
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 27, 2008
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 001-32891

Hanesbrands Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

**1000 East Hanes Mill Road
Winston-Salem, North Carolina**

(Address of principal executive office)

20-3552316

(I.R.S. employer identification no.)

27105

(Zip code)

(336) 519-4400

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 29, 2008, there were 93,480,321 shares of the registrant's common stock outstanding.

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Trademarks, Trade Names and Service Marks

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use that appear in this Quarterly Report on Form 10-Q include the *Hanes*, *Champion*, *Playtex*, *Bali*, *Just My Size*, *barely there*, *Wonderbra*, *C9 by Champion*, *L'eggs*, *Outer Banks* and *Stedman* marks, which may be registered in the United States and other jurisdictions. We do not own any trademark, trade name or service mark of any other company appearing in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include all statements that do not 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, information appearing under “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. More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the year ended December 29, 2007, including under the caption “Risk Factors.”

All forward-looking statements contained in this Quarterly Report on Form 10-Q speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K for the year ended December 29, 2007, including under the caption “Risk Factors.” We undertake no obligation to update or revise forward-looking statements 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.

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 public reference facilities the SEC maintains at 100 F Street, N.E., Washington, D.C. 20549.

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. You can also obtain copies of these materials at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the public reference facilities 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 with it. By referring to our Web site, www.hanesbrands.com, we do not incorporate our Web site or its contents into this Quarterly Report on Form 10-Q.

PART I

Item 1. *Financial Statements*

HANESBRANDS

Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(unaudited)

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Net sales	\$ 1,153,635	\$ 1,153,606	\$ 3,213,653	\$ 3,315,407
Cost of sales	811,851	792,587	2,145,949	2,234,352
Gross profit	341,784	361,019	1,067,704	1,081,055
Selling, general and administrative expenses	255,228	253,233	776,267	773,817
Restructuring	28,355	2,062	32,355	44,533
Operating profit	58,201	105,724	259,082	262,705
Other expenses	—	889	—	1,440
Interest expense, net	37,253	49,270	115,282	152,217
Income before income tax expense	20,948	55,565	143,800	109,048
Income tax expense	5,028	16,669	34,512	32,714
Net income	\$ 15,920	\$ 38,896	\$ 109,288	\$ 76,334
Earnings per share:				
Basic	\$ 0.17	\$ 0.41	\$ 1.16	\$ 0.79
Diluted	\$ 0.17	\$ 0.40	\$ 1.14	\$ 0.79
Weighted average shares outstanding:				
Basic	93,992	95,664	94,283	96,100
Diluted	95,018	96,615	95,483	96,682

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	September 27, 2008	December 29, 2007
Assets		
Cash and cash equivalents	\$ 86,212	\$ 174,236
Trade accounts receivable, less allowances of \$23,951 at September 27, 2008 and \$31,642 at December 29, 2007	562,937	575,069
Inventories	1,359,008	1,117,052
Deferred tax assets and other current assets	244,224	227,977
Total current assets	2,252,381	2,094,334
Property, net	562,963	534,286
Trademarks and other identifiable intangibles, net	155,879	151,266
Goodwill	318,112	310,425
Deferred tax assets and other noncurrent assets	338,303	349,172
Total assets	<u>\$ 3,627,638</u>	<u>\$ 3,439,483</u>
Liabilities and Stockholders' Equity		
Accounts payable	\$ 322,824	\$ 289,166
Accrued liabilities	377,232	380,239
Notes payable	71,528	19,577
Total current liabilities	771,584	688,982
Long-term debt	2,315,250	2,315,250
Other noncurrent liabilities	159,870	146,347
Total liabilities	3,246,704	3,150,579
Stockholders' equity:		
Preferred stock (50,000,000 authorized shares; \$.01 par value) Issued and outstanding — None	—	—
Common stock (500,000,000 authorized shares; \$.01 par value) Issued and outstanding — 93,355,527 at September 27, 2008 and 95,232,478 at December 29, 2007	934	954
Additional paid-in capital	222,338	199,019
Retained earnings	199,641	117,849
Accumulated other comprehensive loss	(41,979)	(28,918)
Total stockholders' equity	380,934	288,904
Total liabilities and stockholders' equity	<u>\$ 3,627,638</u>	<u>\$ 3,439,483</u>

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended	
	September 27, 2008	September 29, 2007
Operating activities:		
Net income	\$ 109,288	\$ 76,334
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	68,930	95,405
Amortization of intangibles	8,683	4,516
Restructuring	(5,591)	(3,446)
Losses on early extinguishment of debt	—	1,440
Amortization of debt issuance costs	4,523	4,937
Stock compensation expense	23,052	27,141
Deferred taxes and other	(6,329)	(12,351)
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	11,565	(109,494)
Inventories	(242,711)	38,121
Other assets	(17,068)	23,539
Accounts payable	32,808	67,954
Accrued liabilities	(5,771)	21,747
Net cash (used in) provided by operating activities	<u>(18,621)</u>	<u>235,843</u>
Investing activities:		
Purchases of property, plant and equipment	(123,319)	(45,387)
Acquisition of business	(10,011)	(17,380)
Proceeds from sales of assets	24,329	13,022
Other	(643)	(575)
Net cash used in investing activities	<u>(109,644)</u>	<u>(50,320)</u>
Financing activities:		
Principal payments on capital lease obligations	(707)	(914)
Borrowings on notes payable	316,958	29,969
Repayments on notes payable	(265,195)	(26,845)
Cost of debt issuance	(69)	(2,533)
Borrowings on revolving loan facility	524,000	—
Repayments on revolving loan facility	(524,000)	—
Repayments of debt under credit facilities	—	(128,125)
Decrease in bank overdraft	—	(834)
Proceeds from stock options exercised	2,200	5,464
Stock repurchases	(30,275)	(44,473)
Borrowings on accounts receivable securitization	20,944	—
Repayments on accounts receivable securitization	(20,944)	—
Transaction with Sara Lee Corporation	18,000	—
Other	(136)	552
Net cash provided by (used in) financing activities	<u>40,776</u>	<u>(167,739)</u>
Effect of changes in foreign exchange rates on cash	(535)	2,620
(Decrease) increase in cash and cash equivalents	(88,024)	20,404
Cash and cash equivalents at beginning of year	174,236	155,973
Cash and cash equivalents at end of period	<u>\$ 86,212</u>	<u>\$ 176,377</u>

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS

Notes to Condensed Consolidated Financial Statements
(dollars and shares in thousands, except per share data)
(unaudited)

(1) Basis of Presentation

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Management believes that the disclosures made are adequate for a fair statement of the results of operations, financial position and cash flows of Hanesbrands Inc., a Maryland corporation, and its consolidated subsidiaries (the "Company" or "Hanesbrands"). In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations, financial position and cash flows for the interim periods presented herein. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

During the second quarter ended June 28, 2008, the Company acquired a sewing operation in Thailand, resulting in approximately \$3,600 of additional goodwill. The Company also added two sewing facilities in Vietnam during the second quarter ended June 28, 2008.

Certain prior year amounts in the condensed consolidated financial statements, none of which are material, have been reclassified to conform with the current year presentation. These reclassifications, which relate to changes in the classification of inventory, segment assets, segment depreciation and amortization expense, segment additions to long-lived assets and consolidating financial information, had no impact on the Company's results of operations.

(2) Recently Issued Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 was effective for the Company's financial assets and liabilities on December 30, 2007. The FASB approved a one-year deferral of the adoption of SFAS 157 as it relates to non-financial assets and liabilities with the issuance in February 2008 of FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157, as a result of which implementation by the Company is now required on January 4, 2009. The partial adoption of SFAS 157 in the first quarter ended March 29, 2008 had no material impact on the financial condition, results of operations or cash flows of the Company, but resulted in certain additional disclosures reflected in Note 9. The Company is in the process of evaluating the impact of SFAS 157 as it relates to its non-financial assets and liabilities.

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). The objective of SFAS 141R is to improve the relevance, representational faithfulness, and comparability of the information that a company provides in its financial reports about a business combination

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Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
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and its effects. Under SFAS 141R, a company would be required to recognize the assets acquired, liabilities assumed, contractual contingencies and contingent consideration measured at their fair value at the acquisition date. It further requires that research and development assets acquired in a business combination that have no alternative future use be measured at their acquisition-date fair value and then immediately charged to expense, and that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. Among other changes, this statement would also require that “negative goodwill” be recognized in earnings as a gain attributable to the acquisition, and any deferred tax benefits resulting from a business combination be recognized in income from continuing operations in the period of the combination. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued Statement No. 160, “Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51” (“SFAS 160”). The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a company provides in its consolidated financial statements. SFAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company’s equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; that changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, that any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company does not believe that the adoption of SFAS 160 will have a material impact on its results of operations or financial position.

Disclosures About Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133 (“SFAS 161”). SFAS 161 expands the disclosure requirements of FASB Statement No. 133 about an entity’s derivative instruments and hedging activities to include more detailed qualitative disclosures and expanded quantitative disclosures. The provisions of SFAS 161 are effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS 161 will not have a material impact on the Company’s results of operations.

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Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

(3) Earnings Per Share

Basic earnings per share (“EPS”) was computed by dividing net income by the number of weighted average shares of common stock outstanding during the third quarters and nine months ended September 27, 2008 and September 29, 2007. Diluted EPS was calculated to give effect to all potentially dilutive shares of common stock. The reconciliation of basic to diluted weighted average shares for the third quarters and nine months ended September 27, 2008 and September 29, 2007 is as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Basic weighted average shares	93,992	95,664	94,283	96,100
Effect of potentially dilutive securities:				
Stock options	151	346	383	221
Restricted stock units	871	603	812	361
Employee stock purchase plan	4	2	5	—
Diluted weighted average shares	<u>95,018</u>	<u>96,615</u>	<u>95,483</u>	<u>96,682</u>

Options to purchase 2,454 and 1,458 shares of common stock were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive for the third quarter and nine months ended September 27, 2008, respectively.

Options to purchase 998 and 1,008 shares of common stock were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive for the third quarter and nine months ended September 29, 2007, respectively.

(4) Stock-Based Compensation

During the first quarter ended March 29, 2008, the Company granted options to purchase 1,340 shares of common stock pursuant to the Hanesbrands Inc. Omnibus Incentive Plan of 2006 (the “Omnibus Plan”) at an exercise price of \$25.10 per share, which was the closing price of Hanesbrands’ stock on the date of grant. These options can be exercised over a term of seven years and vest ratably over one to three years. The fair value of each option granted during the first quarter ended March 29, 2008 was estimated as of the date of grant using the Black-Scholes option-pricing model using the following assumptions: volatility of 28%; expected terms of 3.8 — 4.5 years; dividend yield of 0%; and risk-free interest rates ranging from 2.45% to 2.64%. The Company uses the volatility of peer companies for a period of time that is comparable to the expected life of the option to determine volatility assumptions due to the limited trading history of the Company’s common stock since the Company’s spin off from Sara Lee Corporation (“Sara Lee”) on September 5, 2006. The Company utilized the simplified method outlined in SEC Staff Accounting Bulletin No. 107 to estimate expected lives for options granted during the first quarter ended March 29, 2008. SEC Staff Accounting Bulletin No. 110, which was issued in December 2007, amends SEC Staff Accounting Bulletin No. 107 and gives a limited extension on using the simplified method for valuing stock option grants to eligible public companies that do not have sufficient historical exercise patterns on options granted to employees. The weighted average fair value of individual options granted during the first quarter ended March 29, 2008 was \$7.04.

During the first quarter ended March 29, 2008, the Company granted 540 restricted stock units (“RSUs”) pursuant to the Omnibus Plan with a grant date fair value of \$25.10 which was the closing price of Hanesbrands’ stock on the date of grant. During the third quarter ended September 27, 2008, the Company

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Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

granted 10 RSUs pursuant to the Omnibus Plan with a grant date fair value of \$21.44 which was the closing price of Hanesbrands' stock on the date of grant. Upon the achievement of defined service conditions, the RSUs are converted into shares of the Company's common stock on a one-for-one basis and issued to the grantees. All RSUs vest solely upon continued future service to the Company. Share-based compensation expense for these awards is recognized over the period during which the grantees provide the requisite service to the Company.

During the third quarter and nine months ended September 27, 2008, 35 and 93 shares, respectively, were purchased under the Hanesbrands Inc. Employee Stock Purchase Plan of 2006 (the "ESPP") by eligible employees. During the third quarter and nine months ended September 29, 2007, 33 and 46 shares, respectively, were purchased under the ESPP by eligible employees. The Company had 2,271 shares of common stock available for issuance under the ESPP as of September 27, 2008.

(5) Restructuring

Since becoming an independent company, the Company has undertaken a variety of restructuring efforts in connection with its consolidation and globalization strategy designed to improve operating efficiencies and lower costs. As a result of these efforts, the Company expects to incur approximately \$250,000 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 September 27, 2008, the Company has recognized approximately \$173,000 in restructuring and related charges related to these efforts since September 5, 2006. Of these charges, approximately \$70,000 relates to accelerated depreciation of buildings and equipment for facilities that have been or will be closed, approximately \$68,000 relates to employee termination and other benefits, approximately \$21,000 relates to lease termination and other costs and approximately \$14,000 relates to write-offs of stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate. Accelerated depreciation related to the Company's manufacturing facilities and distribution centers that have been or will be closed is reflected in the "Cost of sales" and "Selling, general and administrative expenses" lines of the Condensed Consolidated Statements of Income. The write-offs of stranded raw materials and work in process inventory are reflected in the "Cost of sales" line of the Condensed Consolidated Statements of Income.

The impact of restructuring efforts on income before income tax expense is summarized as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Restructuring programs:				
Year ended January 3, 2009 restructuring actions	\$ 46,633	\$ —	\$ 52,069	\$ —
Year ended December 29, 2007 restructuring actions	691	15,786	7,719	64,838
Six months ended December 30, 2006 restructuring actions	(3,430)	(922)	(3,417)	11,677
Year ended July 1, 2006 and prior restructuring actions	12	(51)	(53)	(603)
Decrease in income before income tax expense	<u>\$ 43,906</u>	<u>\$ 14,813</u>	<u>\$ 56,318</u>	<u>\$ 75,912</u>

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Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

The following table illustrates where the costs associated with these actions are recognized in the Condensed Consolidated Statements of Income:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Cost of sales	\$ 18,038	\$ 11,802	\$ 25,229	\$ 29,482
Selling, general and administrative expenses	(2,487)	949	(1,266)	1,897
Restructuring	28,355	2,062	32,355	44,533
Decrease in income before income tax expense	\$ 43,906	\$ 14,813	\$ 56,318	\$ 75,912

Components of the restructuring actions are as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Accelerated depreciation	\$ 1,524	\$ 12,565	\$ 9,936	\$ 31,193
Employee termination and other benefits	21,283	1,533	25,203	33,636
Inventory write-offs	14,027	186	14,027	186
Noncancelable lease and other contractual obligations	7,072	529	7,152	10,897
	\$ 43,906	\$ 14,813	\$ 56,318	\$ 75,912

Rollforward of accrued restructuring is as follows:

	Nine Months Ended September 27, 2008
Beginning accrual	\$ 23,350
Restructuring expenses	36,636
Cash payments	(24,625)
Adjustments to restructuring expenses	(5,662)
Ending accrual	\$ 29,699

The accrual balance as of September 27, 2008 is comprised of \$29,139 in current accrued liabilities, primarily related to employee termination and other benefits, and \$560 in other noncurrent liabilities, primarily related to lease termination payments, in the Condensed Consolidated Balance Sheet.

Adjustments to previous estimates are primarily attributable to employee termination and other benefits and lease termination costs and resulted from actual costs to settle obligations being lower than expected. The adjustments were reflected in the "Restructuring" line of the Condensed Consolidated Statements of Income.

Year Ended January 3, 2009 Actions

During the nine months ended September 27, 2008, the Company approved actions to close 11 manufacturing facilities and two distribution centers and eliminate approximately 9,400 positions in El Salvador, Mexico, Costa Rica, Honduras and the United States. The production capacity represented by the manufacturing facilities will be relocated to lower cost locations in Asia, the Caribbean Basin and Central America. The distribution capacity will be relocated to the Company's West Coast distribution facility in California in order to expand capacity for goods

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Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

the Company sources from Asia. The Company recorded charges of \$46,633 and \$52,069 in the third quarter and nine months ended September 27, 2008, respectively. The Company recognized \$21,741 and \$27,099 in the third quarter and nine months ended September 27, 2008, respectively, which represents employee termination and other benefits recognized in accordance with benefit plans previously communicated to the affected employee group, \$1,734 and \$1,812 in the third quarter and nine months ended September 27, 2008, respectively, for accelerated depreciation of buildings and equipment, \$9,131 in each of the third quarter and nine months ended September 27, 2008 for noncancelable lease and other contractual obligations related to the closure of certain manufacturing facilities and \$14,027 in each of the third quarter and nine months ended September 27, 2008 for 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 certain manufacturing facilities. These charges are reflected in the “Restructuring” and “Cost of sales” lines of the Condensed Consolidated Statement of Income. All actions are expected to be completed within a 12-month period.

(6) Inventories

Inventories consisted of the following:

	September 27, 2008	December 29, 2007
Raw materials	\$ 187,726	\$ 176,758
Work in process	141,536	122,724
Finished goods	1,029,746	817,570
	<u>\$ 1,359,008</u>	<u>\$ 1,117,052</u>

(7) Allowances for Trade Accounts Receivable

The changes in the Company’s allowance for doubtful accounts and allowance for chargebacks and other deductions for the third quarter and nine months ended September 27, 2008 are as follows:

	Allowance for Doubtful Accounts	Allowance for Chargebacks and Other Deductions	Total
Balance at December 29, 2007:	\$ 9,328	\$ 22,314	\$ 31,642
Charged to expenses	84	3,419	3,503
Deductions and write-offs	(3,311)	(12,059)	(15,370)
Balance at March 29, 2008:	6,101	13,674	19,775
Charged to expenses	1,334	2,564	3,898
Deductions and write-offs	(753)	(3,593)	(4,346)
Balance at June 28, 2008:	6,682	12,645	19,327
Charged to expenses	7,071	69	7,140
Deductions and write-offs	(468)	(2,048)	(2,516)
Balance at September 27, 2008:	<u>\$ 13,285</u>	<u>\$ 10,666</u>	<u>\$ 23,951</u>

Charges to the allowance for doubtful accounts are reflected in the “Selling, general and administrative expenses” line and charges to the allowance for customer chargebacks and other customer deductions are primarily reflected as a reduction in the “Net sales” line of the Condensed Consolidated Statements of Income. Deductions and write-offs, which do not increase or decrease income, represent write-offs of previously reserved accounts receivables and allowed customer chargebacks and deductions against gross accounts receivable.

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Notes to Condensed Consolidated Financial Statements — (Continued)
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(8) Long-Term Debt

The Company had the following long-term debt at September 27, 2008 and December 29, 2007:

	Interest Rate as of September 27, 2008	Principal Amount		Maturity Date
		September 27, 2008	December 29, 2007	
Senior Secured Credit Facility:				
Term A	4.15%	\$ 139,000	\$ 139,000	September 2012
Term B	4.55%	976,250	976,250	September 2013
Revolving Loan Facility	5.50%	—	—	September 2011
Second Lien Credit Facility	6.55%	450,000	450,000	March 2014
Floating Rate Senior Notes	6.51%	500,000	500,000	December 2014
Accounts Receivable Securitization	3.24%	250,000	250,000	November 2010
		<u>\$ 2,315,250</u>	<u>\$ 2,315,250</u>	

As of September 27, 2008, the Company had \$0 outstanding under the Senior Secured Credit Facility's \$500,000 Revolving Loan Facility and \$57,139 of standby and trade letters of credit issued and outstanding under this facility.

Availability of funding under the accounts receivable securitization depends primarily upon the eligible outstanding receivables balance. As of September 27, 2008, the Company had \$250,000 outstanding under the accounts receivable securitization. The total amount of receivables used as collateral for the accounts receivable securitization was \$481,720 and \$495,245 at September 27, 2008 and December 29, 2007, respectively, and is reported on the Company's Condensed Consolidated Balance Sheets in trade accounts receivables, less allowances.

During the third quarter and nine months ended September 29, 2007, the Company recognized \$889 and \$1,440, respectively, of losses on early extinguishment of debt related to unamortized debt issuance costs on the Senior Secured Credit Facility as a result of prepayments of \$50,000 of principal in June 2007 and \$75,000 of principal made in September 2007. These losses are reflected in the "Other expenses" line of the Condensed Consolidated Statements of Income.

On August 21, 2008, the Company entered into a Second Amendment (the "Second Amendment") to the Senior Secured Credit Facility dated as of September 5, 2006 and a First Amendment (the "First Amendment") to the Second Lien Credit Facility dated as of September 5, 2006. Pursuant to the Second Amendment and the First Amendment, the amount of unsecured indebtedness which the Company and its subsidiaries that are obligors pursuant to the Senior Secured Credit Facility and the Second Lien Credit Facility, respectively, may incur under senior notes was increased from \$500,000 to \$1,000,000. The provisions of the Senior Secured Credit Facility and the Second Lien Credit Facility that require the proceeds of the issuance of any such notes be applied to repay amounts due with respect to these Credit Facilities, and specify how any such proceeds will be applied, remain unchanged.

(9) Fair Value of Financial Assets and Liabilities

The Company has adopted the provisions of SFAS 157 as of December 30, 2007 for its financial assets and liabilities. Although having partially adopted SFAS 157 has had no material impact on its financial condition, results of operations or cash flows, the Company is now required to provide additional disclosures

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as part of its financial statements. SFAS 157 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157. The three valuation techniques are as follows:

- Market approach — prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach — amount that would be required to replace the service capacity of an asset or replacement cost.
- Income approach — techniques to convert future amounts to a single present amount based on market expectations, including present value techniques, option-pricing and other models.

