for 2008. In addition, during the summer of 2008 we experienced a spike in oil-related commodity prices and other raw materials used in our products, such as dyes and chemicals, and increases in other costs, such as fuel, energy and utility costs. Costs incurred for materials and labor are capitalized into inventory and impact our results as the inventory is sold. Our results in the nine months of 2009 were impacted by higher costs for cotton and oil-related materials, however we started to benefit in the second quarter of 2009 from lower cotton costs and in the third quarter of 2009 from lower oil-related material costs and other manufacturing costs.

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Components of net sales and expense

Net sales

We generate net sales by selling apparel essentials such as t-shirts, bras, panties, men s underwear, kids underwear, socks, hosiery, casualwear and activewear. Our net sales are recognized net of discounts, coupons, rebates, volume-based incentives and cooperative advertising costs. We recognize revenue when (i) there is persuasive evidence of an arrangement, (ii) the sales price is fixed or determinable, (iii) title and the risks of ownership have been transferred to the customer and (iv) collection of the receivable is reasonably assured, which occurs primarily upon shipment. Net sales include an estimate for returns and allowances based upon historical return experience. We also offer a variety of sales incentives to resellers and consumers that are recorded as reductions to net sales.

Cost of sales

Our cost of sales includes the cost of manufacturing finished goods, which consists of labor, raw materials such as cotton and petroleum-based products and overhead costs such as depreciation on owned facilities and equipment. Our cost of sales also includes finished goods sourced from third-party manufacturers that supply us with products based on our designs as well as charges for slow moving or obsolete inventories. Rebates, discounts and other cash consideration received from a vendor related to inventory purchases are reflected in cost of sales when the related inventory item is sold. Our costs of sales do not include shipping costs, comprised of payments to third party shippers, or handling costs, comprised of warehousing costs in our distribution facilities, and thus our gross margins may not be comparable to those of other entities that include such costs in cost of sales.

Selling, general and administrative expenses

Our selling, general and administrative expenses include selling, advertising, costs of shipping, handling and distribution to our customers, research and development, rent on leased facilities, depreciation on owned facilities and equipment and other general and administrative expenses. Also included for periods presented prior to the spin off on September 5, 2006 are allocations of corporate expenses that consist of expenses for business insurance, medical insurance, employee benefit plan amounts and, because we were part of Sara Lee those periods, allocations from Sara Lee for certain centralized administration costs for treasury, real estate, accounting, auditing, tax, risk management, human resources and benefits administration. These allocations of centralized administration costs were determined on bases that we and Sara Lee considered to be reasonable and take into consideration and include relevant operating profit, fixed assets, sales and payroll. Selling, general and administrative expenses also include management payroll, benefits, travel, information systems, accounting, insurance and legal expenses.

Restructuring

We have from time to time closed facilities and reduced headcount, including in connection with previously announced restructuring and business transformation plans. We refer to these activities as restructuring actions. When we decide to close facilities or reduce headcount, we take estimated charges for such restructuring, including charges for exited non-cancelable leases and other contractual obligations, as well as severance and benefits. If the actual charge is

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different from the original estimate, an adjustment is recognized in the period such change in estimate is identified.

Other (income) expenses

Our other (income) expenses include charges such as losses on early extinguishment of debt and certain other non-operating items.

Interest expense, net

As part of the spin off from Sara Lee on September 5, 2006, we incurred $2.6 billion of debt. Since the spin off, we have made changes in our financing structuring and have repaid some of our debt. In December 2006, we issued $500 million of Floating Rate Senior Notes and the proceeds were used to repay a portion of the debt incurred at the spin off. In November 2007, we entered into the Accounts Receivable Securitization Facility which provides for up to $250 million in funding accounted for as a secured borrowing, all of which we borrowed and used to repay a portion of the Senior Secured Credit Facilities. In addition, we have amended the terms of our Senior Secured Credit Facilities and Second Lien Credit Facility to provide more flexibility to change our financial structure in the future.

Our interest expense is net of interest income. Interest income is the return we earned on our cash and cash equivalents and, historically, on money we loaned to Sara Lee as part of its corporate cash management practices. Our cash and cash equivalents are invested in highly liquid investments with original maturities of three months or less.

Income tax expense (benefit)

Our effective income tax rate fluctuates from period to period and can be materially impacted by, among other things:

- changes in the mix of our earnings from the various jurisdictions in which we operate;
- the tax characteristics of our earnings;
- the timing and amount of earnings of foreign subsidiaries that we repatriate to the United States, which may increase our tax expense and taxes paid; and
- the timing and results of any reviews of our income tax filing positions in the jurisdictions in which we transact business.

Highlights from the third quarter and nine months ended October 3, 2009

- Total net sales in the third quarter of 2009 were $1.06 billion, compared with $1.15 billion in the same quarter of 2008. Total net sales in the nine-month period in 2009 were $2.90 billion, compared with $3.21 billion in the same nine-month period of 2008.
- Operating profit was $93 million in the third quarter of 2009, compared with $58 million in the same quarter of 2008. Operating profit was $193 million in the nine-month period in 2009, compared with $259 million in the same nine-month period of 2008.

Diluted earnings per share were $0.43 in the third quarter of 2009, compared with $0.17 in the same quarter of 2008. Diluted earnings per share were $0.55 in the nine-month period in 2009, compared with $1.14 in the same nine-month period of 2008.

During the first nine months of 2009, we approved actions to close five manufacturing facilities, two distribution centers and two warehouses in the Dominican Republic, the United States, Honduras, Puerto Rico and Canada, and eliminate an aggregate of approximately 3,100 positions in those countries and El Salvador. In addition, approximately 300 management and administrative positions were eliminated, with the majority of these positions based in the United States. In addition, we completed several such actions in 2009 that were approved in 2008.

We announced that we will cease making our own yarn and that we will source all of our yarn requirements from large-scale yarn suppliers. We entered into an agreement with Parkdale America under which we agreed to sell or lease assets related to operations at our four yarn manufacturing facilities to Parkdale America. The transaction closed in October 2009 and resulted in Parkdale America operating three of the four facilities. We also entered into a yarn purchase agreement with Parkdale. Under this agreement, which has an initial term of six years, Parkdale will produce and sell to us a substantial amount of our Western Hemisphere yarn requirements. During the first two years of the term, Parkdale will also produce and sell to us a substantial amount of the yarn requirements of our Nanjing, China textile facility.

Gross capital expenditures were $100 million during the first nine months of 2009 as we continued to build out our textile and sewing network in Asia, Central America and the Caribbean Basin and were lower by $24 million compared to the nine months of 2008.

In September 2009, we made a prepayment of $140 million of principal on the Senior Secured Credit Facilities.

We ended the third quarter of 2009 with $474 million of borrowing availability under our existing $500 million revolving loan facility (the Revolving Loan Facility), $39 million in cash and cash equivalents and $71 million of borrowing availability under our international loan facilities.

In March 2009, we amended our Senior Secured Credit Facilities and Accounts Receivable Securitization Facility to provide for additional cushion for the leverage ratio and interest coverage ratio covenant requirements.

Highlights from the year ended January 3, 2009

Diluted earnings per share were $1.34 in the year ended January 3, 2009, compared with $1.30 in the year ended December 29, 2007.

Operating profit was $317 million in the year ended January 3, 2009, compared with $389 million in the year ended December 29, 2007.

Total net sales in the year ended January 3, 2009 was $4.25 billion, compared with $4.47 billion in the year ended December 29, 2007.

During the year ended January 3, 2009, we approved actions to close 11 manufacturing facilities and three distribution centers in Mexico, the United States, Costa Rica, Honduras and El Salvador. The production capacity represented by the manufacturing facilities has been relocated to lower cost locations in Asia, Central America and the Caribbean Basin. The

distribution capacity has been relocated to our West Coast distribution facility in California in order to expand capacity for goods we source from Asia. In addition, we completed several such actions in the year ended January 3, 2009 that were approved in 2008.

Gross capital expenditures were $187 million during the year ended January 3, 2009 as we continued to build out our textile and sewing network in Asia, Central America and the Caribbean Basin.

During the second quarter of 2008, we added three company-owned sewing plants in Southeast Asia two in Vietnam and one in Thailand giving us four sewing plants in Asia. In addition, during the fourth quarter of 2008, we acquired an embroidery facility in Honduras.

We repurchased $30 million of company stock during the year ended January 3, 2009.

We ended 2008 with $463 million of borrowing availability under our $500 million Revolving Loan Facility, $67 million in cash and cash equivalents and $67 million of borrowing availability under our international loan facilities, compared to $430 million, $174 million and $89 million, respectively, at the end of 2007.