The Company primarily applies the market approach for commodity derivatives and the income approach for interest rate and foreign currency derivatives for recurring fair value measurements and attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

As of September 27, 2008, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of the Company's derivative instruments related to interest rates, foreign exchange rates and cotton. The fair values of cotton derivatives are determined based on quoted prices in public markets and are categorized as Level 1. The fair values of interest rate and foreign exchange rate derivatives are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. The Company does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the third quarter and nine months ended September 27, 2008. There were no changes during the third quarter and nine months ended September 27, 2008 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following table sets forth by level within SFAS 157's fair value hierarchy the Company's financial assets and liabilities accounted for at fair value on a recurring basis at September 27, 2008. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	<u>Assets (Liabilities) at Fair Value as of September 27, 2008</u>		
	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Derivative contracts, net	\$—	\$(23,309)	\$—
Total	<u>\$—</u>	<u>\$(23,309)</u>	<u>\$—</u>

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The determination of fair values above incorporates various factors required under SFAS 157. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Company's nonperformance risk on its liabilities.

(10) Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income and other comprehensive income, including foreign currency translation adjustments, amounts amortized into net periodic benefit cost as required by SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, and unrealized gains and losses on qualifying cash flow hedges, are combined, net of their related tax effect, to arrive at comprehensive income. The Company's comprehensive income is as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Net income	\$ 15,920	\$ 38,896	\$ 109,288	\$ 76,334
Translation adjustments	(8,196)	9,389	(5,506)	17,023
Net unrealized loss on qualifying cash flow hedges, net of tax benefit of \$(1,297), \$(3,558), \$(1,443), and \$(824), respectively	(2,038)	(5,589)	(2,267)	(1,295)
Recognition of loss from pension plan curtailment, net of tax benefit of \$(547)	859	—	859	—
Postretirement income released through other comprehensive income, net of tax of \$842	—	(1,323)	—	(1,323)
Amounts amortized into net periodic income:				
Prior service cost (benefit), net of tax (benefit) of \$(4), \$778, \$(12) and \$2,336, respectively	6	(1,223)	18	(3,669)
Actuarial loss (gain), net of tax (benefit) of \$(15), \$754, \$(45) and \$24, respectively	24	(1,184)	72	(37)
Comprehensive income	\$ 6,575	\$ 38,966	\$ 102,464	\$ 87,033

(11) Income Taxes

For the third quarters and nine months ended September 27, 2008 and September 29, 2007, income taxes have been computed consistent with Accounting Principles Board Opinion No. 28, "Interim Financial Reporting" and FASB Interpretation No. 18, "Accounting for Income Taxes in Interim Periods."

The difference in the estimated annual effective income tax rates of 24% for the third quarter and nine months ended September 27, 2008 and 30% for the third quarter and nine months ended September 29, 2007 and the U.S. statutory rate of 35% is primarily attributable to unremitted earnings of foreign subsidiaries taxed

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Notes to Condensed Consolidated Financial Statements — (Continued)
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at rates less than the U.S. statutory rate. The Company's estimated annual effective tax rate is reflective of its strategic initiative to make substantial capital investments outside the United States in its global supply chain in 2008.

Within 180 days after Sara Lee filed its final consolidated tax return for the period that includes September 5, 2006, Sara Lee was required to deliver to the Company a computation of the amount of deferred taxes attributable to the Company's United States and Canadian operations that would be included on the Company's balance sheet as of September 6, 2006. If substituting the amount of deferred taxes as finally determined for the amount of estimated deferred taxes that were included on that balance sheet at the time of the spin off causes a decrease in the net book value reflected on that balance sheet, then Sara Lee will be required to pay the Company the amount of such decrease. If such substitution causes an increase in the net book value reflected on that balance sheet, then the Company will be required to pay Sara Lee the amount of such increase. Although the final settlement of any amounts due has not been determined, during the second quarter ended June 28, 2008, the Company received a preliminary cash installment of \$18,000 from Sara Lee.

(12) Business Segment Information

The Company's operations are managed and reported 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 businesses.

The types of products and services from which each reportable segment derives its revenues are as follows:

- Innerwear sells basic branded products that are replenishment in nature under the product categories of women's intimate apparel, men's underwear, kids' underwear, socks, thermals and sleepwear.
- Outerwear sells basic branded products that are seasonal in nature under the product categories of casualwear and activewear.
- Hosiery sells products in categories such as pantyhose and knee highs.
- International relates to the Latin America, Asia, Canada and Europe geographic locations which sell products that span across the Innerwear, Outerwear and Hosiery reportable segments.
- Other is comprised of sales of unfinished products such as yarn and certain other materials in the United States and Latin America in order to maintain asset utilization at certain manufacturing facilities and generate break even margins.

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses, amortization of trademarks and other identifiable intangibles and restructuring and related accelerated depreciation charges and inventory write-offs. The accounting policies of the segments are consistent with those described in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 29, 2007.

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Notes to Condensed Consolidated Financial Statements — (Continued)
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Certain prior year segment assets, depreciation and amortization expense and additions to long-lived assets disclosures have been revised to conform to the current year presentation.

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Net sales:				
Innerwear	\$ 650,372	\$ 635,167	\$ 1,830,437	\$ 1,917,118
Outerwear	348,467	349,352	880,809	896,583
Hosiery	50,197	64,120	166,672	189,215
International	116,581	103,341	352,120	303,119
Other	4,769	13,587	20,064	46,629
Total segment net sales(1)	1,170,386	1,165,567	3,250,102	3,352,664
Intersegment(2)	(16,751)	(11,961)	(36,449)	(37,257)
Total net sales	\$ 1,153,635	\$ 1,153,606	\$ 3,213,653	\$ 3,315,407
Segment operating profit:				
Innerwear	\$ 71,097	\$ 63,173	\$ 204,714	\$ 243,821
Outerwear	19,243	36,051	55,587	54,453
Hosiery	13,081	18,670	52,944	52,849
International	14,010	9,616	47,662	34,321
Other	314	(306)	304	(17)
Total segment operating profit	117,745	127,204	361,211	385,427
Items not included in segment operating profit:				
General corporate expenses	(12,593)	(5,225)	(37,128)	(42,294)
Amortization of trademarks and other identifiable intangibles	(3,045)	(1,442)	(8,683)	(4,516)
Restructuring	(28,355)	(2,062)	(32,355)	(44,533)
Inventory write-offs included in cost of sales	(14,027)	(186)	(14,027)	(186)
Accelerated depreciation included in cost of sales	(4,011)	(11,616)	(11,202)	(29,296)
Accelerated depreciation included in selling, general and administrative expenses	2,487	(949)	1,266	(1,897)
Total operating profit	58,201	105,724	259,082	262,705
Other expenses	—	(889)	—	(1,440)
Interest expense, net	(37,253)	(49,270)	(115,282)	(152,217)
Income before income tax expense	\$ 20,948	\$ 55,565	\$ 143,800	\$ 109,048

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Notes to Condensed Consolidated Financial Statements — (Continued)
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	September 27, 2008	December 29, 2007
Assets:		
Innerwear	\$ 1,341,991	\$ 1,247,441
Outerwear	909,161	754,178
Hosiery	99,191	97,804
International	231,379	232,142
Other	11,733	16,807
	<u>2,593,455</u>	<u>2,348,372</u>
Corporate(3)	1,034,183	1,091,111
Total assets	<u>\$ 3,627,638</u>	<u>\$ 3,439,483</u>

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Depreciation and amortization expense:				
Innerwear	\$ 10,610	\$ 9,970	\$ 32,642	\$ 32,611
Outerwear	5,652	6,152	18,461	18,693
Hosiery	1,441	2,444	4,626	7,823
International	583	1,129	1,755	3,173
Other	198	668	793	1,564
	<u>18,484</u>	<u>20,363</u>	<u>58,277</u>	<u>63,864</u>
Corporate	4,169	13,295	19,336	36,057
Total depreciation and amortization expense	<u>\$ 22,653</u>	<u>\$ 33,658</u>	<u>\$ 77,613</u>	<u>\$ 99,921</u>

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Additions to long-lived assets:				
Innerwear	\$ 25,377	\$ 10,297	\$ 51,880	\$ 19,824
Outerwear	21,217	6,603	53,357	10,263
Hosiery	9	188	327	1,286
International	724	456	1,866	1,335
Other	16	578	30	637
	<u>47,343</u>	<u>18,122</u>	<u>107,460</u>	<u>33,345</u>
Corporate	2,426	8,977	15,859	12,042
Total additions to long-lived assets	<u>\$ 49,769</u>	<u>\$ 27,099</u>	<u>\$ 123,319</u>	<u>\$ 45,387</u>

(1) Includes sales between segments. Such sales are at transfer prices that are at cost plus markup or at prices equivalent to market value.

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Notes to Condensed Consolidated Financial Statements — (Continued)
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(2) Intersegment sales included in the segments' net sales are as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Innerwear	\$ 4,270	\$ 1,670	\$ 6,468	\$ 5,057
Outerwear	8,538	5,475	19,303	17,254
Hosiery	3,603	4,124	9,293	12,692
International	340	692	1,385	2,254
Other	—	—	—	—
Total	<u>\$ 16,751</u>	<u>\$ 11,961</u>	<u>\$ 36,449</u>	<u>\$ 37,257</u>

(3) Principally cash and equivalents, certain fixed assets, net deferred tax assets, goodwill, trademarks and other identifiable intangibles, and certain other noncurrent assets.

(13) Consolidating Financial Information

In accordance with the indenture governing the Company's \$500,000 Floating Rate Senior Notes issued on December 14, 2006, certain of the Company's subsidiaries have guaranteed the Company's obligations under the Floating Rate Senior Notes. The following presents the condensed consolidating financial information separately for:

(i) Parent Company, the issuer of the guaranteed obligations. Parent Company includes Hanesbrands Inc. and its 100% owned operating divisions which are not legal entities, and excludes its subsidiaries which are legal entities;

(ii) Guarantor subsidiaries, on a combined basis, as specified in the indenture governing the Floating Rate Senior Notes;

(iii) Non-guarantor subsidiaries, on a combined basis;

(iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate intercompany profit in inventory, (c) eliminate the investments in our subsidiaries and (d) record consolidating entries; and

(v) Parent Company, on a consolidated basis.

The Floating Rate Senior Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary, each of which is wholly owned, directly or indirectly, by Hanesbrands Inc. Each entity in the consolidating financial information follows the same accounting policies as described in the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the year ended December 29, 2007, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation.

Certain prior period amounts have been reclassified to conform to the current year presentation and legal entity structure relating to the classification of the investment in subsidiary balances and related equity in earnings of subsidiaries.

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Notes to Condensed Consolidated Financial Statements — (Continued)
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Condensed Consolidating Statement of Income
Quarter Ended September 27, 2008

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$ 1,253,006	\$ 112,281	\$ 770,153	\$ (981,805)	\$ 1,153,635
Cost of sales	953,856	42,439	683,669	(868,113)	811,851
Gross profit	299,150	69,842	86,484	(113,692)	341,784
Selling, general and administrative expenses	205,633	17,566	32,146	(117)	255,228
Restructuring	24,036	139	4,180	—	28,355
Operating profit (loss)	69,481	52,137	50,158	(113,575)	58,201
Equity in earnings (loss) of subsidiaries	(32,753)	45,678	—	(12,925)	—
Interest expense, net	24,964	7,733	4,543	13	37,253
Income (loss) before income tax expense (benefit)	11,764	90,082	45,615	(126,513)	20,948
Income tax expense (benefit)	(4,156)	3,938	5,246	—	5,028
Net income (loss)	\$ 15,920	\$ 86,144	\$ 40,369	\$ (126,513)	\$ 15,920

Condensed Consolidating Statement of Income
Quarter Ended September 29, 2007

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$ 1,143,537	\$ 229,998	\$ 621,840	\$ (841,769)	\$ 1,153,606
Cost of sales	878,409	164,846	545,064	(795,732)	792,587
Gross profit	265,128	65,152	76,776	(46,037)	361,019
Selling, general and administrative expenses	199,450	(54,260)	(16,162)	124,205	253,233
Restructuring	905	67	1,090	—	2,062
Operating profit (loss)	64,773	119,345	91,848	(170,242)	105,724
Equity in earnings (loss) of subsidiaries	31,496	37,420	—	(68,916)	—
Other expenses	889	—	—	—	889
Interest expense, net	38,797	10,633	(168)	8	49,270
Income (loss) before income tax expense (benefit)	56,583	146,132	92,016	(239,166)	55,565
Income tax expense (benefit)	17,687	6,404	(7,422)	—	16,669
Net income (loss)	\$ 38,896	\$ 139,728	\$ 99,438	\$ (239,166)	\$ 38,896

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Condensed Consolidating Statement of Income
Nine Months Ended September 27, 2008

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$ 3,362,897	\$ 321,419	\$ 2,176,844	\$ (2,647,507)	\$ 3,213,653
Cost of sales	2,626,383	125,794	1,910,886	(2,517,114)	2,145,949
Gross profit	736,514	195,625	265,958	(130,393)	1,067,704
Selling, general and administrative expenses	651,345	56,566	67,911	445	776,267
Restructuring	23,942	266	8,147	—	32,355
Operating profit (loss)	61,227	138,793	189,900	(130,838)	259,082
Equity in earnings (loss) of subsidiaries	132,451	125,829	—	(258,280)	—
Interest expense, net	76,750	24,595	13,931	6	115,282
Income (loss) before income tax expense	116,928	240,027	175,969	(389,124)	143,800
Income tax expense	7,640	9,453	17,419	—	34,512
Net income (loss)	\$ 109,288	\$ 230,574	\$ 158,550	\$ (389,124)	\$ 109,288

Condensed Consolidating Statement of Income
Nine Months Ended September 29, 2007

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$ 3,284,987	\$ 660,117	\$ 1,863,661	\$ (2,493,358)	\$ 3,315,407
Cost of sales	2,498,548	485,058	1,644,007	(2,393,261)	2,234,352
Gross profit	786,439	175,059	219,654	(100,097)	1,081,055
Selling, general and administrative expenses	660,861	(51,777)	40,212	124,521	773,817
Restructuring	43,466	72	995	—	44,533
Operating profit (loss)	82,112	226,764	178,447	(224,618)	262,705
Equity in earnings (loss) of subsidiaries	132,846	104,184	—	(237,030)	—
Other expenses	1,440	—	—	—	1,440
Interest expense, net	121,041	31,903	(731)	4	152,217
Income (loss) before income tax expense	92,477	299,045	179,178	(461,652)	109,048
Income tax expense	16,143	10,355	6,216	—	32,714
Net income (loss)	\$ 76,334	\$ 288,690	\$ 172,962	\$ (461,652)	\$ 76,334

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Notes to Condensed Consolidated Financial Statements — (Continued)
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Condensed Consolidating Balance Sheet
September 27, 2008

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 34,960	\$ 1,720	\$ 49,532	\$ —	\$ 86,212
Trade accounts receivable	(6,359)	6,959	564,055	(1,718)	562,937
Inventories	1,116,124	54,091	334,380	(145,587)	1,359,008
Deferred tax assets and other current assets	198,721	8,232	39,456	(2,185)	244,224
Total current assets	1,343,446	71,002	987,423	(149,490)	2,252,381
Property, net	236,731	12,830	313,402	—	562,963
Trademarks and other identifiable intangibles, net	34,296	115,949	5,634	—	155,879
Goodwill	232,882	16,934	68,296	—	318,112
Investments in subsidiaries	537,675	673,309	—	(1,210,984)	—
Deferred tax assets and other noncurrent assets	199,499	348,357	(131,439)	(78,114)	338,303
Total assets	\$ 2,584,529	\$ 1,238,381	\$ 1,243,316	\$ (1,438,588)	\$ 3,627,638
Liabilities and Stockholders' Equity					
Accounts payable	\$ 155,493	\$ 3,188	\$ 78,496	\$ 85,647	\$ 322,824
Accrued liabilities	287,553	29,845	62,468	(2,634)	377,232
Notes payable	—	—	71,528	—	71,528
Total current liabilities	443,046	33,033	212,492	83,013	771,584
Long-term debt	1,615,250	450,000	250,000	—	2,315,250
Other noncurrent liabilities	145,299	1,845	8,302	4,424	159,870
Total liabilities	2,203,595	484,878	470,794	87,437	3,246,704
Stockholders' equity	380,934	753,503	772,522	(1,526,025)	380,934
Total liabilities and stockholders' equity	\$ 2,584,529	\$ 1,238,381	\$ 1,243,316	\$ (1,438,588)	\$ 3,627,638

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Notes to Condensed Consolidated Financial Statements — (Continued)
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Condensed Consolidating Balance Sheet
December 29, 2007

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 84,476	\$ 6,329	\$ 83,431	\$ —	\$ 174,236
Trade accounts receivable	(13,135)	4,389	586,327	(2,512)	575,069
Inventories	827,312	47,443	281,224	(38,927)	1,117,052
Deferred tax assets and other current assets	196,451	3,888	30,013	(2,375)	227,977
Total current assets	1,095,104	62,049	980,995	(43,814)	2,094,334
Property, net	286,081	6,979	241,226	—	534,286
Trademarks and other identifiable intangibles, net	25,955	119,682	5,629	—	151,266
Goodwill	232,882	16,934	60,609	—	310,425
Investments in subsidiaries	424,746	585,168	—	(1,009,914)	—
Deferred tax assets and other noncurrent assets	386,070	249,621	(232,117)	(54,402)	349,172
Total assets	\$ 2,450,838	\$ 1,040,433	\$ 1,056,342	\$ (1,108,130)	\$ 3,439,483
Liabilities and Stockholders' Equity					
Accounts payable	\$ 127,887	\$ 4,344	\$ 71,288	\$ 85,647	\$ 289,166
Accrued liabilities	299,078	22,537	61,294	(2,670)	380,239
Notes payable	—	—	19,577	—	19,577
Total current liabilities	426,965	26,881	152,159	82,977	688,982
Long-term debt	1,615,250	450,000	250,000	—	2,315,250
Other noncurrent liabilities	119,719	1,773	19,854	5,001	146,347
Total liabilities	2,161,934	478,654	422,013	87,978	3,150,579
Stockholders' equity	288,904	561,779	634,329	(1,196,108)	288,904
Total liabilities and stockholders' equity	\$ 2,450,838	\$ 1,040,433	\$ 1,056,342	\$ (1,108,130)	\$ 3,439,483

HANESBRANDS

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 27, 2008

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ (28,878)	\$ 133,333	\$ 136,650	\$ (259,726)	\$ (18,621)
Investing activities:					
Purchases of property, plant and equipment	(25,211)	(8,852)	(89,256)	—	(123,319)
Acquisition of business	—	—	(10,011)	—	(10,011)
Proceeds from sales of assets	20,059	38	4,232	—	24,329
Other	(89)	—	—	(554)	(643)
Net cash used in investing activities	(5,241)	(8,814)	(95,035)	(554)	(109,644)
Financing activities:					
Principal payments on capital lease obligations	(700)	—	(7)	—	(707)
Borrowings on notes payable	—	—	316,958	—	316,958
Repayments on notes payable	—	—	(265,195)	—	(265,195)
Cost of debt issuance	(48)	(10)	(11)	—	(69)
Borrowings on revolving loan facility	524,000	—	—	—	524,000
Repayments on revolving loan facility	(524,000)	—	—	—	(524,000)
Proceeds from stock options exercised	2,200	—	—	—	2,200
Stock repurchases	(30,275)	—	—	—	(30,275)
Borrowings on accounts receivable securitization	—	—	20,944	—	20,944
Repayments on accounts receivable securitization	—	—	(20,944)	—	(20,944)
Transaction with Sara Lee Corporation	18,000	—	—	—	18,000
Other	(136)	—	—	—	(136)
Net transactions with related entities	(4,438)	(129,118)	(126,724)	260,280	—
Net cash provided by (used in) financing activities	(15,397)	(129,128)	(74,979)	260,280	40,776
Effect of changes in foreign exchange rates on cash	—	—	(535)	—	(535)
Decrease in cash and cash equivalents	(49,516)	(4,609)	(33,899)	—	(88,024)
Cash and cash equivalents at beginning of year	84,476	6,329	83,431	—	174,236
Cash and cash equivalents at end of period	\$ 34,960	\$ 1,720	\$ 49,532	\$ —	\$ 86,212

HANESBRANDS

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 29, 2007

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 313,752	\$ 188,626	\$ 48,214	\$ (314,749)	\$ 235,843
Investing activities:					
Purchases of property, plant and equipment	(25,680)	(6,048)	(13,659)	—	(45,387)
Acquisition of business	—	—	(17,380)	—	(17,380)
Proceeds from sales of assets	7,286	4,870	866	—	13,022
Other	(1,444)	103	3	763	(575)
Net cash provided by (used in) investing activities	(19,838)	(1,075)	(30,170)	763	(50,320)
Financing activities:					
Principal payments on capital lease obligations	(888)	(26)	—	—	(914)
Borrowings on notes payable	—	—	29,969	—	29,969
Repayments on notes payable	—	—	(26,845)	—	(26,845)
Cost of debt issuance	(2,415)	(118)	—	—	(2,533)
Repayment of debt under credit facilities	(128,125)	—	—	—	(128,125)
Decrease in bank overdraft	—	—	(834)	—	(834)
Proceeds from stock options exercised	5,464	—	—	—	5,464
Stock repurchases	(44,473)	—	—	—	(44,473)
Other	552	—	—	—	552
Net transactions with related entities	(156,631)	(187,818)	30,463	313,986	—
Net cash provided by (used in) financing activities	(326,516)	(187,962)	32,753	313,986	(167,739)
Effect of changes in foreign exchange rates on cash	—	—	2,620	—	2,620
Increase (decrease) in cash and cash equivalents	(32,602)	(411)	53,417	—	20,404
Cash and cash equivalents at beginning of year	60,960	(1,251)	96,264	—	155,973
Cash and cash equivalents at end of period	\$ 28,358	\$ (1,662)	\$ 149,681	\$ —	\$ 176,377

(14) Subsequent Event

Subsequent to September 27, 2008, the Company entered into interest rate swap agreements with a notional amount totaling \$400,000, as a result of which the Company has fixed LIBOR on a portion of its outstanding debt at 2.80% for a 2-year term.