Condensed consolidated results of operations Nine months ended October 3, 2009 compared with nine months ended September 27, 2008

(dollars in thousands)	Nine months ended October 3, 2009	Nine months ended September 27, 2008	Higher (lower)	Percent change
Net sales	$ 2,902,536	$ 3,213,653	$ (311,117)	(9.7%)
Cost of sales	1,960,589	2,145,949	(185,360)	(8.6)
Gross profit	941,947	1,067,704	(125,757)	(11.8)
Selling, general and administrative expenses	702,204	776,267	(74,063)	(9.5)
Restructuring	46,319	32,355	13,964	43.2
Operating profit	193,424	259,082	(65,658)	(25.3)
Other expenses	6,537		6,537	NM
Interest expense, net	124,548	115,282	9,266	8.0
Income before income tax expense	62,339	143,800	(81,461)	(56.6)
Income tax expense	9,974	34,512	(24,538)	(71.1)
Net income	$ 52,365	$ 109,288	$ (56,923)	(52.1%)

Net sales

	Nine months ended			
(dollars in thousands)	**October 3, 2009**	**September 27, 2008**	**Higher (lower)**	**Percent change**
Net sales	$ 2,902,536	$ 3,213,653	$ (311,117)	(9.7%)

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Consolidated net sales were lower by $311 million or 10% in the nine months of 2009 compared to 2008. The net sales decline in the nine months of 2009 was primarily attributed to the recessionary environment that continued into the first nine months of 2009. Overall retail sales for apparel continued to decline during 2009 at most of our larger customers as the continuing recession constrained consumer spending. Our sales incentives were higher in the nine months of 2009 compared to 2008 as we made significant investments, especially in back-to-school programs and promotions, in this recessionary environment to support retailers and position ourselves for future sales opportunities. Excluding the cost of these investments, our net sales would have declined by 9%.

Innerwear, Outerwear, Hosiery and International segment net sales were lower by $120 million (7%), $105 million (12%), $27 million (16%) and $57 million (16%), respectively, in the nine months of 2009 compared to 2008. Our Other segment net sales were lower, as expected, by $8 million in the nine months of 2009 compared to 2008.

Innerwear segment net sales were lower (7%) in the nine months of 2009 compared to 2008, primarily due to lower net sales of intimate apparel (13%) and socks (12%) primarily due to weak sales at retail in this difficult economic environment, partially offset by stronger net sales (2%) in our male underwear product category.

Outerwear segment net sales were lower (12%) in the nine months of 2009 compared to 2008, primarily due to the lower casualwear net sales in both the retail (27%) and wholesale (21%) channels. The wholesale channel has been highly price competitive especially in this recessionary environment. The lower casualwear net sales in the retail and wholesale channels were partially offset by higher net sales (8%) of our *Champion* brand activewear. The results for the first half of 2009 were negatively impacted by losses of seasonal programs in the retail casualwear channel that are not impacting our results in the second half of 2009.

Hosiery segment net sales were lower (16%) in the nine months of 2009 compared to 2008. The net sales decline rate over the most recent two consecutive quarters has improved compared to the net sales decline rate for the second half of 2008 and the first quarter of 2009 in each of which net sales declined by more than 20%. Hosiery products in all channels continue to be more adversely impacted than other apparel categories by reduced consumer discretionary spending.

International segment net sales were lower (16%) in the nine months of 2009 compared to 2008, primarily attributable to an unfavorable impact of $31 million related to foreign currency exchange rates and weak demand globally primarily in Europe, Japan and Canada which are experiencing recessionary environments similar to that in the United States. Excluding the impact of foreign exchange rates on currency, International segment net sales declined by 8% in the nine months of 2009 compared to 2008.

Gross profit

	Nine months ended			
(dollars in thousands)	**October 3, 2009**	**September 27, 2008**	**Higher (lower)**	**Percent change**
Gross profit	$ 941,947	$ 1,067,704	$ (125,757)	(11.8%)

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Our gross profit was lower by $126 million in the nine months of 2009 compared to 2008. As a percent of net sales, our gross profit was 32.5% in the nine months of 2009 compared to 33.2% in 2008, declining as a result of the items described below.

Gross profit was lower due to lower sales volume of $139 million, unfavorable product sales mix of $53 million and higher sales incentives of $31 million. Our sales incentives were higher as we made significant investments, especially in back-to-school programs and promotions, in this recessionary environment to support retailers and position ourselves for future sales opportunities. Other factors contributing to lower gross profit were higher production costs of $21 million related to higher energy and oil-related costs, including freight costs, higher other manufacturing costs of $16 million primarily related to lower volume partially offset by cost reductions at our manufacturing facilities, other vendor price increases of $13 million, higher cost of finished goods sourced from third party manufacturers of $12 million primarily resulting from foreign exchange transaction losses, an $11 million unfavorable impact related to foreign currency exchange rates and $3 million of higher start-up and shutdown costs associated with the consolidation and globalization of our supply chain. The unfavorable impact of foreign currency exchange rates in our International segment was primarily due to the strengthening of the U.S. dollar compared to the Mexican peso, Canadian dollar, Brazilian real and Euro partially offset by the strengthening of the Japanese yen compared to the U.S. dollar during the nine months of 2009 compared to 2008.

Our gross profit was positively impacted by higher product pricing of $91 million before increased sales incentives, savings from our prior restructuring actions of $38 million, lower on-going excess and obsolete inventory costs of $18 million and lower cotton costs of $8 million. The higher product pricing was due to the implementation of an average gross price increase of four percent in our domestic product categories in February 2009. The range of price increases varies by individual product category. The lower excess and obsolete inventory costs in the first nine months of 2009 are attributable to both our continuous evaluation of inventory levels and simplification of our product category offerings. We realized these benefits by driving down obsolete inventory levels through aggressive management and promotions.

The cotton prices reflected in our results were 58 cents per pound in the nine months of 2009 as compared to 62 cents per pound in 2008. After taking into consideration the cotton costs currently included in inventory, we expect our cost of cotton to average 55 cents per pound for the full year of 2009 compared to 65 cents per pound for 2008. Energy and oil-related costs were higher due to a spike in oil-related commodity prices during the summer of 2008. Our results in the nine months of 2009 were impacted by higher costs for cotton and oil-related materials, however we started to benefit in the second quarter of 2009 from lower cotton costs and in the third quarter of 2009 from lower oil-related material costs and other manufacturing costs.

We incurred lower one-time restructuring related write-offs of $11 million in the nine months of 2009 compared to 2008 for stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate. Accelerated depreciation was lower by $9 million in the nine months of 2009 compared to 2008.

Selling, general and administrative expenses

	Nine months ended			
(dollars in thousands)	**October 3, 2009**	**September 27, 2008**	**Higher (lower)**	**Percent change**
Selling, general and administrative expenses	$ 702,204	$ 776,267	$ (74,063)	(9.5%)

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Our selling, general and administrative expenses were $74 million lower in the nine months of 2009 compared to 2008. Our continued focus on cost reductions resulted in lower expenses in the nine months of 2009 compared to 2008 related to savings of $24 million from our prior restructuring actions for compensation and related benefits, lower technology expenses of $21 million, lower bad debt expense of $7 million primarily due to a customer bankruptcy in 2008, lower selling and other marketing related expenses of $5 million, lower consulting related expenses of $3 million and lower non-media related media, advertising and promotion (MAP) expenses of $1 million. In addition, our distribution expenses were lower by $12 million in the nine months of 2009 compared to 2008, which was primarily attributable to lower sales volume that reduced our labor, postage and freight expenses and lower rework expenses in our distribution centers.

Our media related MAP expenses were $34 million lower in the nine months of 2009 compared to 2008 as we chose to reduce our spending. MAP expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Our pension and stock compensation expenses, which are noncash, were higher by $24 million and $5 million, respectively, in the nine months of 2009 compared to 2008. The higher pension expense is primarily due to the lower funded status of our pension plans at the end of 2008, which resulted from a decline in the fair value of plan assets due to the stock market s performance during 2008 and a higher discount rate at the end of 2008.

We also incurred higher expenses of $4 million in the nine months of 2009 compared to 2008 as a result of opening retail stores. We opened 17 retail stores during the nine months of 2009. In addition, we incurred higher other expenses of $2 million related to amending the terms of all outstanding stock options granted under the Hanesbrands Inc. Omnibus Incentive Plan of 2006 (the Omnibus Incentive Plan) that had an original term of five or seven years to the tenth anniversary of the original grant date. Changes due to foreign currency exchange rates, which are included in the impact of the changes discussed above, resulted in lower selling, general and administrative expenses of $9 million in the nine months of 2009 compared to 2008.