Item 2. 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 "Forward-Looking Statements" and "Risk Factors" 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 Quarterly Report on Form 10-Q. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 29, 2007, which were included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. 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 included elsewhere in this Quarterly Report on Form 10-Q and those included in the "Risk Factors" section and elsewhere in our Annual Report on Form 10-K.

Overview

We are a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *Playtex*, *Bali*, *Just My Size*, *barely there* and *Wonderbra*. We design, manufacture, source and sell a broad range of apparel essentials such as t-shirts, bras, panties, men's underwear, kids' underwear, socks, hosiery, casualwear and activewear.

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 businesses.

- **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, thermals and sleepwear, 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*, *Just My Size*, *barely there*, and *Wonderbra* brands. We are also a leading manufacturer and marketer of men's underwear and kids' underwear under the *Hanes* and *Champion* brand names. Our net sales for the nine months ended September 27, 2008 from our Innerwear segment were \$1.8 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 primarily to wholesalers, who then resell to screen printers and embellishers, through brands such as *Hanes*, *Champion* and *Outer Banks*. Our net sales for the nine months ended September 27, 2008 from our Outerwear segment were \$881 million, representing approximately 27% 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 *Hanes*, *L'eggs* and *Just My Size* brands. Our net sales for the nine months ended September 27, 2008 from our Hosiery segment were \$167 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 marketed under the *Hanes, Champion, Wonderbra, Playtex, Rinbros, Bali* and *Stedman* brands. Our net sales for the nine months ended September 27, 2008 from our International segment were \$352 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 net sales for the nine months ended September 27, 2008 in our Other segment were \$20 million, representing approximately 1% of total segment net sales and are comprised of sales of nonfinished products such as yarn and certain other materials in the United States and Latin America in order to maintain asset utilization at certain manufacturing facilities and generate break even margins. Net sales from our Other segment are expected to continue to decline during the remainder of this year and to ultimately become insignificant to us.

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 a 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 experienced a shift in timing by our largest retail customers of back-to-school programs from June to July in 2008. Our results of operations are also impacted by fluctuations and volatility in the price of cotton 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.

Our operating results are also impacted by economic factors, some of which are beyond our control. Inflation can have a long-term impact on us because increasing costs of materials and labor may impact our ability to maintain satisfactory margins. 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 are unable to be recouped, or if consumer spending decreases 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 have informed our retail customers that we are raising domestic prices effective during the first quarter of 2009. We are implementing an average gross price increase of four percent in our domestic product categories. The range of price increases varies by individual product category.

Highlights from the Third Quarter and Nine Months Ended September 27, 2008

- Diluted earnings per share were \$0.17 in the third quarter of 2008, compared with \$0.40 in the same quarter in 2007. Diluted earnings per share were \$1.14 in the nine month period in 2008, compared with \$0.79 in the same nine month period in 2007.
- Operating profit was \$58 million in the third quarter of 2008, compared with \$106 million in the same quarter in 2007. Operating profit was \$259 million in the nine month period in 2008, compared with \$263 million in the same nine month period in 2007.
- Total net sales in the third quarter of 2008 of \$1.15 billion were comparable to the same quarter in 2007. Total net sales in the nine month period in 2008 were lower by \$102 million at \$3.21 billion compared to the same nine month period in 2007.
- During the first nine months of 2008, we approved actions to close 11 manufacturing facilities and two distribution centers in El Salvador, Mexico, Costa Rica, Honduras and the United States. The production capacity represented by the manufacturing facilities will be relocated to lower cost locations

in Asia, the Caribbean Basin and Central America. The distribution capacity will be 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 first nine months of 2008 that were approved in 2007.

- Capital expenditures were \$123 million during the first nine months of 2008 as we continued to build out our textile and sewing network in Asia, the Caribbean Basin and Central America.
- We repurchased \$30 million of company stock during the first nine months of 2008.
- We ended the third quarter of 2008 with \$443 million of borrowing availability under our revolving loan facility, \$86 million in cash and cash equivalents and \$47 million of borrowing availability under our international loan facilities.

Condensed Consolidated Results of Operations — Third Quarter Ended September 27, 2008 Compared with Third Quarter Ended September 29, 2007

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
	(dollars in thousands)			
Net sales	\$ 1,153,635	\$ 1,153,606	\$ 29	0.0%
Cost of sales	811,851	792,587	19,264	2.4
Gross profit	341,784	361,019	(19,235)	(5.3)
Selling, general and administrative expenses	255,228	253,233	1,995	0.8
Restructuring	28,355	2,062	26,293	NM
Operating profit	58,201	105,724	(47,523)	(45.0)
Other expenses	—	889	(889)	NM
Interest expense, net	37,253	49,270	(12,017)	(24.4)
Income before income tax expense	20,948	55,565	(34,617)	(62.3)
Income tax expense	5,028	16,669	(11,641)	(69.8)
Net income	\$ 15,920	\$ 38,896	\$ (22,976)	(59.1)%

Net Sales

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
	(dollars in thousands)			
Net sales	\$ 1,153,635	\$ 1,153,606	\$ 29	0.0%

Consolidated net sales in the third quarter of 2008 were comparable to 2007. Sales levels were impacted by softer sales at retail and, as anticipated, lower Other segment sales offset by a shift in timing by our largest retail customers of back-to-school programs from June to July in 2008. Our Innerwear and International segment net sales were higher by \$15 million (2%) and \$13 million (13%), respectively, and were offset by lower net sales in our Outerwear, Hosiery and Other segments of \$1 million (0%), \$14 million (22%) and \$9 million (65%), respectively, and higher intersegment sales eliminations of \$5 million. 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, softness in the retail environment can impact our results in the short-term, as it did in the third quarter of 2008. Softer sales at retail during the third quarter of 2008 were reflective of a difficult economic and retail environment in which the ultimate consumers of our products have been significantly limiting their discretionary spending and visiting retail stores less frequently.

The higher net sales in our Innerwear segment were primarily due to an increase in sales in the *Hanes* brand male underwear product category of \$23 million, which includes the impact of exiting a license

arrangement for a boys' character underwear program in early 2008 that lowered sales by \$4 million. Net sales of our *Playtex* brand intimate apparel were \$11 million higher and net sales of our *Bali* brand intimate apparel were flat in the third quarter of 2008 compared to 2007. In addition, we experienced a shift in timing by our largest retail customers of back-to-school programs from June to July in 2008, which primarily impacted our underwear, socks and intimate apparel product categories. The amount of our back-to-school shipments that shifted from June to July 2008 was approximately \$25 million. Intimate apparel sales in our secondary brands (*barely there*, *Wonderbra* and *Just My Size*) were lower by \$13 million which we believe was primarily attributable to softer sales at retail as noted above. In addition, intimate apparel sales in our *Hanes* brand were lower by \$7 million.

The higher net sales in our International segment were driven by a favorable impact of \$7 million related to foreign currency exchange rates and by the growth in our casualwear businesses in Europe and Asia and our male underwear business in Canada. The favorable impact of foreign currency exchange rates was primarily due to the strengthening of the Euro, Japanese yen and Brazilian real.

In our Outerwear segment, net sales of our *Champion* brand activewear increased by double digits in the third quarter of 2008 compared to 2007, and were offset by lower net sales of our casualwear product categories. Net sales in our Hosiery segment declined substantially more than the long-term trend primarily due to lower sales of our *L'eggs* brand to mass retailers and food and drug stores and our *Hanes* brand to national chains and department stores in the third quarter of 2008 compared to last year. 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 decline in net sales for our Other segment is primarily due to the continued vertical integration of a yarn and fabric operation acquisition from 2006 with less focus on sales of unfinished fabric and yarn to third parties. We expect this decline to continue during the remainder of this year and sales for this segment to ultimately become insignificant to us.

Gross Profit

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Gross profit	\$341,784	\$361,019	\$(19,235)	(5.3)%

As a percent of net sales, our gross profit percentage was 29.6% in the third quarter of 2008 compared to 31.3% in 2007. The lower gross profit percentage was primarily due to one-time restructuring related write-offs of stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate of \$14 million in the third quarter of 2008 offset by lower accelerated depreciation of \$8 million in connection with the consolidation and globalization of our supply chain. In addition, we experienced higher production costs of \$7 million related to higher energy and oil related costs including freight costs, higher cotton costs of \$12 million, \$6 million of unfavorable timing in cost recognition that is expected to reverse in the fourth quarter, unfavorable product sales mix of \$5 million, other vendor price increases of \$4 million, lower sales volume of \$4 million and higher other manufacturing overhead costs of \$3 million.

The cotton prices reflected in our results were 69 cents per pound in the third quarter of 2008 as compared to 57 cents per pound in 2007. After taking into consideration the cotton costs currently included in inventory, we expect our cost of cotton to average 66 cents per pound for the full year 2008.

These higher expenses were partially offset by \$7 million of savings from our cost reduction initiatives and prior restructuring actions, lower on-going excess and obsolete inventory costs of \$7 million, lower sales incentives of \$6 million, lower start-up and shut down costs associated with our consolidation and globalization of our supply chain of \$3 million, a favorable impact related to foreign currency exchange rates of \$3 million and higher product sales pricing of \$2 million. The favorable foreign currency exchange rate impact in our International segment was primarily due to the strengthening of the Euro, Japanese yen and Brazilian real.

Selling, General and Administrative Expenses

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Selling, general and administrative expenses	\$255,228	\$253,233	\$ 1,995	0.8%

Our selling, general and administrative expenses were \$2 million higher in the third quarter of 2008 compared to 2007. Our cost reduction efforts resulted in lower expenses in the third quarter of 2008 compared to 2007 related to lower technology consulting expenses of \$4 million, savings of \$3 million from our prior restructuring actions primarily for compensation and related benefits, lower accelerated depreciation of \$3 million, lower media related media, advertising and promotion expenses ("MAP") of \$2 million and lower non-media related MAP expenses of \$2 million. 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. In addition, \$2 million of spin off and related charges recognized in the third quarter of 2007 did not recur in 2008.

The above lower expenses were offset by higher bad debt expense of \$7 million primarily related to the bankruptcy of Mervyn's LLC and its affiliated entities ("Mervyn's"), higher distribution expenses of \$2 million and higher computer software amortization expense of \$2 million in the third quarter of 2008 compared to 2007. Approximately half of the higher distribution expenses in the third quarter of 2008 compared to 2007 were postage and freight related and the other half related to rework expenses in our distribution centers. Our pension income of \$3 million was lower by \$4 million which is primarily attributable to an adjustment that reduced pension expense in 2007 related to the final separation of our pension assets and liabilities from those of Sara Lee Corporation ("Sara Lee"). We also incurred higher expenses of \$1 million in the third quarter of 2008 compared to 2007 as a result of opening 10 retail stores over the last 12 months. In addition, we incurred \$2 million in amortization of gain on curtailment of postretirement benefits in the third quarter of 2007 which did not recur in 2008.

Our cost reduction efforts have allowed us to offset investments in our strategic initiatives which were \$6 million lower in the third quarter of 2008 compared to 2007 for media related MAP expenses and technology consulting expenses.

Restructuring

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Restructuring	\$ 28,355	\$ 2,062	\$26,293	NM

During the third quarter of 2008, we approved actions to close nine manufacturing facilities and eliminate approximately 8,100 positions in El Salvador, Mexico, Costa Rica, Honduras and the United States during the next twelve months. The production capacity represented by the manufacturing facilities will be relocated to lower cost locations in Asia, the Caribbean Basin and Central America. We recorded a charge of \$21 million that was primarily attributable to employee termination and other benefits recognized in accordance with benefit plans previously communicated to the affected employee group and \$9 million in charges related to exiting supply contracts, which was partially offset by a \$2 million favorable settlement of a lease obligation for a lower amount than previously estimated.

In the third quarter of 2008, we recorded \$14 million in 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 the nine manufacturing facilities in the "Cost of sales" line. In addition, in connection with our consolidation and globalization strategy, in the third quarters of 2008 and 2007, we recognized non-cash charges of \$4 million and \$12 million, respectively, in the "Cost of sales" line and a non-cash credit of \$2 million and a non-cash charge of \$1 million, respectively, in the "Selling, general and administrative

expenses" line in the third quarters of 2008 and 2007 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 third quarter of 2007, we incurred \$2 million in restructuring charges which primarily related to employee termination and other benefits associated with previously approved actions for plant closures.

Operating Profit

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Operating profit	\$58,201	\$105,724	\$(47,523)	(45.0)%

Operating profit was lower in the third quarter of 2008 primarily as a result of higher restructuring and related charges for nine facility closures of \$29 million and lower gross profit due to increases in manufacturing input costs for cotton, freight and energy and other oil related costs, all of which exceeded our savings from executing our consolidation and globalization strategy during the third quarter of 2008.

Other Expenses

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Other expenses	\$ —	\$ 889	\$ (889)	NM

During the third quarter of 2007, we recognized a loss on early extinguishment of debt related to unamortized debt issuance costs on our senior secured credit facility for the prepayment of \$75 million of principal in September 2007.

Interest Expense, Net

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Interest expense, net	\$37,253	\$ 49,270	\$(12,017)	(24.4)%

Interest expense, net was lower by \$12 million in the third quarter of 2008 compared to 2007. The lower interest expense is primarily attributable to a lower weighted average interest rate, \$9 million of which resulted from a lower LIBOR and \$1 million of which resulted from reduced interest rates achieved through changes in our financing structure such as our accounts receivable securitization that we entered into in November 2007. In addition, interest expense was reduced by \$2 million as a result of our net prepayments of long-term debt during 2007 of \$178 million. Our weighted average interest rate on our outstanding debt was 5.80% during the third quarter of 2008 compared to 7.71% in 2007.

During the third quarter of 2008, we terminated an interest rate cap with a notional amount of \$250 million and a capped interest rate of 5.75%. At September 27, 2008, we had outstanding interest rate hedging arrangements whereby we have capped the interest rate on \$700 million of our floating rate debt at 5.75% and had fixed the interest rate on \$600 million of our floating rate debt at 5.04%. Approximately 56% of our total debt outstanding at September 27, 2008 was at a fixed or capped rate.

During and subsequent to the third quarter of 2008, we entered into additional interest rate hedging arrangements that will become effective during the fourth quarter of 2008 that, combined with expirations of other portions of our interest rate derivative portfolio, will result in approximately 86% of our floating rate debt bearing interest at a fixed or capped rate. Once these interest rate hedging arrangements become effective

in the fourth quarter of 2008, the interest rate on \$600 million of our floating rate debt will be capped at 3.50% and the interest rate on \$1.4 billion of our floating rate debt will be fixed at a weighted average rate of 4.17%.

Income Tax Expense

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Income tax expense	\$ 5,028	\$16,669	\$(11,641)	(69.8)%

Our estimated annual effective income tax rate was 24% in the third quarter of 2008 compared to 30% in 2007. The lower effective income tax expense is primarily attributable to lower pre-tax income and higher unremitted earnings from foreign subsidiaries in the third quarter of 2008 taxed at rates less than the U.S. statutory rate. Our estimated annual effective tax rate is reflective of our strategic initiative to make substantial capital investments outside the United States in our global supply chain in 2008.

Net Income

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Net income	\$15,920	\$38,896	\$(22,976)	(59.1)%

Net income for the third quarter of 2008 was lower than 2007 primarily due to lower operating profit resulting in part from higher restructuring and related charges and higher manufacturing input costs, which were partially offset by savings from our cost reduction initiatives, lower interest expense and a lower income tax expense.

Operating Results by Business Segment — Third Quarter Ended September 27, 2008 Compared with Third Quarter Ended September 29, 2007

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
	(dollars in thousands)			
Net sales:				
Innerwear	\$ 650,372	\$ 635,167	\$ 15,205	2.4%
Outerwear	348,467	349,352	(885)	(0.3)
Hosiery	50,197	64,120	(13,923)	(21.7)
International	116,581	103,341	13,240	12.8
Other	4,769	13,587	(8,818)	(64.9)
Total segment net sales	1,170,386	1,165,567	4,819	0.4
Intersegment	(16,751)	(11,961)	4,790	40.0
Total net sales	\$ 1,153,635	\$ 1,153,606	\$ 29	(0.0)%
Segment operating profit:				
Innerwear	\$ 71,097	\$ 63,173	\$ 7,924	12.5%
Outerwear	19,243	36,051	(16,808)	(46.6)
Hosiery	13,081	18,670	(5,589)	(29.9)
International	14,010	9,616	4,394	45.7
Other	314	(306)	620	202.6
Total segment operating profit	\$ 117,745	\$ 127,204	\$ (9,459)	(7.4)%
Items not included in segment operating profit:				
General corporate expenses	\$ (12,593)	\$ (5,225)	\$ 7,368	141.0%
Amortization of trademarks and other intangibles	(3,045)	(1,442)	1,603	111.2
Restructuring	(28,355)	(2,062)	26,293	NM
Inventory write-off included in cost of sales	(14,027)	(186)	13,841	NM
Accelerated depreciation included in cost of sales	(4,011)	(11,616)	(7,605)	(65.5)
Accelerated depreciation included in selling, general and administrative expenses	2,487	(949)	(3,436)	(362.1)
Total operating profit	58,201	105,724	(47,523)	(45.0)
Other expenses	—	(889)	(889)	NM
Interest expense, net	(37,253)	(49,270)	(12,017)	(24.4)
Income before income tax expense	\$ 20,948	\$ 55,565	\$ (34,617)	(62.3)%

Innerwear

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Net sales	\$650,372	\$635,167	\$ 15,205	2.4%
Segment operating profit	71,097	63,173	7,924	12.5

Overall net sales in the Innerwear segment were higher by \$15 million or 2% in the third quarter of 2008 compared to 2007. The higher net sales were primarily due to an increase in the *Hanes* brand male underwear product category of \$23 million, which includes the impact of exiting a license arrangement for a boys' character underwear program in early 2008 that lowered sales by \$4 million. Net sales of our *Playtex* brand intimate apparel were \$11 million higher and net sales of our *Bali* brand intimate apparel were flat in the third quarter of 2008 compared to 2007. In addition, we experienced a shift in timing by our largest retail customers of back-to-school programs from June to July in 2008, which primarily impacted our underwear, socks and intimate apparel product categories. The amount of our back-to-school shipments that shifted from June to July 2008 was approximately \$25 million. Intimate apparel sales in our secondary brands (*barely there*, *Wonderbra* and *Just My Size*) were lower by \$13 million which we believe was primarily attributable to softer sales at retail. In addition, intimate apparel sales in our *Hanes* brand were lower by \$7 million.

As a percent of segment net sales, gross profit percentage in the Innerwear segment was 34.4% in the third quarter of 2008 compared to 35.7% in 2007. The lower gross profit is primarily attributable to higher cotton costs of \$5 million, higher production costs of \$3 million, other vendor price increases of \$2 million and higher other manufacturing overhead costs of \$2 million. The higher production costs were related to higher energy and oil related costs including freight costs. These factors were partially offset by lower sales incentives of \$5 million and lower on-going excess and obsolete inventory costs of \$4 million.

The higher Innerwear segment operating profit in the third quarter of 2008 compared to 2007 is primarily attributable to lower media related MAP expenses of \$7 million, lower non-media related MAP expenses of \$4 million, savings from prior restructuring actions of \$2 million and lower technology consulting expenses of \$2 million partially offset by lower gross profit and higher bad debt expense of \$4 million primarily related to the Mervyn's bankruptcy. In addition, we incurred higher expenses of \$1 million in the third quarter of 2008 compared to 2007 as a result of opening 10 retail stores over the last 12 months. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to each segment. The allocation methodology for the consolidated selling, general and administrative expenses for the third quarter of 2008 is consistent with 2007. Our consolidated selling, general and administrative expenses before segment allocations was \$2 million higher in the third quarter of 2008 compared to 2007.

Outerwear

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Net sales	\$348,467	\$349,352	\$ (885)	(0.3)%
Segment operating profit	19,243	36,051	(16,808)	(46.6)

Net sales in the Outerwear segment were slightly lower by \$1 million in the third quarter of 2008 compared to 2007 primarily as a result of higher net sales of *Champion* brand activewear of \$17 million and higher intersegment sales of \$3 million offset by lower net sales of retail casualwear of \$17 million and lower net sales through our embellishment channel of \$6 million, primarily in promotional t-shirts, offset by higher fleece sales.

As a percent of segment net sales, gross profit percentage in the Outerwear segment was 21.1% in the third quarter of 2008 compared to 23.6% in 2007. The lower gross profit is primarily attributable to higher cotton costs of \$7 million, \$6 million of unfavorable timing in cost recognition that is expected to reverse in the fourth quarter, higher production costs of \$4 million, other vendor price increases of \$1 million and unfavorable product sales mix of \$1 million partially offset by savings from our cost reduction initiatives and prior restructuring actions of \$5 million, higher product sales pricing of \$3 million and lower on-going excess and obsolete inventory costs of \$2 million. The higher production costs were related to higher energy and oil related costs including freight costs.

The lower Outerwear segment operating profit in the third quarter of 2008 compared to 2007 is primarily attributable to lower gross profit, higher media related MAP expenses of \$4 million, higher bad debt expense of \$2 million primarily related to the Mervyn's bankruptcy, higher non-media related MAP expenses of \$2 million and higher distribution expenses of \$1 million. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to each segment. The allocation methodology for the consolidated selling, general and administrative expenses for the third quarter of 2008 is consistent with 2007. Our consolidated selling, general and administrative expenses before segment allocations was \$2 million higher in the third quarter of 2008 compared to 2007.

Hosiery

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Net sales	\$50,197	\$64,120	\$(13,923)	(21.7)%
Segment operating profit	13,081	18,670	(5,589)	(29.9)

Net sales in the Hosiery segment declined by \$14 million or 22%, which was substantially more than the long-term trend primarily due to lower sales of our *L'eggs* brand to mass retailers and food and drug stores and lower sales of the *Hanes* brand to national chains and department stores. We expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences.

As a percent of segment net sales, gross profit percentage was 42.4% in the third quarter of 2008 compared to 46.4% in 2007 primarily due to unfavorable sales mix of \$5 million, lower sales volume of \$4 million and other vendor price increases of \$1 million partially offset by savings from our cost reduction initiatives and prior restructuring actions of \$1 million and lower sales incentives of \$1 million.

Hosiery segment operating profit was lower in the third quarter of 2008 compared to 2007 primarily due to lower gross profit partially offset by lower distribution expenses of \$1 million. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to each segment. The allocation methodology for the consolidated selling, general and administrative expenses for the third quarter of 2008 is consistent with 2007. Our consolidated selling, general and administrative expenses before segment allocations was \$2 million higher in the third quarter of 2008 compared to 2007.

International

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Net sales	\$116,581	\$103,341	\$13,240	12.8%
Segment operating profit	14,010	9,616	4,394	45.7

Overall net sales in the International segment were higher by \$13 million or 13% in the third quarter of 2008 compared to 2007. During the third quarter of 2008 our net sales were higher, in each case including the impact of foreign currency, in Asia of \$5 million, Europe of \$4 million and Canada of \$3 million. The growth in our European casualwear business was driven by the strength of the *Stedman* brand that is sold in the embellishment channel. Higher sales in our *Champion* brand casualwear business in Asia and our *Hanes* brand male underwear business in Canada also contributed to the sales growth. Changes in foreign currency exchange rates had a favorable impact on net sales of \$7 million in the third quarter of 2008 compared to 2007. The favorable impact was primarily due to the strengthening of the Euro, Japanese yen and Brazilian real.

As a percent of segment net sales, gross profit percentage was 40.1% in the third quarter of 2008 compared to 39.2% in 2007. The higher gross profit was primarily attributable to a favorable impact related to foreign currency exchange rates of \$3 million and favorable product sales mix of \$3 million.

The higher International segment operating profit in the third quarter of 2008 compared to 2007 is primarily attributable to the higher gross profit partially offset by higher distribution expenses of \$1 million. Changes in foreign currency exchange rates, which are included in the impact on gross profit above, had a favorable impact on segment operating profit of \$1 million in the third quarter of 2008 compared to 2007.

Other

	Quarter Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Net sales	\$ 4,769	\$ 13,587	\$ (8,818)	(64.9)%
Segment operating profit	314	(306)	620	202.6

Overall lower net sales from our Other segment were primarily due to the continued vertical integration of a yarn and fabric operation acquisition from 2006 with less focus on sales of nonfinished fabric and yarn to third parties. We expect this decline to continue during the remainder of this year and sales for this segment to ultimately become insignificant to us. Net sales in this segment are generated for the purpose of maintaining asset utilization at certain manufacturing facilities and generating break even margins.

General Corporate Expenses

General corporate expenses were higher in the third quarter of 2008 compared to 2007 primarily due to \$7 million of lower net cost allocations to the segments, a \$5 million adjustment that reduced pension expense in 2007 related to the final separation of our pension assets and liabilities from those of Sara Lee, \$2 million in amortization of gain on curtailment of postretirement benefits in the third quarter of 2007 which did not recur in 2008 and \$2 million in losses from foreign currency derivatives partially offset by \$4 million of higher gains on sales of assets, lower start-up and shut down costs associated with our consolidation and globalization of our supply chain of \$3 million and \$2 million of spin off and related charges recognized in the third quarter of 2007 which did not recur in 2008.

Condensed Consolidated Results of Operations — Nine Months Ended September 27, 2008 Compared with Nine Months Ended September 29, 2007

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
	(dollars in thousands)			
Net sales	\$ 3,213,653	\$ 3,315,407	\$ (101,754)	(3.1)%
Cost of sales	2,145,949	2,234,352	(88,403)	(4.0)
Gross profit	1,067,704	1,081,055	(13,351)	(1.2)
Selling, general and administrative expenses	776,267	773,817	2,450	0.3
Restructuring	32,355	44,533	(12,178)	(27.3)
Operating profit	259,082	262,705	(3,623)	(1.4)
Other expenses	—	1,440	(1,440)	NM
Interest expense, net	115,282	152,217	(36,935)	(24.3)
Income before income tax expense	143,800	109,048	34,752	31.9
Income tax expense	34,512	32,714	1,798	5.5
Net income	\$ 109,288	\$ 76,334	\$ 32,954	43.2%

Net Sales

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
	(dollars in thousands)			
Net sales	\$ 3,213,653	\$ 3,315,407	\$ (101,754)	(3.1)%

Consolidated net sales were lower by \$102 million or 3% in the nine months of 2008 compared to 2007 primarily due to softer sales at retail which are reflective of a difficult economic and retail environment in which the ultimate consumers of our products have been significantly limiting their discretionary spending and visiting retail stores less frequently. Our Innerwear, Outerwear, Hosiery and Other segment net sales were lower by \$87 million (5%), \$16 million (2%), \$23 million (12%) and \$27 million (57%), respectively, and were partially offset by higher net sales in our International segment of \$49 million (16%). 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, softness in the retail environment can impact our results in the short-term, as it did in the nine months of 2008.

The lower net sales in our Innerwear segment were primarily due to a decline in the intimate apparel, socks, sleepwear and thermals product categories. Total intimate apparel net sales were \$64 million lower in the nine months of 2008 compared to 2007. We experienced lower intimate apparel sales in our secondary brands (*barely there*, *Just My Size*, and *Wonderbra*) of \$36 million, our *Hanes* brand of \$31 million and our private label brands of \$9 million which we believe was primarily attributable to softer sales at retail as noted above. In the nine months of 2008 compared to 2007, our *Playtex* brand intimate apparel net sales were higher by \$16 million and our *Bali* brand intimate apparel net sales were lower by \$4 million. We have experienced higher net sales in our male underwear product category of \$3 million, which includes the impact of exiting a license arrangement for a boys' character underwear program in early 2008 that lowered sales by \$11 million. In addition, net sales of socks, sleepwear and thermals product categories were lower in the nine months of 2008 compared to 2007 by \$15 million, \$6 million and \$6 million, respectively.

In our Outerwear segment, net sales of our *Champion* brand activewear were higher in the nine months of 2008 compared to 2007, and were offset by lower net sales of our casualwear product categories. Net sales in our Hosiery segment declined substantially more than the long-term trend primarily due to lower sales of the *Hanes* brand to national chains and department stores and our *L'eggs* brand to mass retailers and food and

drug stores in the nine months of 2008 compared to last year. 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 overall lower net sales were partially offset by higher net sales in our International segment that were driven by a favorable impact of \$31 million related to foreign currency exchange rates and by the growth in our casualwear businesses in Europe and Asia and our male underwear business in Canada. The favorable impact of foreign currency exchange rates was primarily due to the strengthening of the Euro, Japanese yen, Canadian dollar and Brazilian real.

The decline in net sales for our Other segment is primarily due to the continued vertical integration of a yarn and fabric operation acquisition from 2006 with less focus on sales of nonfinished fabric and yarn to third parties. We expect this decline to continue during the remainder of this year and sales for this segment to ultimately become insignificant to us.

Gross Profit

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Gross profit	\$1,067,704	\$1,081,055	\$(13,351)	(1.2)%

As a percent of net sales, our gross profit percentage was 33.2% in the nine months of 2008 compared to 32.6% in 2007. While the gross profit percentage was higher, gross profit dollars were lower for the nine months of 2008 compared to 2007 primarily as a result of lower sales. The lower gross profit is primarily attributable to \$46 million of lower sales volume, higher cotton costs of \$13 million, \$11 million of higher production costs related to higher energy and oil related costs including freight costs, unfavorable product sales mix of \$7 million, other vendor price increases of \$7 million, \$6 million of higher freight costs due to a greater use of air freight and \$6 million of unfavorable timing in cost recognition that is expected to reverse in the fourth quarter. In addition, in connection with the consolidation and globalization of our supply chain we incurred one-time restructuring related write-offs of stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate of \$14 million in 2008 which were offset by lower accelerated depreciation of \$18 million.

The cotton prices reflected in our results were 62 cents per pound in the nine months of 2008 as compared to 57 cents per pound in 2007. After taking into consideration the cotton costs currently included in inventory, we expect our cost of cotton to average 66 cents per pound for the full year 2008.

These higher expenses were primarily offset by \$31 million of savings from our cost reduction initiatives and prior restructuring actions, a \$13 million favorable impact related to foreign currency exchange rates, lower sales incentives of \$11 million, lower other manufacturing overhead costs of \$12 million, lower on-going excess and obsolete inventory costs of \$8 million and \$4 million of lower start-up and shut down costs associated with our consolidation and globalization of our supply chain. The favorable foreign currency exchange rate impact in our International segment was primarily due to the strengthening of the Euro, Japanese yen, Canadian dollar and Brazilian real.

Selling, General and Administrative Expenses

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Selling, general and administrative expenses	\$ 776,267	\$ 773,817	\$ 2,450	0.3%

Our selling, general and administrative expenses were \$2 million higher in the nine months of 2008 compared to 2007. Our cost reduction efforts resulted in lower expenses in the nine months of 2008 compared to 2007 related to savings of \$16 million from our prior restructuring actions primarily for compensation and related benefits, lower non-media related MAP expenses of \$5 million, lower stock compensation expense of

\$4 million and lower accelerated depreciation of \$3 million. In addition, spin off and related charges of \$3 million recognized in 2007 did not recur in 2008. In addition, our pension income of \$8 million was higher by \$4 million which included an adjustment that reduced pension expense in 2007 related to the final separation of our pension assets and liabilities from those of Sara Lee.

Our media related MAP expenses were \$4 million higher in the nine months of 2008 primarily to support the launch of *Hanes No Ride Up Panties* and marketing initiatives for *Champion* and *Playtex* in the first half of 2008. 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. We experienced higher technology consulting and related expenses of \$11 million, higher computer software amortization of \$4 million, higher distribution expenses of \$5 million and higher bad debt expense of \$7 million primarily related to the Mervyn's bankruptcy in the nine months of 2008 compared to 2007. Approximately half of the higher distribution expenses in the third quarter of 2008 compared to 2007 were postage and freight related and the other half related to rework expenses in our distribution centers. We also incurred higher expenses of \$2 million in the nine months of 2008 compared to 2007 as a result of opening 10 retail stores over the last 12 months. In addition, we incurred \$6 million in amortization of gain on curtailment of postretirement benefits in the nine months of 2007 which did not recur in 2008.

Our cost reduction efforts have allowed us to offset higher investments in our strategic initiatives of higher technology consulting expenses of \$6 million and higher MAP expenses of \$4 million during the nine months of 2008 compared to 2007.

Restructuring

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
Restructuring	\$32,355	\$44,533 (dollars in thousands)	\$(12,178)	(27.3)%

During the nine month period in 2008, we approved actions to close 11 manufacturing facilities and two distribution centers and eliminate approximately 9,400 positions in El Salvador, Mexico, Costa Rica, Honduras and the United States during the next twelve months. The production capacity represented by the manufacturing facilities will be relocated to lower cost locations in Asia, the Caribbean Basin and Central America. The distribution capacity will be relocated to our West Coast distribution facility in California in order to expand capacity for goods we source from Asia. We recorded a charge of \$25 million that was primarily attributable to employee termination and other benefits recognized in accordance with benefit plans previously communicated to the affected employee group and \$9 million in charges related to exiting supply contracts, which was partially offset by a \$2 million favorable settlement of a lease obligation for a lower amount than previously estimated.

In the nine months of 2008, we recorded \$14 million in 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 in the "Cost of sales" line. In addition, in connection with our consolidation and globalization strategy, in the nine months in 2008 and 2007, we recognized non-cash charges of \$11 million and \$29 million, respectively, in the "Cost of sales" line and a non-cash credit of \$1 million and a non-cash charge of \$2 million, respectively, in the "Selling, general and administrative expenses" line in the nine months of 2008 and 2007 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 same nine months of 2007, we incurred \$45 million in restructuring charges which primarily related to a charge of \$35 million related to employee termination and other benefits associated with plant

closures approved during that period and the elimination of certain management and administrative positions and a \$10 million charge for estimated lease termination costs associated with facility closures.

Operating Profit

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Operating profit	\$259,082	\$262,705	\$ (3,623)	(1.4)%

Operating profit was slightly lower in the nine months of 2008 compared to 2007 as a result of lower gross profit due to increases in manufacturing input costs for cotton, freight and energy and other oil related costs, all of which exceeded our savings from executing our consolidation and globalization strategy during the nine months of 2008, partially offset by lower restructuring and related charges for facility closures of \$20 million.

Other Expenses

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Other expenses	\$ —	\$ 1,440	\$ (1,440)	NM

During the nine months of 2007, we recognized losses on early extinguishment of debt related to unamortized debt issuance costs on our senior secured credit facility for the prepayment of \$50 million of principal in June 2007 and \$75 million of principal in September 2007.

Interest Expense, Net

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Interest expense, net	\$ 115,282	\$ 152,217	\$ (36,935)	(24.3)%

Interest expense, net was lower by \$37 million in the nine months of 2008 compared to 2007. The lower interest expense is primarily attributable to a lower weighted average interest rate, \$25 million of which resulted from a lower LIBOR and \$4 million of which resulted from reduced interest rates achieved through changes in our financing structure such as the February 2007 amendment to our senior secured credit facility and our accounts receivable securitization that we entered into in November 2007. In addition, interest expense was reduced by \$8 million as a result of our net prepayments of long-term debt during 2007 of \$178 million. Our weighted average interest rate on our outstanding debt was 6.17% during the nine months of 2008 compared to 7.82% in 2007.

During the third quarter of 2008, we terminated an interest rate cap with a notional amount of \$250 million and a capped interest rate of 5.75%. At September 27, 2008, we had outstanding interest rate hedging arrangements whereby we have capped the interest rate on \$700 million of our floating rate debt at 5.75% and had fixed the interest rate on \$600 million of our floating rate debt at 5.04%. Approximately 56% of our total debt outstanding at September 27, 2008 was at a fixed or capped rate.

During and subsequent to the third quarter of 2008, we entered into additional interest rate hedging arrangements that will become effective during the fourth quarter of 2008 that, combined with expirations of other portions of our interest rate derivative portfolio, will result in approximately 86% of our floating rate debt bearing interest at a fixed or capped rate. Once these interest rate hedging arrangements become effective in the fourth quarter of 2008, the interest rate on \$600 million of our floating rate debt will be capped at 3.50% and the interest rate on \$1.4 billion of our floating rate debt will be fixed at a weighted average rate of 4.17%.

Income Tax Expense

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Income tax expense	\$ 34,512	\$32,714	\$ 1,798	5.5%

Our estimated annual effective income tax rate was 24% in the nine months of 2008 compared to 30% in 2007. The higher income tax expense is attributable primarily to higher pre-tax income partially offset by a lower effective income tax rate. The lower effective income tax rate is primarily due to higher unremitted earnings from foreign subsidiaries in the nine months of 2008 taxed at rates less than the U.S. statutory rate. Our estimated annual effective tax rate is reflective of our strategic initiative to make substantial capital investments outside the United States in our global supply chain in 2008.

Net Income

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007 (dollars in thousands)		
Net income	\$109,288	\$76,334	\$32,954	43.2%

Net income for the nine months of 2008 was higher than 2007 primarily due to lower interest expense, lower restructuring and related charges and a lower effective income tax rate partially offset by lower gross profit resulting from higher manufacturing input costs.

Operating Results by Business Segment — Nine Months Ended September 27, 2008 Compared with Nine Months Ended September 29, 2007

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
	(dollars in thousands)			
Net sales:				
Innerwear	\$ 1,830,437	\$ 1,917,118	\$ (86,681)	(4.5)%
Outerwear	880,809	896,583	(15,774)	(1.8)
Hosiery	166,672	189,215	(22,543)	(11.9)
International	352,120	303,119	49,001	16.2
Other	20,064	46,629	(26,565)	(57.0)
Total segment net sales	3,250,102	3,352,664	(102,562)	(3.1)
Intersegment	(36,449)	(37,257)	(808)	(2.2)
Total net sales	\$ 3,213,653	\$ 3,315,407	\$ (101,754)	(3.1)%
Segment operating profit:				
Innerwear	\$ 204,714	\$ 243,821	\$ (39,107)	(16.0)%
Outerwear	55,587	54,453	1,134	2.1
Hosiery	52,944	52,849	95	0.2
International	47,662	34,321	13,341	38.9
Other	304	(17)	321	NM
Total segment operating profit	\$ 361,211	\$ 385,427	\$ (24,216)	(6.3)%
Items not included in segment operating profit:				
General corporate expenses	\$ (37,128)	\$ (42,294)	\$ (5,166)	(12.2)%
Amortization of trademarks and other intangibles	(8,683)	(4,516)	4,167	92.3
Restructuring	(32,355)	(44,533)	(12,178)	(27.3)
Inventory write-off included in cost of sales	(14,027)	(186)	13,841	NM
Accelerated depreciation included in cost of sales	(11,202)	(29,296)	(18,094)	(61.8)
Accelerated depreciation included in selling, general and administrative expenses	1,266	(1,897)	(3,163)	(166.7)
Total operating profit	259,082	262,705	(3,623)	(1.4)
Other expenses	—	(1,440)	(1,440)	NM
Interest expense, net	(115,282)	(152,217)	(36,935)	(24.3)
Income before income tax expense	\$ 143,800	\$ 109,048	\$ 34,752	31.9%

Innerwear

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
		(dollars in thousands)		
Net sales	\$1,830,437	\$1,917,118	\$(86,681)	(4.5)%
Segment operating profit	204,714	243,821	(39,107)	(16.0)

Overall net sales in the Innerwear segment were lower by \$87 million or 5% in the nine months of 2008 compared to 2007. The lower net sales in our Innerwear segment were primarily due to a decline in the intimate apparel, socks, thermals and sleepwear product categories. We experienced softer sales at retail which resulted in lower intimate apparel sales in our secondary brands (*barely there*, *Just My Size* and *Wonderbra*) of \$36 million, lower *Hanes* brand intimate apparel sales of \$31 million and lower sales of private label brands of \$9 million. In the nine months of 2008 compared to 2007, our *Playtex* brand intimate apparel net sales were higher by \$16 million offset by lower *Bali* brand intimate apparel net sales of \$4 million. Lower net sales in our socks product category reflects a decline in our *Hanes* brand of \$10 million and *Champion* brand of \$5 million. In addition, net sales of sleepwear and thermals product categories were each lower in the nine months of 2008 compared to 2007 by \$6 million. Net sales were higher in our male underwear product category by \$3 million, which includes the impact of exiting a license arrangement for a boys' character underwear program in early 2008 that lowered sales by \$11 million.

As a percent of segment net sales, gross profit percentage in the Innerwear segment was 37.1% in the nine months of 2008 compared to 37.6% in 2007. The lower gross profit is attributable to lower sales volume of \$37 million, unfavorable product sales mix of \$17 million, \$7 million of higher freight costs due to a greater use of air freight, higher production costs of \$5 million, lower product sales pricing of \$5 million, higher cotton costs of \$5 million, other vendor price increases of \$4 million and higher other manufacturing overhead costs of \$2 million. The higher production costs were related to higher energy and oil related costs including freight costs. These higher costs were offset by \$18 million of savings from our cost reduction initiatives and prior restructuring actions, lower sales incentives of \$12 million and lower on-going excess and obsolete inventory costs of \$9 million.

The lower Innerwear segment operating profit in the nine months of 2008 compared to 2007 is primarily attributable to lower gross profit, higher technology consulting and related expenses of \$6 million, higher bad debt expense of \$4 million primarily related to the Mervyn's bankruptcy and higher distribution expenses of \$2 million partially offset by savings from prior restructuring actions of \$11 million, lower non-media related MAP expenses of \$4 million and lower spending in various areas of \$2 million. In addition, we incurred higher expenses of \$2 million in the nine months of 2008 compared to 2007 as a result of opening 10 retail stores over the last 12 months. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to each segment. The allocation methodology for the consolidated selling, general and administrative expenses for the nine months of 2008 is consistent with 2007. Our consolidated selling, general and administrative expenses before segment allocations was \$2 million higher in the nine months of 2008 compared to 2007.

Outerwear

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
		(dollars in thousands)		
Net sales	\$ 880,809	\$ 896,583	\$(15,774)	(1.8)%
Segment operating profit	55,587	54,453	1,134	2.1

Net sales in the Outerwear segment were lower by \$16 million or 2% in the nine months of 2008 compared to 2007 primarily as a result of lower net sales of retail casualwear of \$29 million and lower net sales through our embellishment channel of \$16 million, primarily in promotional t-shirts, offset by higher

fleece sales. These decreases were offset by higher net sales of *Champion* brand activewear of \$28 million and higher intersegment sales of \$2 million.

As a percent of segment net sales, gross profit percentage in the Outerwear segment was 23.1% in the nine months of 2008 compared to 21.7% in 2007. The improvement in gross profit is primarily attributable to savings from our cost reduction initiatives and prior restructuring actions of \$11 million, favorable product sales mix of \$11 million, lower other manufacturing overhead costs of \$11 million, higher product sales pricing of \$5 million and lower freight costs of \$2 million. These lower costs were partially offset by higher cotton costs of \$8 million, higher production costs of \$6 million, \$6 million of unfavorable timing in cost recognition that is expected to reverse in the fourth quarter, higher on-going excess and obsolete inventory costs of \$4 million, lower sales volume of \$4 million, higher sales incentives of \$2 million and other vendor price increases of \$1 million. The higher production costs were related to higher energy and oil related costs including freight costs.

The higher Outerwear segment operating profit in the nine months of 2008 compared to 2007 is primarily attributable to higher gross profit and savings from our cost reduction initiatives and prior restructuring actions of \$5 million partially offset by higher technology consulting and related expenses of \$4 million, higher distribution expenses of \$3 million, higher bad debt expense of \$2 million primarily related to the Mervyn's bankruptcy, higher media-related MAP expenses of \$1 million and higher non-media related MAP expenses of \$1 million. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to each segment. The allocation methodology for the consolidated selling, general and administrative expenses for the nine months of 2008 is consistent with 2007. Our consolidated selling, general and administrative expenses before segment allocations was \$2 million higher in the nine months of 2008 compared to 2007.