Restructuring

(dollars in thousands)	Nine months ended October 3, 2009	Nine months ended September 27, 2008	Higher (lower)	Percent change
Restructuring	$ 46,319	$ 32,355	$ 13,964	$ 43.2%

During the nine months of 2009, we announced that we will cease making our own yarn and that we will source all of our yarn requirements from large-scale yarn suppliers. We entered into an agreement with Parkdale America under which we agreed to sell or lease assets related to operations at our four yarn manufacturing facilities to Parkdale America. The transaction closed in October 2009 and resulted in Parkdale America operating three of the four facilities. We approved an action to close the fourth yarn manufacturing facility, as well as a yarn warehouse and a cotton warehouse, all located in the United States, which will result in the elimination of approximately 175 positions. We also entered into a yarn purchase agreement with Parkdale. Under this agreement, which has an initial term of six years, Parkdale will produce and sell to us a substantial amount of our Western Hemisphere yarn requirements. During the first two years of the term, Parkdale will also produce and sell to us a substantial amount of the yarn requirements of our Nanjing, China textile facility.

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In addition to the actions discussed above, during the nine months of 2009 we approved actions to close four manufacturing facilities and two distribution centers in the Dominican Republic, the United States, Honduras, Puerto Rico and Canada which will result in the elimination of an aggregate of approximately 2,925 positions in those countries and El Salvador. The production capacity represented by the manufacturing facilities will be relocated to lower cost locations in Asia, Central America and the Caribbean Basin. The distribution capacity has been relocated to our West Coast distribution facility in California in order to expand capacity for goods we source from Asia. In addition, approximately 300 management and administrative positions were eliminated, with the majority of these positions based in the United States.

During the nine months of 2009, we recorded charges related to employee termination and other benefits of $21 million recognized in accordance with benefit plans previously communicated to the affected employee group, charges related to contract obligations of $12 million, other exit costs of $7 million related to moving equipment and inventory from closed facilities and fixed asset impairment charges of $6 million.

In the nine months of 2009, we recorded one-time write-offs of $4 million of stranded raw materials and work in process inventory related to the closure of manufacturing facilities and recorded in the Cost of sales line. The raw materials and work in process inventory was determined not to be salvageable or cost-effective to relocate. In addition, in connection with our consolidation and globalization strategy, we recognized noncash charges of $2 million and $11 million in nine months of 2009 and the nine months of 2008, respectively, in the Cost of sales line and a noncash charge of $1 million and a noncash credit of $1 million in the Selling, general and administrative expenses line in the nine months of 2009 and nine months of 2008, respectively, related to accelerated depreciation of buildings and equipment for facilities that have been closed or will be closed.

These actions, which are a continuation of our consolidation and globalization strategy, are expected to result in benefits of moving production to lower-cost manufacturing facilities, leveraging our large scale in high-volume products and consolidating production capacity.

During the nine months of 2008, we incurred $32 million in restructuring charges which primarily related to employee termination and other benefits and charges related to exiting supply contracts associated with plant closures approved during that period.

Operating profit

(dollars in thousands)	Nine months ended October 3, 2009	Nine months ended September 27, 2008	Higher (lower)	Percent change
Operating profit	$ 193,424	$ 259,082	$ (65,658)	(25.3%)

Operating profit was lower in the nine months of 2009 compared to 2008 as a result of lower gross profit of $126 million and higher restructuring and related charges of $14 million, partially offset by lower selling, general and administrative expenses of $74 million. Changes in foreign currency exchange rates had an unfavorable impact on operating profit of $2 million in the nine months of 2009 compared to 2008.

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Other expenses

(dollars in thousands)	Nine months ended October 3, 2009	September 27, 2008	Higher (lower)	Percent change
Other expenses	$ 6,537	$	$ 6,537	NM

During the nine months of 2009, we incurred costs of $4 million to amend the Senior Secured Credit Facilities and the Accounts Receivable Securitization Facility. In March 2009, we amended these credit facilities to provide for additional cushion in our financial covenant requirements. These amendments delay the most restrictive debt-leverage ratio requirements from the fourth quarter of 2009 to the third quarter of 2011. In April 2009, we amended the Accounts Receivable Securitization Facility to generally increase over time the amount of funding that will be available under the facility as compared to the amount that would be available pursuant to the amendment to that facility that we entered into in March 2009. In addition, during the nine months of 2009 we incurred a $2 million loss on early extinguishment of debt related to unamortized debt issuance costs resulting from the prepayment of $140 million of principal in September 2009.

Interest expense, net