Hosiery

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
		(dollars in thousands)		
Net sales	\$166,672	\$189,215	\$(22,543)	(11.9)%
Segment operating profit	52,944	52,849	95	0.2

Net sales in the Hosiery segment declined by \$23 million or 12%, which was substantially more than the long-term trend primarily due to lower sales of the *Hanes* brand to national chains and department stores and the *L'eggs* brand to mass retailers and food and drug stores. We expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences.

As a percent of segment net sales, gross profit percentage was 48.6% in the nine months of 2008 compared to 46.7% in 2007. While the gross profit percentage was higher, gross profit dollars were lower for the nine months of 2008 compared to 2007 as a result of unfavorable product sales mix of \$9 million, lower sales volume of \$6 million and other vendor price increases of \$2 million partially offset by savings from our cost reduction initiatives and prior restructuring actions of \$3 million, lower sales incentives of \$3 million, lower other manufacturing overhead costs of \$2 million and lower on-going excess and obsolete inventory costs of \$2 million.

Hosiery segment operating profit was flat in the nine months of 2008 compared to 2007 primarily due to lower distribution expenses of \$3 million and savings from our cost reduction initiatives and prior restructuring actions of \$2 million and lower non-media related MAP expenses of \$1 million partially offset by the lower gross profit. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to each segment. The allocation methodology for the consolidated selling, general and administrative expenses for the nine months of 2008 is consistent with 2007.

Our consolidated selling, general and administrative expenses before segment allocations was \$2 million higher in the nine months of 2008 compared to 2007.

International

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
	(dollars in thousands)			
Net sales	\$352,120	\$303,119	\$ 49,001	16.2%
Segment operating profit	47,662	34,321	13,341	38.9

Overall net sales in the International segment were higher by \$49 million or 16% in the nine months of 2008 compared to 2007. During the nine months of 2008, our net sales were higher, in each case including the impact of foreign currency, in Europe of \$19 million, Asia of \$12 million, Canada of \$11 million, and Latin America of \$8 million. The growth in our European casualwear business was driven by the strength of the *Stedman* brand that is sold in the embellishment channel. Higher sales in our *Champion* brand casualwear business in Asia and our *Hanes* brand male underwear business in Canada also contributed to the sales growth. Changes in foreign currency exchange rates had a favorable impact on net sales of \$31 million in the nine months of 2008 compared to 2007. The favorable impact was primarily due to the strengthening of the Euro, Japanese yen, Canadian dollar and Brazilian real.

As a percent of segment net sales, gross profit percentage was 40.9% in the nine months of 2008 compared to 2007 at 41.1%. While the gross profit percentage was lower, gross profit dollars were higher for the nine months of 2008 compared to 2007 as a result of a favorable impact related to foreign currency exchange rates of \$13 million and favorable product sales mix of \$8 million partially offset by higher sales incentives of \$2 million.

The higher International segment operating profit in the nine months of 2008 compared to 2007 is primarily attributable to the higher gross profit partially offset by higher distribution expenses of \$2 million, higher media-related MAP expenses of \$1 million and \$2 million of slightly higher spending in numerous areas. Changes in foreign currency exchange rates, which are included in the impact on gross profit above, had a favorable impact on segment operating profit of \$5 million in the nine months of 2008 compared to 2007.

Other

	Nine Months Ended		Higher (Lower)	Percent Change
	September 27, 2008	September 29, 2007		
	(dollars in thousands)			
Net sales	\$ 20,064	\$ 46,629	\$(26,565)	(57.0)%
Segment operating profit	304	(17)	321	NM

Overall lower net sales from our Other segment were primarily due to the continued vertical integration of a yarn and fabric operation acquisition from 2006 with less focus on sales of unfinished fabric and yarn to third parties. We expect this decline to continue during the remainder of this year and sales of this segment to ultimately become insignificant to us. Net sales in this segment are generated for the purpose of maintaining asset utilization at certain manufacturing facilities and generating break even margins.

General Corporate Expenses

General corporate expenses were lower in the nine months of 2008 compared to 2007 primarily due to \$5 million of higher gains on sales of assets, \$4 million of higher net cost allocations to the segments, \$4 million of lower start-up and shut-down costs associated with our consolidation and globalization of our supply chain, \$3 million of spin off and related charges recognized in the nine months of 2007 which did not recur in 2008 and \$2 million of higher foreign exchange transaction gains partially offset by \$6 million in amortization of gain on curtailment of postretirement benefits in the nine months of 2007 which did not recur

in 2008, a \$5 million adjustment that reduced pension expense in 2007 related to the final separation of our pension assets and liabilities from those of Sara Lee and \$2 million in losses from foreign currency derivatives.

Liquidity and Capital Resources

Trends and Uncertainties Affecting Liquidity

Our primary sources of liquidity are our cash generated by operations and availability under our revolving loan facility and our international loan facilities. At September 27, 2008, we have \$443 million of borrowing availability under our \$500 million revolving loan facility (after taking into account outstanding letters of credit), \$86 million in cash and cash equivalents and \$47 million of borrowing availability under our international loan facilities. We currently believe that our existing cash balances and cash generated by operations, together with our available credit capacity, will enable us to comply with the terms of our indebtedness and meet foreseeable liquidity requirements.

The following has or is expected to impact liquidity:

- we have principal and interest obligations under our long-term debt;
- we expect to continue to invest in efforts to improve operating efficiencies and lower costs;
- we expect to continue to add new manufacturing capacity in Central America, the Caribbean Basin and Asia;
- we anticipate that we will decrease the portion of the income of our foreign subsidiaries that is expected to be remitted to the United States, which could significantly decrease our effective income tax rate; and
- we have the authority to repurchase up to 10 million shares of our stock in the open market over the next few years, 2.8 million of which we have repurchased as of September 27, 2008.

We expect to be able to manage our working capital levels and capital expenditure amounts so as to maintain sufficient levels of liquidity. Depending on conditions in the capital markets and other factors, we will from time to time consider other financing transactions, the proceeds of which could be used to refinance current indebtedness or for other purposes. We continue to monitor the impact, if any, of the current conditions in the credit markets on our operations. Our access to financing at reasonable interest rates could become influenced by the economic and credit market environment. Deterioration in the capital markets, which has caused many financial institutions to seek additional capital, merge with larger and stronger financial institutions and, in some cases, fail, has led to concerns about the stability of financial institutions. We currently hold interest rate cap and swap derivative instruments to mitigate a portion of our interest rate risk and hold foreign exchange rate derivative instruments to mitigate the potential impact of currency fluctuations. Credit risk is the exposure to nonperformance of another party to an agreement. We mitigate credit risk by dealing with highly rated bank counterparties. We believe that our exposures are appropriately diversified across counterparties and that these counterparties are creditworthy financial institutions. Accordingly, we do not anticipate nonperformance by our counterparties.

Given the recent turmoil in the financial and credit markets, we have expanded our interest rate hedging portfolio at what we believe to be advantageous rates that are expected to minimize our overall interest rate risk. Approximately 56% of our total debt outstanding at September 27, 2008 was at a fixed or capped LIBOR rate. During and subsequent to the third quarter of 2008, we entered into additional interest rate hedging arrangements that will become effective during the fourth quarter of 2008 and that, combined with expirations of other portions of our interest rate derivative portfolio, will result in approximately 86% of our floating rate debt bearing interest at a fixed or capped LIBOR rate. The table below summarizes our interest rate derivative

portfolio with respect to our long-term debt that will be effective in the fourth quarter of 2008 which takes into consideration derivatives that become effective and expire subsequent to the third quarter of 2008.

	Amount	LIBOR	Interest Rate Spreads	Hedge Expiration Dates
Debt covered by interest rate caps:				
Senior Secured and Second Lien Credit Facilities	\$ 600,000	3.50%	1.50% to 3.75%	October 2009
Debt covered by interest rate swaps:				
Floating Rate Notes	500,000	4.26%	3.38%	December 2012
Senior Secured and Second Lien Credit Facilities				October 2009 —
	500,000	5.14% to 5.18%	1.50% to 3.75%	October 2011
Senior Secured and Second Lien Credit Facilities	400,000	2.80%	1.50% to 3.75%	October 2010
Unhedged debt:				
Accounts Receivable Securitization	250,000	Not applicable	Not applicable	Not applicable
Senior Secured and Second Lien Credit Facilities	65,250	Not applicable	Not applicable	Not applicable
	<u>\$ 2,315,250</u>			

In May 2008, Standard & Poor's Ratings Services raised its corporate credit rating for us to BB- from B+, and also raised our bank loan and unsecured debt ratings. Standard & Poor's stated that the rating upgrade reflects our positive operating momentum as a stand-alone entity since our spin-off from Sara Lee in September 2006, and also stated that our credit protection measures and operating results have improved and are in line with Standard & Poor's expectations. Standard & Poor's also noted that management is on track in executing our strategies. Standard & Poor's current outlook for us is "stable."

Consolidation and Globalization Strategy

We expect to continue our restructuring efforts as we continue to execute our consolidation and globalization strategy. The implementation of these efforts, which are 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 a period of time. As further plans are developed and approved by management and in some cases our board of directors, we expect to recognize additional restructuring to eliminate duplicative functions within the organization and transition a significant portion of our manufacturing capacity to lower-cost locations.

While capital spending could vary significantly from year to year, we anticipate that our capital spending over the next three years could be as high as \$500 million as we execute our supply chain consolidation and globalization strategy and complete the integration and consolidation of our technology systems. Capital spending in any given year over the next three years could be as high as \$100 million in excess of our annual depreciation and amortization expense until the completion of actions related to our globalization strategy at which time we would expect our annual capital spending to be relatively comparable to our annual depreciation and amortization expense. The majority of our capital spending will be focused on growing our supply chain operations in Central America, the Caribbean Basin and Asia. These locations will enable us to expand and leverage our large production scale as we balance our supply chain across hemispheres.

As we continue to add new manufacturing capacity in Central America, the Caribbean Basin and Asia, our exposure to events that could disrupt our foreign supply chain, including political instability, acts of war or terrorism or other international events resulting in the disruption of trade, 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 and fluctuations in foreign currency exchange rates, is increased.

Disruptions in our foreign supply chain could negatively impact our liquidity 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.

Rising Input Costs and Inflation

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 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 has historically represented only 6% of our cost of sales. Cotton prices were 62 cents per pound for the nine months ended September 27, 2008 and 57 cents per pound for the nine months ended September 29, 2007. Taking into consideration the cotton costs currently included in inventory, we expect our cost of cotton to average 66 cents per pound for the full year 2008. The price of cotton currently in our inventory has risen to the mid 70 cents per pound range which is the price that will impact our operating results in the fourth quarter of 2008 and first quarter of 2009. The prices for the most recent cotton crop, which will impact our operating results in mid 2009, have decreased to the 50 cents per pound range. In addition, we continue to experience cost inflation with regards to oil related 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.

Our ability to sell our products at competitive prices is subject to certain economic factors, some of which are beyond our control. A sustained trend of significantly increased inflationary pressure could have a material adverse effect on our business and results of operations. Inflation can have a long-term impact on us because increasing costs of materials and labor may impact our ability to maintain satisfactory margins. In this regard, a significant portion of our products are manufactured in other countries and a further decline 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 cotton, are increasing 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 are unable to be recouped, or if consumer spending decreases 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 have informed our retail customers that we are raising domestic prices effective during the first quarter of 2009. We are implementing an average gross price increase of four percent in our domestic product categories. The range of price increases varies by individual product category.

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 are experiencing increased inflationary pressure on our product costs. The increase 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 will become effective during the first quarter of 2009. 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.

Pension Plans

Our U.S. qualified pension plans are currently estimated at approximately 88% funded which should result in minimal pension funding requirements in the future. The funded status reflects a significant decrease in the fair value of plan assets due to the stock market's performance during 2008. Due to the current funded status of the plans, we are not required to make any material mandatory contributions to our pension plans in 2008.

Consolidated Cash Flows

The information presented below regarding the sources and uses of our cash flows for the nine months ended September 27, 2008 and September 29, 2007 was derived from our consolidated financial statements.

	Nine Months Ended	
	September 27, 2008	September 29, 2007
	(dollars in thousands)	
Operating activities	\$ (18,621)	\$ 235,843
Investing activities	(109,644)	(50,320)
Financing activities	40,776	(167,739)
Effect of changes in foreign currency exchange rates on cash	(535)	2,620
Increase (decrease) in cash and cash equivalents	\$ (88,024)	\$ 20,404
Cash and cash equivalents at beginning of year	174,236	155,973
Cash and cash equivalents at end of period	\$ 86,212	\$ 176,377

Operating Activities

Net cash used in operating activities was \$19 million in the nine months of 2008 compared to cash provided by operating activities of \$236 million in 2007. The net change in cash from operating activities of \$255 million for the nine months of 2008 compared to 2007 is attributable to the higher uses of our working capital which was primarily driven by changes in inventory. Inventory grew \$243 million from December 2007 primarily due to increases in levels needed to service our business over the next eighteen months as we execute our consolidation and globalization strategy which had an impact of approximately \$185 million. In addition, cost increases for inputs such as cotton, oil and freight were approximately \$52 million and the currency impact was approximately \$6 million. 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.

Investing Activities

Net cash used in investing activities was \$110 million in the nine months of 2008 compared to \$50 million in 2007. The higher net cash used in investing activities of \$60 million for the nine months of 2008 compared to 2007 was primarily the result of higher capital expenditures. During the nine month period in 2008 capital expenditures were \$123 million as we continue to build out our textile and sewing network in Central America, the Caribbean Basin and Asia and invest in our technology strategic initiatives. Also, we received cash proceeds from sales of assets of \$24 million, primarily from dispositions of plant and equipment associated with our restructuring initiatives. In addition, we acquired a sewing operation in Thailand for \$10 million during 2008.

Financing Activities

Net cash provided by financing activities was \$41 million in the nine months of 2008 compared to cash used in financing activities of \$168 million in 2007. The higher net cash provided by financing activities of \$209 million for the nine months of 2008 compared to 2007 was primarily the result of higher net borrowings on notes payable of \$49 million, repayments of \$128 million of principal under our senior secured credit facility in 2007, the receipt from Sara Lee of \$18 million in cash in 2008 and lower stock repurchases of \$14 million.

Cash and Cash Equivalents

As of September 27, 2008 and December 29, 2007, cash and cash equivalents were \$86 million and \$174 million, respectively. The lower cash and cash equivalents as of September 27, 2008 was primarily the result of net capital expenditures of \$99 million, \$30 million of stock repurchases, the acquisition of a sewing operation in Thailand for \$10 million and \$19 million related to other uses of working capital partially offset by \$52 million of net borrowings on notes payable and the receipt from Sara Lee of \$18 million in cash.

Critical Accounting Policies and Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial position in conformity with accounting principles generally accepted in the United States. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, titled "Summary of Significant Accounting Policies," to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 29, 2007.

The application of critical accounting policies requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. These estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. We evaluate these estimates and assumptions on an ongoing basis and may retain outside consultants to assist in our evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known. The critical accounting policies that involve the most significant management judgments and estimates used in preparation of our consolidated financial statements, or are the most sensitive to change from outside factors, are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 29, 2007. There have been no material changes during the nine months ended September 27, 2008 in these policies.

Recently Issued Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 was effective for our financial assets and liabilities on December 30, 2007. The FASB approved a one-year deferral of the adoption of SFAS 157 as it relates to non-financial assets and liabilities with the issuance in February 2008 of FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157, as a result of which implementation by us is now required on January 4, 2009. The partial adoption of SFAS 157 in the first quarter ended March 29, 2008 had no material impact on our financial condition, results of operations or cash flows, but resulted in certain additional disclosures reflected in Note 9 of the Condensed Consolidated Financial Statements. We are in the process of evaluating the impact of SFAS 157 as it relates to our non-financial assets and liabilities.

SFAS 157 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize market data or assumptions that market participants would use in pricing the asset or liability. SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157. The three valuation techniques are as follows:

- Market approach — prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach — amount that would be required to replace the service capacity of an asset or replacement cost.
- Income approach — techniques to convert future amounts to a single present amount based on market expectations, including present value techniques, option-pricing and other models.

We primarily apply the market approach for commodity derivatives and the income approach for interest rate and foreign currency derivatives for recurring fair value measurements and attempt to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

As of September 27, 2008, we held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of our derivative instruments related to interest rates, foreign exchange rates and cotton. The fair values of cotton derivatives are determined based on quoted prices in public markets and are categorized as Level 1. The fair values of interest rate and foreign exchange rate derivatives are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. We do not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the third quarter and nine months ended September 27, 2008. There were no changes during the third quarter and nine months ended September 27, 2008 to our valuation techniques used to measure asset and liability fair values on a recurring basis.

As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The determination of fair values incorporates various factors required under SFAS 157. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of our nonperformance risk on our liabilities.

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). The objective of SFAS 141R is to improve the relevance, representational faithfulness, and comparability of the information that a company provides in its financial reports about a business combination and its effects. Under SFAS 141R, a company would be required to recognize the assets acquired, liabilities assumed, contractual contingencies and contingent consideration measured at their fair value at the acquisition date. It further requires that research and development assets acquired in a business combination that have no alternative future use be measured at their acquisition-date fair value and then immediately charged to expense, and that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. Among other changes, this statement would also require that "negative goodwill" be recognized in earnings as a gain attributable to the acquisition, and any deferred tax benefits resulting from a business combination be recognized in income from continuing operations in the period of the combination. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51" ("SFAS 160"). The objective of this Statement is to

improve the relevance, comparability, and transparency of the financial information that a company provides in its consolidated financial statements. SFAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; that changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, that any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We do not believe that the adoption of SFAS 160 will have a material impact on our results of operations or financial position.

Disclosures About Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133 (“SFAS 161”). SFAS 161 expands the disclosure requirements of FASB Statement No. 133 about an entity's derivative instruments and hedging activities to include more detailed qualitative disclosures and expanded quantitative disclosures. The provisions of SFAS 161 are effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS 161 will not have a material impact on our results of operations.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

We are required under our senior secured credit facility and our second lien credit facility to hedge a portion of our floating rate debt to reduce interest rate risk caused by floating rate debt issuance. At September 27, 2008, we have outstanding hedging arrangements whereby we capped the interest rate on \$700 million of our floating rate debt at 5.75%. We also entered into interest rate swaps tied to the 3-month and 6-month LIBOR rates whereby we fixed the interest rate on an aggregate of \$600 million of our floating rate debt. Approximately 56% of our total debt outstanding at September 27, 2008 is at a fixed or capped rate. Due to the recent significant changes in the credit markets, the fair values of our interest rate hedging instruments have decreased approximately \$6.7 million and \$7.2 million during the third quarter and nine months ended September 27, 2008, respectively. This activity has been deferred into Accumulated Other Comprehensive Loss in our Condensed Consolidated Balance Sheet until the hedged transactions impact our earnings.

Subsequent to September 27, 2008, we entered into interest rate swap agreements with a notional amount totaling \$400 million, as a result of which we have fixed LIBOR on a portion of our outstanding debt at 2.80% for a 2-year term. These agreements will become effective during the fourth quarter of 2008 and, when combined with expirations of other portions of our interest rate derivative portfolio, will result in approximately 86% of our floating rate debt bearing interest at a fixed or capped rate. Once these interest rate hedging arrangements become effective in the fourth quarter of 2008, the LIBOR interest rate component on \$600 million of our floating rate debt will be capped at 3.50% and the LIBOR interest rate component on \$1.4 billion of our floating rate debt will be fixed at a weighted average rate of 4.17%.

Cotton is the primary raw material we use to manufacture many of our products. While we attempt to protect our business from the volatility of the market price of cotton through short-term supply agreements and hedges, our business can be adversely affected by dramatic movements in cotton prices. The price of cotton currently in our inventory has risen to the mid 70 cents per pound range which is the price that will impact our operating results in the fourth quarter of 2008 and first quarter of 2009. The prices for the most recent cotton crop, which will impact our operating results in mid 2009, have decreased to the 50 cents per pound range. 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.

There have been no other significant changes in our market risk exposures from those described in Item 7A of our Annual Report on Form 10-K for the year ended December 29, 2007.

Item 4. Controls and Procedures

As required by Exchange Act Rule 13a-15(b), our management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including the Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 4T. Controls and Procedures

Not applicable.

PART II

Item 1. Legal Proceedings

Although we are subject to various claims and legal actions that occur from time to time in the ordinary course of our business, we are not party to any pending legal proceedings that we believe could have a material adverse effect on our business, results of operations or financial condition.

Item 1A. Risk Factors

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 are experiencing increased inflationary pressure on our product costs. The increase 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 providers and financial institutions which are counterparties to our credit facilities and derivatives transactions. In addition, the ability 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 on October 17, 2008 its intention to wind down its business and conduct going-out-of-business sales at 149 remaining store locations under Chapter 11 of the U.S. Bankruptcy Code. The impact of this disclosure by Mervyn's led us to take a \$5.5 million charge in the third quarter. 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about purchases by Hanesbrands during the third quarter ended September 27, 2008 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)
06/29/08 — 08/02/08	269,350	\$ 27.55	269,350	7,692,176
08/03/08 — 08/30/08	529,300	22.63	529,300	7,162,876
08/31/08 — 09/27/08	—	—	—	7,162,876
Total	<u>798,650</u>	<u>\$ 24.29</u>	<u>798,650</u>	<u>7,162,876</u>

(1) These repurchases were made pursuant to the repurchase program that was approved by our board of directors in January 2007 and announced in February 2007, which authorizes us to purchase up to 10 million shares of our common stock from time to time.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of stockholders during the third quarter ended September 27, 2008.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed in the accompanying Exhibit Index on page E-1 are filed or furnished as part of this Quarterly Report on Form 10-Q.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.2	Articles Supplementary (Junior Participating Preferred Stock, Series A) (incorporated by reference from Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.3	Amended and Restated Bylaws of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 27, 2007).
3.4	Certificate of Formation of BA International, L.L.C. (incorporated by reference from Exhibit 3.4 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.5	Limited Liability Company Agreement of BA International, L.L.C. (incorporated by reference from Exhibit 3.5 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.6	Certificate of Incorporation of Caribesock, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.6 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.7	Bylaws of Caribesock, Inc. (incorporated by reference from Exhibit 3.7 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.8	Certificate of Incorporation of Caribetex, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.8 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.9	Bylaws of Caribetex, Inc. (incorporated by reference from Exhibit 3.9 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.10	Certificate of Formation of CASA International, LLC (incorporated by reference from Exhibit 3.10 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.11	Limited Liability Company Agreement of CASA International, LLC (incorporated by reference from Exhibit 3.11 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.12	Certificate of Incorporation of Ceibena Del, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.12 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.13	Bylaws of Ceibena Del, Inc. (incorporated by reference from Exhibit 3.13 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.14	Certificate of Formation of Hanes Menswear, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act and Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.14 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

<u>Exhibit Number</u>	<u>Description</u>
3.15	Limited Liability Company Agreement of Hanes Menswear, LLC (incorporated by reference from Exhibit 3.15 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.16	Certificate of Incorporation of HPR, Inc., together with Certificate of Merger of Hanes Puerto Rico, Inc. into HPR, Inc. (now known as Hanes Puerto Rico, Inc.) (incorporated by reference from Exhibit 3.16 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.17	Bylaws of Hanes Puerto Rico, Inc. (incorporated by reference from Exhibit 3.17 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.18	Articles of Organization of Sara Lee Direct, LLC, together with Articles of Amendment reflecting the change of the entity's name to Hanesbrands Direct, LLC (incorporated by reference from Exhibit 3.18 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.19	Limited Liability Company Agreement of Sara Lee Direct, LLC (now known as Hanesbrands Direct, LLC) (incorporated by reference from Exhibit 3.19 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.20	Certificate of Incorporation of Sara Lee Distribution, Inc., together with Certificate of Amendment of Certificate of Incorporation of Sara Lee Distribution, Inc. reflecting the change of the entity's name to Hanesbrands Distribution, Inc. (incorporated by reference from Exhibit 3.20 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.21	Bylaws of Sara Lee Distribution, Inc. (now known as Hanesbrands Distribution, Inc.) (incorporated by reference from Exhibit 3.21 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.22	Certificate of Formation of HBI Branded Apparel Enterprises, LLC (incorporated by reference from Exhibit 3.22 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.23	Operating Agreement of HBI Branded Apparel Enterprises, LLC (incorporated by reference from Exhibit 3.23 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.24	Certificate of Incorporation of HBI Branded Apparel Limited, Inc. (incorporated by reference from Exhibit 3.24 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.25	Bylaws of HBI Branded Apparel Limited, Inc. (incorporated by reference from Exhibit 3.25 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.26	Certificate of Formation of Hbl International, LLC (incorporated by reference from Exhibit 3.26 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.27	Limited Liability Company Agreement of Hbl International, LLC (incorporated by reference from Exhibit 3.27 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.28	Certificate of Formation of SL Sourcing, LLC, together with Certificate of Amendment to the Certificate of Formation of SL Sourcing, LLC reflecting the change of the entity's name to HBI Sourcing, LLC (incorporated by reference from Exhibit 3.28 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

<u>Exhibit Number</u>	<u>Description</u>
3.29	Limited Liability Company Agreement of SL Sourcing, LLC (now known as HBI Sourcing, LLC) (incorporated by reference from Exhibit 3.29 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.30	Certificate of Formation of Inner Self LLC (incorporated by reference from Exhibit 3.30 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.31	Limited Liability Company Agreement of Inner Self LLC (incorporated by reference from Exhibit 3.31 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.32	Certificate of Formation of Jasper-Costa Rica, L.L.C. (incorporated by reference from Exhibit 3.32 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.33	Amended and Restated Limited Liability Company Agreement of Jasper-Costa Rica, L.L.C. (incorporated by reference from Exhibit 3.33 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.34	Certificate of Formation of Playtex Dorado, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act (incorporated by reference from Exhibit 3.36 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.35	Amended and Restated Limited Liability Company Agreement of Playtex Dorado, LLC (incorporated by reference from Exhibit 3.37 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.36	Certificate of Incorporation of Playtex Industries, Inc. (incorporated by reference from Exhibit 3.38 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.37	Bylaws of Playtex Industries, Inc. (incorporated by reference from Exhibit 3.39 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.38	Certificate of Formation of Seamless Textiles, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act (incorporated by reference from Exhibit 3.40 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.39	Limited Liability Company Agreement of Seamless Textiles, LLC (incorporated by reference from Exhibit 3.41 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.40	Certificate of Incorporation of UPCR, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.42 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.41	Bylaws of UPCR, Inc. (incorporated by reference from Exhibit 3.43 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.42	Certificate of Incorporation of UPEL, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.44 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

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<u>Exhibit Number</u>	<u>Description</u>
3.43	Bylaws of UPEL, Inc. (incorporated by reference from Exhibit 3.45 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
4.1	Indenture, dated as of August 1, 2008, among the Registrant, certain subsidiaries of the Registrant, and Branch Banking and Trust Company, as Trustee (incorporated by reference from Exhibit 4.3 to the Registrant's Registration Statement on Form S-3 (Commission file number 333-152733) filed with the Securities and Exchange Commission on August 1, 2008).
10.1	Second Amendment dated August 21, 2008 to the First Lien Credit Agreement dated as of September 5, 2006 among Hanesbrands Inc., the various financial institutions and other persons from time to time party thereto, HSBC Bank USA, National Association and LaSalle Bank National Association and Barclays Bank PLC, as the co-documentation agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley Senior Funding, Inc., as the co-syndication agents, Citicorp USA, Inc., as the administrative agent, Citibank, N.A., as the collateral agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley Senior Funding, Inc., as the joint lead arrangers and joint bookrunners. (incorporated by reference from Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2008).
10.2	First Amendment dated August 21, 2008 to the Second Lien Credit Agreement dated as of September 5, 2006 among HBI Branded Apparel Limited, Inc., Hanesbrands Inc., the various financial institutions and other persons from time to time party thereto, HSBC Bank USA, National Association and LaSalle Bank National Association and Barclays Bank PLC, as the co-documentation agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley Senior Funding, Inc., as the co-syndication agents, Citicorp USA, Inc., as the administrative agent, Citibank, N.A., as the collateral agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley Senior Funding, Inc., as the joint lead arrangers and joint bookrunners . (incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2008).
10.3	Hanesbrands Inc. Executive Deferred Compensation Plan, as amended.
10.4	Hanesbrands Inc. Retirement Savings Plan, as amended.
10.5	Hanesbrands Inc. Supplement Employee Retirement Savings Plan, as amended.
31.1	Certification of Richard A. Noll, Chief Executive Officer.
31.2	Certification of E. Lee Wyatt Jr., Chief Financial Officer.
32.1	Section 1350 Certification of Richard A. Noll, Chief Executive Officer.
32.2	Section 1350 Certification of E. Lee Wyatt Jr., Chief Financial Officer.

HANESBRANDS INC.
EXECUTIVE DEFERRED COMPENSATION PLAN

Conformed through September 25, 2008

Section 1

Introduction

1.1 **The Plan and Its Effective Date.** The Hanesbrands Inc. Executive Deferred Compensation Plan was established as of January 1, 2006 and was subsequently amended. The *Plan* has now been amended and restated, effective as of January 1, 2006.

1.2 **Purpose.**

- (a) The *Company* has established this *Plan* to allow *Eligible Employees* to defer compensation as described herein. The *Plan* is intended to be a top-hat plan described in Section 201(2) of *ERISA*.
- (b) Amounts deferred under the *Plan* on and after the *Effective Date* (and amounts described in Paragraph 5 of Supplement I to the *Plan*) are subject to the provisions of Section 409A of the *Code*; accordingly, as applied to those amounts, the *Plan* shall at all times be interpreted and administered so that it is consistent with such *Code* section notwithstanding any provision of the *Plan* to the contrary.

1.3 **Administration.** The *Plan* shall be administered by the *Committee*. The *Committee* shall have the powers set forth in the *Plan* and the complete discretionary power to interpret its provisions. Any decisions of the *Committee* shall be final and binding on all persons with regard to the *Plan*. The *Committee* may delegate its authority hereunder to the Executive Vice President, Human Resources of the *Company* or to such other officers of the *Company* as it may deem appropriate.

1.4 **Plan Year.** The *Plan* shall be administered on the basis of the *Plan Year*.

Section 2

Glossary of Terms

2.1 “*Annual Base Salary*” means the regular rate of compensation to be paid to the *Eligible Employee* for services rendered during the *Plan Year* while an *Eligible Employee*, excluding elective deferrals under Code Section 125, severance or termination payments, commissions, foreign service payments, payments for consulting services and such other unusual or extraordinary payments as the *Committee* may determine.

2.2 “*Annual Bonus*” means an *Eligible Employee*’s bonus for a year due under an annual bonus plan or any other short-term incentive plan of the *Company* or an *Employer*.

2.3 “*Balance Calculation Date*” means the date a *Participant*’s *Deferral Account* is valued for purposes of making a distribution from such *Participant*’s *Deferral Account*. For a distribution payable on a *Distribution Date*, the *Balance Calculation Date* is the last business day of the month preceding the *Distribution Date*; for distributions payable due to a *Participant*’s *Separation from Service* or pursuant to Sections 5.2 and 5.3, the *Balance Calculation Date* is the last business day of the month in which the *Participant* has a *Separation from Service*, is determined to be totally disabled or dies, as the case may be.

2.4 “*Beneficiary*” means the individual(s) or entity designated by a *Participant* to receive the balance of the *Participant*’s *Deferral Account* in the event of the *Participant*’s death prior to the payment of the *Participant*’s entire *Deferral Account*. To be effective, any beneficiary designation shall be filed in such manner as prescribed by the *Committee*. A *Participant* may revoke an existing beneficiary designation by filing another *Beneficiary* designation in such manner as prescribed by the *Committee*. The latest beneficiary designation received by the *Committee* shall be controlling. If no *Beneficiary* is named by a *Participant* or if he survives all of his named *Beneficiaries*, the *Deferral Account* shall be paid in the following order of precedence:

- (a) the *Participant*’s spouse;
- (b) the *Participant*’s children (including adopted children), per stirpes;

(c) the *Participant's* beneficiary as designated by the *Participant* under the applicable life insurance plan sponsored by the *Company* or the *Employer*; or

(d) the *Participant's* estate.

2.5 "*Code*" means the Internal Revenue *Code* of 1986, as amended.

2.6 "*Committee*" means the Employee Benefits Administrative Committee of the Sara Lee Corporation for as long as the *Company* is a member of Sara Lee Corporation's controlled group of corporations (as defined in Section 414 of the *Code* and the regulations thereunder). Thereafter, "*Committee*" shall mean the Employee Benefits Administrative Committee of the *Company*.

2.7 "*Company*" means Hanesbrands Inc.

2.8 "*Deferral*" means the amount deferred pursuant to a *Deferral Election* and, as the context warrants, includes an "*Employer Deferral*."

2.9 "*Deferral Account*" means the bookkeeping account established in the name of the *Participant* to hold all amounts deferred pursuant to the *Participant's Deferral Elections* or pursuant to an *Employer Deferral*. As described in Supplement I to this *Plan*, separate rules apply to *Transferred Participants' Grandfathered Deferrals*.

2.10 "*Deferral Crediting Date*" means the date on which, in the absence of a *Deferral Election*, the *Participant* would otherwise have received the *Deferral*. If such date is not a business day, then the *Deferral Crediting Date* shall mean the next business day after the *Participant* would otherwise have received the *Deferral*.

2.11 "*Deferral Election*" means a *Participant's* irrevocable election to defer receipt of a *Long-Term Incentive Payment*, an *Annual Bonus*, and/or *Annual Base Salary* for a *Plan Year*.

2.12 "*Deferral Program*" means the terms and conditions, described herein, pursuant to which a *Participant* may on or after January 1, 2006 make a *Deferral Election*.

2.13 “*Distribution Date*” means the specified date on which an *Eligible Employee* elects to have a *Deferral* paid or begin to be paid, pursuant to a *Deferral Election*.

2.14 “*Effective Date*” means the effective date of the *Plan*, January 1, 2006.

2.15 “*Eligible Employee*” means each executive of the *Company* or an *Employer* who is identified as eligible by the *Committee*.

2.16 “*Employer*” means any subsidiary or affiliate of the *Company* incorporated under the laws of any state in the United States that has adopted the *Plan* with the consent of the *Committee*.

2.17 “*Employer Deferral*” means an amount credited to a *Participant’s Deferral Account* by an *Employer*.

2.18 “*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended.

2.19 “*Fixed Interest Account*” means the investment alternative under which interest is credited to all or a portion of a *Participant’s Deferral Account* at the rate of 9% each *Plan Year*.

2.20 “*Interest Account*” means the investment alternative (in addition to the *Fixed Interest Account*) under which interest is credited to all or a portion of a *Participant’s Deferral Account* each *Plan Year*.

2.21 “*Long-Term Incentive Payment*” means any payment due with respect to restricted stock units granted under the terms of the *Stock Plan*.

2.22 “*Market Value*” of common stock means the average of the high and low quotes for the applicable common stock on the applicable day on the New York Stock Exchange Composite Transaction Tape; provided, however, that effective January 1, 2008, the *Market Value* of common stock of the *Company* shall be the closing price on the applicable day on the New York Stock Exchange Composite Transaction Tape.

2.23 “Participant” means any *Eligible Employee* who makes a *Deferral Election* or has a *Deferral Account* under the *Plan*.

2.24 “Plan” means the Hanesbrands Inc. Executive Deferred Compensation Plan.

2.25 “Plan Year” means the calendar year.

2.26 “Re-Deferral Election” means a *Participant’s* irrevocable election to extend a *Distribution Date*.

2.27 “Separation from Service” means a *Participant’s* termination of employment due to retirement or otherwise, as defined in Treasury regulations section 1.409A-1(h).

2.28 “Stock Equivalent Account” means the investment alternative under which all or a portion of a *Participant’s Deferral Account* is treated as if it is invested in common stock equivalents.

2.29 “Stock Plan” means the Hanesbrands Inc. Omnibus Incentive Plan of 2006 (as amended from time to time) or any successor thereto that provides for the issuance to *Participants* of common stock of the *Company*.

2.30 “Top-50 Employee” means an employee of the *Company* or an *Employer* who is a U.S. taxpayer or is on the U.S. payroll and, at any time during the 12-month period ending each December 31st is: (a) one of the 50 top-paid employees of the *Company* or an *Employer* who is either an officer or a director and has annual compensation greater than \$140,000 (as indexed); (b) a five-percent owner (as defined in Code Section 416(i)(1)(B)) of the *Company* or an *Employer*; or (c) a one-percent owner (as defined in Code Section 416(i)(1)(B)) of the *Company* or an *Employer* with annual compensation of more than \$150,000. When identifying *Top-50 Employees*, the term “annual compensation” shall mean compensation required to be reported as taxable income on IRS Form W-2, plus elective deferrals under Code sections 125(a), 132(f)(4) and 402(e)(3), but disregarding the compensation of nonresident aliens who do not participate in the *Plan*. If an employee is a *Top-50 Employee* as of any December 31st, he shall be treated as a *Top-50 Employee* for the 12-month period beginning on the March 1st following that December 31st. NOTE: Effective as of January 1, 2009, the foregoing shall be replaced in its entirety with the following: “*Top-50 Employee*” means an employee described in the *Company’s* Procedures for Determining Top-50 Employees under Code Section 409A, as amended from time to time.

2.31 “Trust” means the grantor *Trust* or *Trusts*, if any, that the *Company* or an *Employer* may maintain to hold assets to be used for payment of benefits under the *Plan*.

2.32 “Unforeseeable Financial Emergency” means a severe financial hardship to the *Participant* resulting from (a) an illness or accident of the *Participant* or of a dependent of the *Participant*; (b) loss of the *Participant’s* property due to casualty; or (c) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the *Participant* as determined by the *Committee*.

Section 3

Participation and Deferral Elections

3.1 **Participation.** Subject to the conditions and limitations of the *Plan*, any *Eligible Employee* who makes a *Deferral Election* as described in Section 3.2 shall become a *Participant* in the *Plan* and shall remain a *Participant* until the entire balance of his *Deferral Account* is distributed to him.

3.2 **Rules for Deferral Elections.** Any *Eligible Employee* may make a *Deferral Election* for a *Plan Year* in accordance with the rules set forth below.

- (a) **Eligibility.** An *Eligible Employee* shall be eligible to make a *Deferral Election* only if he is an active, regular, full-time employee on the date such election is made.
- (b) **Deferral Amounts.** Under the *Deferral Program*, for each *Plan Year*, an *Eligible Employee* may make no more than one *Deferral Election* for each of the *Eligible Employee's Long-Term Incentive Payments, Annual Bonus, Annual Base Salary* and other payments in the amounts set forth below:
 - (i) All or any portion of the *Eligible Employee's Annual Base Salary*.
 - (ii) All or any portion not less than 25 percent of the *Eligible Employee's Annual Bonus*.
 - (iii) The *Eligible Employee's Long-Term Incentive Payment* in such increments and subject to such limitations and restrictions as the *Committee* may establish.
 - (iv) With respect to any other bonuses and incentive payments under any plan or arrangement established by the *Company* or an *Employer* as the *Committee* may designate as compensation

eligible for deferral under this *Plan*, in such increments and subject to such limitations and restrictions as the *Committee* may establish.

- (c) **Timing and Other Requirements for Deferral Elections.** All *Deferral Elections* must be made in such form as the *Committee* may prescribe and must be received by the *Committee* no later than the date specified by the *Committee*. With respect to deferrals of *Annual Base Salary*, the date specified by the *Committee* generally may be no later than the end of the calendar year preceding the calendar year in which the *Annual Base Salary* is anticipated to be paid. With respect to the deferral of an *Annual Bonus*, the date specified by the *Committee* generally may be no later than the end of the calendar year preceding the beginning of the measurement period for such *Annual Bonus*; provided, however, that if the *Committee* determines that such *Annual Bonus* qualifies as “performance-based compensation” (as defined in *Code* Section 409A(4)(B)(iii) and the regulations thereunder), such *Deferral Election* may be made no later than 6 months before the end of the measurement period. With respect to the initial deferral of a *Long-Term Incentive Payment*, the date specified by the *Committee* generally may be no later than the date that is 30 days after the date of grant and no later than 12 months prior to the earliest date on which such *Long-Term Incentive Payment* will become vested; provided, however, that: (i) if an initial deferral of a *Long-Term Incentive Payment* is not completed within the time frames specified above, then a *Re-Deferral Election* may be elected to the extent permitted by subsection 3.2(i) below, and (ii) if the *Committee* determines that such *Long-Term Incentive Payment* qualifies as “performance-based compensation” (as defined above), then such *Deferral Election* may be made no later than 6 months before the end of the measurement period. The *Committee*, in its complete discretion, may modify the general rules set forth above as permitted by IRS Notice 2005-1, applicable regulations and other guidance issued under *Code* Section 409A.

- (d) **Special Rule for Newly Eligible Employees.** Notwithstanding anything in paragraph (c) above to the contrary, in the first year in which an *Eligible Employee* becomes eligible to participate in the *Plan*, such *Participant* may make a *Deferral Election* within 30 days after the date the *Participant* first become eligible to participate; provided, however, that such election may only apply to compensation with respect to services to be performed subsequent to the election (with *Annual Bonuses* and *Long-Term Incentive Payments* prorated to the extent necessary to comply with regulations issued under Code Section 409A).
- (e) **Elections Generally Irrevocable.** *Deferral Elections* shall be irrevocable; provided, that if the *Committee* determines that a *Participant* has an *Unforeseeable Financial Emergency*, then the *Participant's Deferral Elections* then in effect shall be revoked for the balance of the *Plan Year* with respect to all amounts not previously deferred; however, such *Participant* may make a new *Deferral Election* for the following *Plan Year*.
- (f) **Investment Election.** As part of each *Deferral Election*, an *Eligible Employee* must elect the investment alternatives that shall apply to the *Deferral* in accordance with Section 4.2.
- (g) **Distribution Dates.** As part of each *Deferral Election*, the *Eligible Employee* must specify a *Distribution Date*, which cannot be prior to the January 1 following the first anniversary of the date the *Deferral Election* is made. For 2006 and later years, the *Eligible Employee* may also specify that payment may be made on the earlier of the *Distribution Date* or the *Eligible Employee's Separation from Service*. An *Eligible Employee* may make a different *Deferral Election* for each separate *Deferral* under the *Plan*. Except as provided in subsection (i) below, an election under this subsection (g) is irrevocable and shall apply only to that portion of the *Participant's Deferral Account* which is attributable to the *Deferral*.

- (h) **Distribution Form.** As part of each *Deferral Election*, an *Eligible Employee* must elect the form in which the *Deferral* will be paid in accordance with Section 5.1. The distribution form specified may, but need not, be the same for all distribution events. Except as provided in Section 5.1, an *Eligible Employee's* election as to the method of payment shall be irrevocable.
- (i) **Re-Deferrals.** A *Participant* may make a *Re-Deferral Election*; provided, that no *Re-Deferral Election* shall be effective unless (i) the *Committee* receives the election not later than 12 months prior to the *Distribution Date* to be changed, and (ii) the new *Distribution Date* is not earlier than the fifth anniversary of the prior *Distribution Date*. All *Re-Deferral Elections* shall be irrevocable and shall be made pursuant to such rules as the *Committee* may prescribe. If an initial deferral of a *Long-Term Incentive Payment* is not made within the time period specified in subsection 3.2(c), then a *Re-Deferral Election* may be made under this subsection no later than 12 months prior to the date on which such *Long-Term Incentive Payment* becomes vested. Notwithstanding any rules of the *Plan* to the contrary, the *Committee*, in its complete discretion, may modify the general redeferral rules set forth above as permitted by IRS Notice 2005-1, applicable regulations and other guidance issued under Code Section 409A. Pursuant to the preceding sentence, during 2005, 2006, 2007, and 2008, a *Re-Deferral Election* need not be received by the *Committee* 12 months prior to the *Distribution Date* to be changed, and the new *Distribution Date* may be earlier than the fifth anniversary of the prior *Distribution Date*; provided that such a *Re-Deferral Election* is completed by the date prescribed by the *Committee* in the applicable year, and further provided that a *Re-Deferral Election* made in 2006 may neither specify a *Distribution Date* in 2006 nor defer amounts otherwise payable in 2006, a *Re-Deferral Election* made in 2007 may neither specify a *Distribution Date* in 2007 nor defer amounts otherwise payable in 2007.

and a *Re-Deferral Election* made in 2008 may neither specify a *Distribution Date* in 2008 nor defer amounts otherwise payable in 2008.

- (j) **Reduction for FICA and Income Taxes.** Notwithstanding a *Participant's Deferral Election* or any *Plan* provision to the contrary, the *Company* or an *Employer* may reduce a *Participant's Deferrals* to the extent necessary to pay applicable Social Security taxes, including the Medicare portion of such taxes, or applicable state, local or foreign income taxes, payable on *Deferrals* before they would otherwise be paid or made available to the *Participant*.
- (k) **Change in Deferrals due to Change in Election under Section 125 Plan.** A change in a *Participant's Deferrals* under the *Plan* will not be treated as an accelerated payment nor an impermissible *Deferral Election*, to the extent the change results solely from a change in the *Participant's* election under a *Code* Section 125 plan maintained by the *Company* or an *Employer*.

3.3 Transfers. With the consent of the *Committee* and subject to such limits and in accordance with such rules as the *Committee* may establish in its sole discretion, a *Participant* who is employed by a subsidiary of the *Company* may elect to transfer his entire *Deferral Account* to a similar deferred compensation plan maintained by such subsidiary; provided, that no portion of a *Participant's Deferral Account* that is attributable to a *Deferral*, the *Distribution Date* for which has or will have occurred before the scheduled transfer date, may be transferred under this provision.

3.4 Employer Deferrals. In addition to *Deferrals* made pursuant to a *Participant's Deferral Election* under this Section 3, an *Employer* may credit an *Employer Deferral* to a *Participant's Deferral Account*. The amount of any *Employer Deferral* shall be determined by the *Employer* in its complete discretion. Prior to the beginning of the period in which the related services are performed with respect to an *Employer Deferral*, the *Employer* shall specify the *Distribution Date*, any applicable vesting requirements, and the form of payment for the *Employer Deferral*. Once credited to the *Participant's Deferral Account*, the *Employer Deferral* shall be treated as any other *Deferral* under the *Plan*.

Section 4

Deferral Accounts

4.1 **Deferral Accounts.** All amounts deferred pursuant to a *Participant's Deferral Elections* under the *Plan* shall be allocated to the *Participant's Deferral Account* and the *Committee* shall maintain a separate subaccount under a *Participant's Deferral Account* for each *Deferral*. Each *Deferral* shall be credited to the *Deferral Account* as of the applicable *Deferral Crediting Date*.

4.2 **Investment Alternatives.** A *Participant* must make an investment election at the time of each *Deferral Election*. The investment election must be made pursuant to such rules as the *Committee* may prescribe, subject to Section 4.3, and shall designate the portion of the *Deferral* which is to be treated as invested in each available investment alternative. Subject to the *Committee's* right to change the investment alternatives in the future, the investment alternatives are as follows:

(a) **Stock Equivalent Account.**

- (i) Under the *Stock Equivalent Account*, the value of the *Participant's Deferral* shall be determined as if the *Deferral* were invested in common stock equivalents as of the *Deferral Crediting Date*. Subject to the special transition rules set forth in subparagraph (ii) below, until the *Company* ceases to be a member of Sara Lee Corporation's controlled group of corporations (as defined in Section 414 of the *Code* and the regulations thereunder) (referred to herein as the "*Spin-Off Date*"), Sara Lee Corporation common stock equivalents shall be used, and after the *Spin-Off Date*, *Company* common stock equivalents shall be used.
- (ii) In connection with Sara Lee Corporation's intent to distribute to its shareholders all of Sara Lee Corporation's interest in the *Company*, each *Participant* deemed to be invested in the *Stock Equivalent Account* will automatically be deemed to have part of his *Stock*

Equivalent Account based on *Company* common stock equivalents in the same ratio as all other shareholders of Sara Lee Corporation common shares. With respect to the remaining portion of the *Participant's* interest in the *Stock Equivalent Account* that is determined based on Sara Lee Corporation common stock equivalents, each *Participant* invested in the *Stock Equivalent Account* shall be permitted to elect to have his interest in the *Stock Equivalent Account*: (A) determined as if such amounts were invested in *Company* common stock, or (B) transferred to the *Interest Account*. The *Participant* election described in the immediately preceding sentence shall be made at such times and in accordance with such rules as shall be established by the *Committee*; provided, however, that no such election shall be permitted after the end of the quarter containing the one-year anniversary of the *Spin-Off Date*. If a *Participant* with a balance in the *Stock Equivalent Account* that is determined based on Sara Lee Corporation common stock equivalents does not make such an election pursuant to this subparagraph, amounts in the *Participant's Stock Equivalent Account* shall continue to be determined as if the amounts were invested in Sara Lee Corporation common stock; provided, however, that at the end of the quarter containing the one-year anniversary of the *Spin-Off Date*, any amounts which are still determined as if the amounts were invested in Sara Lee Corporation common stock shall thereafter be transferred to the *Interest Account*. The foregoing transition rules only apply to *Stock Equivalent Account* amounts deemed invested in the Sara Lee Corporation common stock equivalents prior to December 31, 2006; after that date, investments in the *Stock Equivalent Account* shall be determined as if the amounts were invested in *Company* common stock.

- (iii) The conversion of Sara Lee Corporation's common stock equivalents to *Company* stock equivalents shall be determined by the *Committee* in its complete discretion based on the *Market Value* for Sara Lee Corporation and for *Company* common stock from time to time.
- (iv) The number of common stock equivalents to be credited to the *Participant's Deferral Account* and appropriate subaccounts on each *Deferral Crediting Date* shall be determined by dividing the *Deferral* to be "invested" on that date by the *Market Value* of the Sara Lee Corporation or *Company* common stock, as applicable. Fractional stock equivalents will be computed to six decimal places.
- (v) An amount equal to the number of common stock equivalents as of the record date multiplied by the dividend paid on applicable common stock on each dividend payment date shall be credited to the *Participant's Deferral Account* and appropriate subaccount as of the *Deferral Crediting Date* coincident with or next following the dividend payment date and "invested" in additional common stock equivalents as though such dividend credits were a *Deferral*.
- (vi) In the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends) of any or all of the assets of Sara Lee Corporation or of the *Company* to stockholders, or any other similar change or event, such proportionate adjustments, if any, as the *Committee* in its discretion may deem appropriate to reflect such change or event shall be made with respect to the number of common stock equivalents credited to a *Participant's Deferral Account*.
- (vii) The number of shares of applicable *Company* common stock to be paid to a *Participant* as of a *Distribution Date* or event shall be

equal to the number of common stock equivalents accumulated in the *Stock Equivalent Account* on the *Balance Calculation Date* divided by the total of the payments to be made. All payments from the *Stock Equivalent Account* shall be made in whole shares of *Company* common stock with fractional shares credited to federal income taxes withheld.

- (b) **Interest Account.** Under the *Interest Account*, for periods prior to 2008, interest accrues daily and is credited to the *Participant's Deferral Account* on a monthly basis. Effective January 1, 2008, interest accrues and is credited daily. The rate of interest to be credited will be set based on a current external rate determined by the *Committee* from time to time; provided, however, that the rate of interest from the *Effective Date* through the end of the *Company's* 2006 fiscal year shall be 4.775% and, effective January 1, 2007, the rate of interest shall be equal to the 5-year constant maturity Treasury note interest rate as published by the Federal Reserve in effect on the first business date of the applicable calendar year. If installment payments are elected, the amount to be paid to the *Participant* as of a *Distribution Date* shall be determined by dividing the *Participant's Deferral Account* balance as of the applicable *Balance Calculation Date* by the number of remaining installment payments. All payments from the *Interest Account* shall be made in cash.
- (c) **Fixed Interest Account.** Notwithstanding any *Plan* provision to the contrary, the *Fixed Interest Account* is available only for the deemed investment of certain *Grandfathered Deferrals of Transferred Participants*. With respect to any such amounts deemed invested in the *Fixed Interest Account*, for periods prior to 2008, interest is accrued daily and is credited monthly, at a fixed rate of 9% per year. Effective January 1, 2008, interest accrues and is credited daily. If installment payments are elected, the amount to be paid to the *Participant* as of a *Distribution Date* shall be determined by dividing the *Participant's Deferral Account* balance as of the applicable *Balance Calculation Date* by the number of

remaining installment payments. All payments from the *Fixed Interest Account* shall be made in cash.

4.3 Investment Elections and Changes. A *Participant's* investment elections shall be subject to the following rules:

- (a) Except as provided in subsection (b) below with respect to *Long-Term Incentive Payments*, if the *Participant* fails to make an investment election with respect to a *Deferral*, the *Deferral* shall be deemed to be invested in the *Interest Account*.
- (b) Any *Deferral* attributable to a *Long-Term Incentive Payment* in the form of common stock, restricted or otherwise, shall automatically be deemed to be invested in the *Stock Equivalent Account*.
- (c) All investments in the *Stock Equivalent Account* shall be irrevocable.
- (d) A *Participant* may elect to transfer amounts invested in the *Interest Account* as of the last business day of any calendar quarter to the *Stock Equivalent Account*, by filing an investment change election during the time period specified by the *Committee*. Any such election shall be effective as of the first business day of the following calendar quarter. The number of common stock equivalents to be credited to the *Participant's Deferral Account* and appropriate subaccounts as of the effective date of the *Participant's* election shall be determined by dividing the amount to be transferred by the *Market Value* of the applicable company stock on the last business day of the calendar quarter preceding the effective date of the *Participant's* election. Notwithstanding the foregoing, effective January 1, 2008, a *Participant* may elect to transfer amounts from the *Interest Account* to the *Stock Equivalent Account* as of any business day; any such transfer shall be made in accordance with procedures established by the *Committee*.

- (e) A *Participant* may elect to transfer amounts invested in the *Fixed Interest Account* as of the last business day of any calendar quarter to the *Interest Account* or the *Stock Equivalent Account*, by filing an investment change election during the period specified by the *Committee*. Any such election shall be effective as of the first business day of the following calendar quarter. In the event a *Participant* elects to transfer amounts to the *Stock Equivalent Account*, the number of common stock equivalents to be credited to the *Participant's Deferral Account* and appropriate subaccounts as of the effective date of the *Participant's* election shall be determined by dividing the amount to be transferred by the *Market Value* of the applicable company stock on the last business day of the calendar quarter preceding the effective date of the *Participant's* election. Notwithstanding the foregoing, effective January 1, 2008, a *Participant* may elect to transfer amounts from the *Fixed Interest Account* as of any business day; any such transfer shall be made in accordance with procedures established by the *Committee*. A *Participant* may not elect to transfer amounts into the *Fixed Interest Account* at any time.

4.4 **Vesting.** Unless a different rule is specified for *Employer Deferrals* under Section 3.4, a *Participant* shall be fully vested at all times in the balance of his *Deferral Account*.

Section 5

Payment of Benefits

5.1 Time and Method of Payment Under the Deferral Program.

- (a) **Distribution Options.** Payment of a *Participant's Deferral* made under the *Deferral Program* shall be made in a single lump sum or in substantially equal annual installments over a period not exceeding ten years as elected by the *Participant* in the *Deferral Election*. If a *Participant* fails to elect a method of payment, such payment shall be made in a single lump sum. Notwithstanding any provision of the *Plan* or

a *Participant's Deferral Election*, if a *Participant's* distribution event is his *Separation from Service*, then payment shall be made in a single lump sum.

- (b) **Time When Payments Begin.** If a *Participant's Deferral* is payable in a single lump sum, the payment shall be made within the 60-day period following the *Balance Calculation Date*, as determined in the sole discretion of the *Committee*. If a *Participant's Deferral* is payable in installment payments, then the *Participant's Deferral* shall be paid in substantially equal annual installments commencing in the month following the initial *Balance Calculation Date*, with the remaining installment payments made as of each subsequent January 1st (based on the preceding December 31st *Deferral* balance) over the period elected by the *Participant* in the *Deferral Election*. Notwithstanding any other provision of the *Plan* to the contrary, distributions to be made to a *Top-50 Employee* upon his *Separation from Service* shall not be made before the date that is six months after the *Top-50 Employee's Separation from Service*.
- (c) **Changing Distribution Method.** A *Participant* may make a one-time election after the original *Deferral Election* to change the method of payment elected by the *Participant*; provided, that such election shall be treated as a *Re-Deferral Election*. Installment payments shall be treated as a single payment for purposes of making a *Re-Deferral Election*, and the first scheduled installment will be the measuring standard for purposes of determining whether a *Re-Deferral Election* complies with the requirements of subsection 3.2(i) above.
- (d) **Special Rule for Small Amounts.** Notwithstanding any election by the *Participant* regarding the timing and manner of payment of his *Deferrals*, upon a *Participant's Separation from Service*, if the total value of the *Participant's Deferral Account* (excluding *Grandfathered Deferrals* described in Supplement I to this *Plan*, and determined as of the last

business day of the month in which the *Participant's Separation from Service* occurs) is less than \$25,000, then the *Participant's Deferral Account* shall be distributed in a lump sum within 60 days after the month in which the *Participant's Separation from Service* occurs. Pursuant to subsection 5.1(b) above, a six-month delay shall be required for any such distribution to a *Top-50 Employee*.

5.2 Payment Upon Total Disability. In the event a *Participant* becomes totally disabled before all amounts credited to his *Deferral Account* have been paid, payment of the *Participant's Deferral Account* shall be made in a lump sum within the 60-day period following the applicable *Balance Calculation Date* as determined in the sole discretion of the *Committee*; provided that, if a *Participant* who is a *Top-50 Employee* incurs a *Separation from Service* and then becomes totally disabled, payment may not be made under this Section 5.2 before the end of the six-month period following the *Participant's Separation from Service*. A *Participant* will be considered to be totally disabled if the *Participant* (a) is determined to be unable to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the *Participant's Employer*.

5.3 Payment Upon Death of a Participant. In the event a *Participant* dies before all amounts credited to his *Deferral Account* have been paid, payment of the *Participant's Deferral Account* shall be made to the *Participant's Beneficiary* in a single lump sum payment within the 60-day period after the applicable *Balance Calculation Date* as determined in the sole discretion of the *Committee*.

5.4 Form of Payment. The payment of that portion of a *Deferral* deemed to be invested in the *Interest Account* or the *Fixed Interest Account* shall be made in cash. The distribution of that portion of a *Deferral* deemed to be invested in the *Stock Equivalent Account* less applicable withholding shall be distributed in whole shares of *Company* common stock with

fractional shares credited to federal income taxes withheld; provided, that any portion of a *Deferral* deemed to be automatically invested in the *Stock Equivalent Account* pursuant to subsection 4.3(b) shall be distributed under the *Stock Plan*. However, if at the time of distribution a *Deferral* is deemed to be invested in the *Stock Equivalent Account* based on Sara Lee Corporation common stock equivalents, that *Deferral* shall be paid in cash.

5.5 Unforeseeable Financial Emergency. If the *Committee* determines that a *Participant* has incurred an *Unforeseeable Financial Emergency*, the *Participant* may withdraw in cash and/or stock the portion of the balance of his *Deferral Account* needed to satisfy the *Unforeseeable Financial Emergency*, to the extent that the *Unforeseeable Financial Emergency* may not be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the *Participant's* assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of *Deferrals* under the *Plan*. A withdrawal on account of an *Unforeseeable Financial Emergency* shall be paid within the 60-day period following the date on which the withdrawal is approved as determined in the sole discretion of the *Committee*.

5.6 Withholding of Taxes. The *Company* shall withhold any applicable Federal, state or local income, employment or other tax from payments due under the *Plan*.

Section 6

Miscellaneous

6.1 Funding. Benefits payable under the *Plan* to any *Participant* shall be paid directly by the *Participant's Employer* (including the *Company* if the *Participant* is employed by the *Company*). The *Company* and the *Employers* shall not be required to fund or otherwise segregate assets to be used for payment of benefits under the *Plan*. Notwithstanding the foregoing, the *Company* and the *Employers*, in the discretion of the *Committee*, may maintain one or more *Trusts*; provided that, in no event shall the *Company* or an *Employer* make a contribution or deposit to a *Trust* during a "restricted period" as defined in Code Section 409A(b)(3). The assets of any such *Trusts* with respect to benefits payable to the employees of each *Employer* shall remain the assets of such *Employer* subject to the claims of its general

creditors. Any payments by a *Trust* of benefits provided to a *Participant* under the *Plan* shall be considered payment by the *Company* or the *Employer* and shall discharge the *Company* or the *Employer* of any further liability under the *Plan* for such payments.

6.2 Account Statements. As soon as practical after the end of each calendar year (or after such additional date or dates as the *Committee*, in its discretion, may designate), each *Participant* shall be provided with a statement of the balance of his *Deferral Account* hereunder as of the last day of such calendar year (or as of such other dates as the *Committee*, in its discretion, may designate).

6.3 Employment Rights. Establishment of the *Plan* shall not be construed to give any *Eligible Employee* the right to be retained in the *Company's* service or to any benefits not specifically provided by the *Plan*.

6.4 Interests Not Transferable. No benefit payable at any time under the *Plan* shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, or other legal process, or encumbrance of any kind, except (a) as provided for under the sections of a *Company* plan or agreement that state the *Company's* authority to demand repayment of amounts owed to the *Company* pursuant to those sections, (b) as required for purposes of withholding of any tax under the laws of the United States or any state or locality, or (c) pursuant to a court-approved property settlement agreement issued incident to the *Participant's* divorce. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefits, whether currently or thereafter payable, shall be void. No person shall, in any manner, be liable for or subject to the debts or liabilities of any person entitled to such benefits. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge or otherwise encumber his benefits under the *Plan*, or if by any reason of his bankruptcy or other event happening at any time, such benefits would devolve upon any other person or would not be enjoyed by the person entitled thereto under the *Plan*, then the *Committee*, in its discretion, may terminate the interest in any such benefits of the person entitled thereto under the *Plan* and hold or apply them for or to the benefit of such person entitled thereto under the *Plan* or his spouse, children or other dependents, or any of them, in such manner as the *Committee* may deem proper.

6.5 Forfeitures and Unclaimed Amounts. Unclaimed amounts shall consist of the amounts of the *Deferral Account* of a *Participant* that are not distributed because of the

Committee's inability, after a reasonable search, to locate a *Participant* or his *Beneficiary*, as applicable, by the later of the end of the *Plan Year* in which the *Participant's Distribution Date*, *Separation from Service*, or death occurs, or the end of the 90-day period following said *Distribution Date*, *Separation from Service*, or death. Unclaimed amounts shall be forfeited at the end of such period. These forfeitures will reduce the obligations of the *Company* under the *Plan*, and the *Participant* or *Beneficiary*, as applicable, shall have no further right to his *Deferral Account*.

6.6 **Controlling Law, Venue.** The law of North Carolina, without regard to any state's choice of law principles, shall be controlling in all matters relating to the *Plan* to the extent not preempted by *ERISA*. Any legal action related to the *Plan* shall be brought only in a federal or state court located in North Carolina.

6.7 **Gender and Number.** Words in the masculine gender shall include the feminine, and the plural shall include the singular and the singular shall include the plural.

6.8 **Action by the Company.** Except as otherwise specifically provided herein, any action required of or permitted by the *Company* under the *Plan* shall be by resolution of the Board of Directors of the *Company* or by action of any member of the *Committee* or person(s) authorized by resolution of the Board of Directors of the *Company*.

Section 7

Employer Participation

Any subsidiary or affiliate of the *Company* incorporated under the laws of any state in the United States may, with the approval of the *Committee* and under such terms and conditions as the *Committee* may prescribe, adopt the *Plan*. The *Committee* may amend the *Plan* as necessary or desirable to reflect the adoption of the *Plan* by an *Employer*; provided, however, that an adopting *Employer* shall not have the authority to amend or terminate the *Plan* under Section 8.

Section 8

Amendment and Termination

The *Company* intends the *Plan* to be permanent, but reserves the right at any time by action of its Board of Directors to modify, amend or terminate the *Plan*; provided, however, that any amendment or termination of the *Plan* shall not reduce or eliminate any *Deferral Account* accrued through the date of such amendment or termination. Upon termination of the *Plan*, the *Committee* may provide that, notwithstanding the *Distribution Date* or form selected by each *Participant*, all *Deferral Accounts* will be distributed on a date and in a form selected by the *Committee*.

The *Committee* shall have the authority to adopt amendments to the *Plan* as set forth in resolutions of the Compensation and Employee Benefits Committee of the Board of Directors of the *Company*. The *Committee* shall provide notice of amendments it adopts to the Compensation and Employee Benefits Committee of the Board of Directors of the *Company* on a timely basis.

Any amendment or termination of the *Plan* shall comply with the restrictions of *Code* Section 409A to the extent applicable. Specifically, no amendment or termination of the *Plan* may accelerate a scheduled payment unless permitted by Treasury regulations section 1.409A-3(j)(4), nor may any amendment permit a subsequent deferral unless such amendment complies with the requirements of Treasury regulations section 1.409A-2(b).

SUPPLEMENT I
TO
HANESBRANDS INC.
EXECUTIVE DEFERRED COMPENSATION PLAN
(Effective as of January 1, 2006)
Transfer Of Liabilities From
Sara Lee Corporation
Executive Deferred Compensation Plan

1. **Background.** Sara Lee Corporation (“*Sara Lee*”) maintains the Sara Lee Corporation Executive Deferred Compensation *Plan* (the “*Sara Lee Plan*”). In connection with the establishment of the *Company*, *Sara Lee* and the *Company* desire to cause the liabilities under the *Sara Lee Plan* attributable to current and former employees of the *Company* (and of the *Company*’s predecessor, the Branded Apparel division of *Sara Lee*) to be transferred to the *Plan*. Current and former employees described in the immediately preceding sentence are described herein as “*Transferred Participants*.”
2. **Transfer, Effect of Transfer.** Effective on January 1, 2006 (the “*Transfer Date*”), the liabilities/account balances of the *Sara Lee Plan* attributable to the *Transferred Participants* shall be transferred to the *Company*, to be held and administered in accordance with the terms of the *Plan*, as amended; provided, that any elections and beneficiary designations made under the *Sara Lee Plan* shall remain in effect under the *Plan*. The *Plan* is the successor to the *Sara Lee Plan* with regard to *Transferred Participants*.
3. **Special Rules for Grandfathered Deferrals.** Any deferrals made by a *Transferred Participant* under the *Sara Lee Plan* prior to January 1, 2005 (“*Grandfathered Deferrals*”) shall be subject to the rules set forth below.
 - (a) **Previously Elected Distribution Dates.** As part of each *Deferral Election*, the *Transferred Participant* was required to specify a *Distribution Date* for the *Grandfathered Deferral*, which may differ for

various *Grandfathered Deferrals*. Except as provided below, each *Distribution Date* is irrevocable and shall apply only to that portion of the *Transferred Participant's Deferral Account* which is attributable to that *Grandfathered Deferral*.

- (b) **Previously Elected Distribution Form.** As part of each *Deferral Election*, a *Transferred Participant* was required to elect the form in which the *Grandfathered Deferral* will be paid beginning on the selected *Distribution Date* as either (i) a single lump sum or (ii) substantially equal annual installments over a period not exceeding ten years. If a *Transferred Participant's Grandfathered Deferral* is payable in a single lump sum, the payment shall be made within the 60-day period following the applicable *Balance Calculation Date*. If a *Transferred Participant's Grandfathered Deferral* is payable in installment payments, then payments shall be made in substantially equal annual installments commencing in the month following the initial *Balance Calculation Date*, with the remaining installment payments made as of each subsequent January 1 (based on the preceding December 31st *Grandfathered Deferral Account* balance) over the period elected by the *Transferred Participant* in the *Deferral Election*. Except as provided below, a *Transferred Participant's* election as to the time and method of payment shall be irrevocable.
- (c) **Re-Deferral Elections for Grandfathered Amounts.** A *Transferred Participant* may make a *Re-Deferral Election* with respect to *Grandfathered Deferrals*; provided, that no *Re-Deferral Election* shall be effective unless (i) the *Committee* receives the election prior to the December 1 of the calendar year preceding the calendar year in which the *Distribution Date* to be changed occurs, and (ii) the new *Distribution Date* is not earlier than the January 1 immediately following the first anniversary of the date the *Re-Deferral Election* is made. All *Re-Deferral Elections* must be made pursuant to such rules as the *Committee* may prescribe.

- (d) **Change in Method of Payment of Grandfathered Deferrals.** A *Transferred Participant* may make a one-time election to change the method of payment elected by the *Transferred Participant*; provided, that such election shall not be effective unless the election to change the method of payment is received by the *Committee* prior to the December 1 of the calendar year preceding the calendar year in which the *Distribution Date* specified in the original *Deferral Election* occurs. All such elections must be made pursuant to such rules as the *Committee* may prescribe.
- (e) **Unforeseeable Financial Emergency.** If the *Committee* determines that a *Participant* has incurred an *Unforeseeable Financial Emergency*, the *Participant* may withdraw in cash and/or stock the portion of the balance of his *Deferral Account* needed to satisfy the *Unforeseeable Financial Emergency*, to the extent that the *Unforeseeable Financial Emergency* may not be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the *Participant's* assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. A withdrawal on account of an *Unforeseeable Financial Emergency* shall be paid as soon as possible following the date on which the withdrawal is approved.
- (f) **Early Withdrawal with Penalty.** Notwithstanding the other provisions of the *Plan* and this Supplement to the contrary, a *Transferred Participant* may request a withdrawal from his *Grandfathered Deferrals*, pro rata, by filing a request with the *Committee* in such form as the *Committee* may prescribe. Any withdrawal under this provision will be charged with a 10 percent early withdrawal penalty which will be withheld from the amount withdrawn and forfeited.
- (g) **Disability.** In the event a *Transferred Participant* becomes totally disabled (as defined above) before all *Grandfathered Deferrals* have been paid, payment of the *Transferred Participant's* *Grandfathered Deferrals* shall be made or commence at the time and in the form of payment elected

by the disabled *Transferred Participant*; provided, that the disabled *Transferred Participant* requests payment in writing within 180 days of becoming disabled. If such a request is not made, the disabled *Transferred Participant's Grandfathered Deferrals* will be paid pursuant to the *Deferral Elections* and the normal provisions of the Plan.

- (h) **Death.** In the event a *Transferred Participant* dies before all *Grandfathered Deferrals* have been paid, payment of the *Transferred Participant's Grandfathered Deferrals* shall be made or shall commence in at the time and in the form of payment elected by the *Transferred Participant's Beneficiary* or the executor/executrix of the *Transferred Participant's* estate; provided, that the request is made in writing within 180 days of the *Transferred Participant's* death. If such a request is not made, the deceased *Transferred Participant's Grandfathered Deferrals* will be paid pursuant to the *Deferral Elections* and the normal provisions of the Plan.
- (i) **Small Amounts.** Notwithstanding any election by the *Transferred Participant* regarding the timing and manner of payment of his *Grandfathered Deferrals*, upon a *Participant's* retirement or other termination of employment, if the total value of the *Transferred Participant's Grandfathered Deferrals* (determined as of the end of the month in which the *Participant* retires or otherwise terminates his employment) is less than \$10,000, then the *Transferred Participant's Grandfathered Deferrals* shall be distributed in a lump sum as soon as practicable thereafter.

4. **Liberty Fabrics Plan Transfer.** Effective June 30, 2002, the account balance of certain participants in the Liberty Fabrics, Inc. Nonqualified Deferred Compensation *Plan* (the "*Liberty Plan*") was transferred to and became subject to the provisions of the *Sara Lee Plan*. Those balances in the *Sara Lee Plan* were transferred to the *Plan* as part of the transfers described in this Supplement and shall be treated as separate *Grandfathered Deferrals* under the *Plan*. Accordingly, each *Liberty Plan* participant has specified a *Distribution Date*, method of payment, and investment alternative with respect to such

transferred account balance. However, notwithstanding anything contained in the *Plan* to the contrary, a *Liberty Plan* participant may not make a one-time election to change the method of payment under Paragraph 3 above with respect to his transferred account balance.

5. **Rules for Non-Grandfathered Amounts.** Amounts transferred from the *Sara Lee Plan* that were deferred on or after January 1, 2005 shall be subject to the rules described in the *Plan* rather than under Paragraph 3 of this Supplement.
6. **General.** Except as expressly provided to the contrary in this Supplement, *Transferred Participants* will be subject to the terms and conditions of the *Plan*, as amended from time to time. The terms expressly defined in this Supplement shall supersede any conflicting terms of the *Plan*. All other defined terms used in this Supplement shall have the same meanings assigned to them by the *Plan*.

HANESBRANDS INC.
RETIREMENT SAVINGS PLAN

Conformed through July 28, 2008

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HANESBRANDS INC.
RETIREMENT SAVINGS PLAN

(Effective as of July 24, 2006)

SECTION 1

1.01 Background; Purpose of Plan

The purpose of the Plan is to permit Eligible Employees of Hanesbrands Inc. (the "Company") and the other Employers to accumulate their retirement savings on a tax-favored basis. A portion of the Plan (that portion of the Plan invested in the Sara Lee Corporation Common Stock Fund prior to the Spin-Off date and that portion of the Plan invested in the Hanesbrands Inc. Common Stock Fund thereafter) is designed to invest primarily in qualifying employer securities and is intended to satisfy the requirements of an employee stock ownership plan (as defined in Section 4975(e)(7) of the Code) (the ESOP component); up to 100% of Plan assets may be invested in qualifying employer securities. The remaining portion of the Plan is a profit sharing plan intended to satisfy all requirements of Section 401(a) of the Code and includes a cash or deferred arrangement intended to satisfy the requirements of Section 401(k) of the Code (the 401(k) component). For each Plan Year, the 401(k) component shall include all of a Participant's Before-Tax Contributions, the Employers' Matching Contributions, the Additional Company Contribution and, for the 2006 Plan Year, the Transition Contribution allocable to the Participant with respect to that Plan Year, for all purposes of the Plan.

As of the Effective Date, the benefits of each Transferred Participant shall be transferred from the Sara Lee Plan, and continued in the form of, the Plan. As soon as administratively practicable on or after the Effective Date, (i) liabilities equal to the aggregate Account balances, as adjusted through the Effective Date, of each Transferred Participant shall be transferred from the Sara Lee Plan to the Plan and credited to the appropriate Plan accounts of each Transferred Participant and subject to the terms and conditions of the Plan, and (ii) the assets of the trust funding the Sara Lee Plan attributable to Transfer Participants' benefits shall be transferred (in kind) to the Trustee of the Trust. The transfer of the Transferred Participants' benefits from the Sara Lee Plan into the Plan and the transfer of assets to the Trust shall comply with Sections 401(a)(12), 411(d)(6), and 414(l) of the Code and the regulations thereunder.

After the Effective Date, if a Transferred Participant becomes entitled to an additional allocation under the Sara Lee Plan, then assets and liabilities equal to the additional amount so allocable shall be transferred from the Sara Lee Plan to the Plan as soon as administratively practicable after the allocable amount has been determined and shall be invested pursuant to the Transferred Participant's current investment elections. In addition, if a Transferred Participant transfers to employment with an Employer after the Effective Date but before the Spin-Off Date, then assets and liabilities equal to the Transferred Participant's account balance in the Sara Lee Plan shall be transferred to the Plan and invested in accordance with the Transferred Participant's current investment elections. The transfers described in this paragraph shall comply with Sections 401(a)(12), 411(d)(6) and 414(l) of the Code and the regulations thereunder.

1.02 Effective Date; Plan Year

Except as otherwise required to comply with applicable law or as specifically provided herein, the Plan is effective July 24, 2006 (the "Effective Date"). The first "Plan Year" is a short plan year beginning as of July 24, 2006 and ending December 31, 2006. Thereafter, the "Plan Year" shall be the twelve month period from each January 1 through December 31.

1.03 Plan Administration

As described in Subsection 17.01, the Committee shall be the administrator (as that term is defined in Section 3(16)(A) of ERISA) of the Plan and shall be responsible for the administration of the Plan; provided, however, that the Committee may delegate all or any part of its powers, rights, and duties under the Plan to such person or persons as it may deem advisable.

1.04 Plan Supplements

The provisions of the Plan may be modified by Supplements to the Plan. The terms and provisions of each Supplement are a part of the Plan and supersede the other provisions of the Plan to the extent necessary to eliminate inconsistencies between such other Plan provisions and such Supplement.

1.05 Trustee; Trust

Amounts contributed under the Plan are held and invested, until distributed, by the Trustee. The Trustee acts in accordance with the terms of the Trust, which implements and forms a part of the Plan. The provisions of and benefits under the Plan are subject to the terms and provisions of the Trust.

SECTION 2

Definitions

The following terms, when used herein, unless the context clearly indicates otherwise, shall have the following respective meanings:

2.01 Account

Except as may be stated elsewhere in the Plan, "Account" and "Accounts" mean all accounts and subaccounts maintained for a Participant (or for a Beneficiary after a Participant's death or for an Alternate Payee).

2.02 Accounting Date

"Accounting Date" means each day the value of an Investment Fund is adjusted for contributions, withdrawals, distributions, earnings, gains, losses or expenses, any date designated by the Committee as an Accounting Date, and an Accounting Date occurring under SECTION 8. It is anticipated that each Investment Fund will be valued as of each day on which the New York Stock Exchange is open for trading and the Trustee is open for business.

2.03 Actual Deferral Percentage

"Actual Deferral Percentage" for a group of Eligible Employees for a Plan Year means the average of the deferral ratios (determined separately for each Eligible Employee in such group) of: (a) the Eligible Employee's Before-Tax Contributions for the Plan Year; to (b) the Eligible Employee's compensation (determined in accordance with Code Section 414(s)) for such Plan Year.

2.04 Adjusted Net Worth

"Adjusted Net Worth" of an Investment Fund as of any Accounting Date means the then net worth of that Investment Fund as determined by the Trustee in accordance with the provisions of the Trust Agreement.

2.05 After-Tax Account

"After-Tax Account" means an Account maintained pursuant to Subparagraph 8.01(d).

2.06 Alternate Payee

"Alternate Payee" means a spouse, former spouse, child or other dependent of a Participant entitled to receive payment of a portion of the Participant's vested Plan benefits under a qualified domestic relations order, as defined in Section 414(p) of the Code.

2.07 Annual Addition

“Annual Addition” for any Limitation Year means the sum of annual additions to a Participant’s Account for the Limitation Year. Notwithstanding any Plan provision to the contrary, a Participant’s Annual Addition shall be determined in accordance with Code Section 415 and applicable Treasury regulations issued thereunder.

2.08 Annual Company Contribution

“Annual Company Contribution” means a contribution made by an Employer on behalf of each Annual Company Contribution Participant pursuant to Subsection 5.02.

2.09 Annual Company Contribution Account

“Annual Company Contribution Account” means an Account maintained pursuant to Subparagraph 8.01(c).

2.10 Appeal Committee

“Appeal Committee” means an ERISA Appeal Committee as described in Subsection 17.02 of the Plan.

2.11 Before-Tax Contribution

“Before-Tax Contribution” means the compensation deferrals under Code Section 401(k) a Participant elects to make pursuant to Subsection 4.01. Notwithstanding the foregoing, for purposes of implementing the required limitations of Code Sections 401(k), 402(g), and 415 contained in Subsections 6.01, 6.03 and 6.05, Before-Tax Contributions shall not include Catch-Up Contributions or deferrals made pursuant to Code Section 414(u) by reason of an Eligible Employee’s qualified military service.

2.12 Before-Tax Contribution Account

“Before-Tax Contribution Account” means the Account maintained by the Committee pursuant to Subparagraph 8.01(a).

2.13 Beneficiary

“Beneficiary” means any person or persons (who may be designated contingently, concurrently or successively) to whom a Participant’s Account balances are to be paid if the Participant dies before he or she receives his or her entire vested Account.

2.14 Catch-Up Contribution

“Catch-Up Contribution” means the deferrals of Compensation under Code Section 414(v) an eligible Participant elects to make pursuant to Subsection 4.02.

2.15 Code

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

2.16 Committee

“Committee” means the Committee appointed by the Company to administer the Plan as described in SECTION 17 of the Plan.

2.17 Company

“Company” means Hanesbrands Inc. or any successor organization or entity that assumes the Plan.

2.18 Compensation

“Compensation” for a Plan Year means the total wages (as defined in Section 3401(a) of the Code) paid to an individual by an Employer for the period in question for services rendered as an Employee of an Employer, which are subject to income tax withholding at the source, determined without regard to any exceptions to the withholding rules that limit the remuneration included in such wages and that are based on the nature or location of the employment or the services performed, determined in accordance with the following:

- (a) Including elective contributions made on behalf of the Employee pursuant to the Employee’s salary reduction agreement under Sections 401(k), 132(f)(4), and 125 of the Code.
- (b) Excluding the following:
 - (i) Nonqualified stock option exercise income;
 - (ii) Stock awards;
 - (iii) Gains attributable to the sale of stock within the two (2) year period beginning on the date of grant under an employee stock purchase plan as described in Section 423 of the Code;
 - (iv) Reimbursements or other expense allowances;
 - (v) Fringe benefits (cash and non-cash);
 - (vi) Moving expenses;
 - (vii) Deferred compensation when earned or paid;
 - (viii) Welfare benefits; and

(ix) Severance pay.

For purposes of (A) determining and allocating contributions under Subsections 4.02, 5.02, 5.03 and 5.04, (B) applying the maximum percentage limitation specified in Subsection 4.01, and (C) applying the limitations of Subsections 6.01 and 6.02, the annual Compensation taken into account under the Plan for any Participant for a Plan Year shall not exceed \$220,000 (as adjusted by the Secretary of the Treasury pursuant to Code Section 401(a)(17)(B)).

2.19 Contribution Percentage

“Contribution Percentage” of a group of Eligible Employees for a Plan Year means the average of the ratios (determined separately for each Eligible Employee in such group) of: (a) the Matching Contributions made on behalf of such Eligible Employee for such Plan Year; to (b) the Eligible Employee’s compensation (determined in accordance with Code Section 414(s)) for such Plan Year.

2.20 Controlled Group Member

“Controlled Group Member” means the Company and any affiliated or related corporation that is a member of a controlled group of corporations (within the meaning of Section 1563(a) of the Code) that includes the Company or any trade or business (whether or not incorporated) which is under the common control of the Company (within the meaning of Section 414(b), (c) or (m) of the Code).

2.21 Covered Group

“Covered Group” means a group or class of Employees to which the Plan has been and continues to be extended by an Employer pursuant to Subsection 3.02. A listing of the Covered Groups under the Plan is included in Exhibit A to the Plan.

2.22 Direct Rollover

“Direct Rollover” means a payment by the Plan to an Eligible Retirement Plan specified by the Distributee.

2.23 Distributee

“Distributee” means a Participant (including a Participant described in Subsection 7.02 of the Plan) or Beneficiary. In addition, the Participant’s surviving spouse and the Participant’s spouse or former spouse who is an Alternate Payee are Distributees with regard to the interest of the spouse or former spouse.

2.24 Effective Date

“Effective Date” of the Plan means July 24, 2006 as defined in Subsection 1.02.

2.25 Elective Deferral

“Elective Deferral” means, with respect to any calendar year, each elective deferral as defined in Code Section 402(g).

2.26 Eligible Employee

“Eligible Employee” means an Employee who is a member of a Covered Group and is otherwise eligible to participate in the Plan pursuant to either Subsection 3.01 or Subsection 12.01.

2.27 Eligible Retirement Plan

“Eligible Retirement Plan” means the following:

- (a) An individual retirement account described in Section 408(a) of the Code;
- (b) An annuity contract described in Section 403(b) of the Code;
- (c) An eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state or an agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred to such plan from this Plan;
- (d) An individual retirement annuity described in Section 408(b) of the Code;
- (e) An annuity plan described in Section 403(a) of the Code; or
- (f) A qualified trust described in Section 401(a) of the Code that accepts the Distributee’s Eligible Rollover Distribution.

2.28 Eligible Rollover Distribution

“Eligible Rollover Distribution” means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include the following:

- (a) Any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or life expectancies) of the Distributee and the Distributee’s designated beneficiary, or for a specified period of ten (10) years or more;
- (b) Any distribution to the extent such distribution is required under Section 401(a)(9) of the Code;
- (c) Hardship withdrawals; and

- (d) Any distribution excluded from the definition of "Eligible Rollover Distribution" under the Code or applicable Treasury Regulations.

A portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion includes After-Tax Contributions that are not includible in gross income; provided, however, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), a qualified retirement plan (either a defined contribution plan or a defined benefit plan) described in Code Section 401(a) or 403(a), or an annuity contract described in Code Section 403(b) that agrees to separately account for amounts so transferred.

2.29 Employee

"Employee" means any person employed by one or more of the Employers who is on the regular payroll of an Employer and whose wages from the Employer are reported for Federal income tax purposes on Internal Revenue Service Form W-2 (or successor or equivalent form). Notwithstanding any provision of the Plan to the contrary, an individual who performs services for a Controlled Group Member but who is paid by an Employer under a common paymaster arrangement with such Controlled Group Member shall not be considered an Employee for purposes of the Plan. An Employer's classification as to whether an individual constitutes an Employee shall be determinative for purposes of an individual's eligibility under the Plan. An individual who is classified as an independent contractor (or other non-employee classification) shall not be considered an Employee and shall not be eligible for participation in the Plan, regardless of any subsequent reclassification of such individual as an Employee or employee of an Employer by an Employer, any government agency, court, or other third-party. Any such reclassification shall not have a retroactive effect for purposes of the Plan. Notwithstanding any other provision of the Plan to the contrary, nonresident alien individuals receiving no U.S.-source income from any Employer are not considered Employees under the Plan.

2.30 Employer

"Employer" means the Company and each Controlled Group Member that adopts the Plan in accordance with SECTION 18.

2.31 Employer Contributions

"Employer Contributions" means the following contributions made by an Employer on behalf of a Participant:

- (a) Annual Company Contributions;
- (b) Matching Contributions;
- (c) Transition Contributions; and
- (d) Any contributions that are made by an Employer in lieu of the contributions described in Subparagraphs (a), (b) or (c) above.

2.32 ERISA

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

2.33 Excess Contribution

“Excess Contribution” means the amount by which Before-Tax Contributions (determined without regard to the Participant’s Catch-Up Contributions) for a Plan Year made by Highly Compensated Employees exceed the limitations of Subsection 6.01, as determined in accordance with Treasury Regulation Section 1.401(k)-2(b).

2.34 Excess Deferral

“Excess Deferral” means the amount by which a Participant’s Before-Tax Contributions (determined without regard to the Participant’s Catch-Up Contributions) exceed the limitations of Code Section 402(g)(4), as provided in Subsection 6.03.

2.35 Excess Matching Contribution

“Excess Matching Contribution” means the amount by which Matching Contributions for a Plan Year made by or on behalf of Highly Compensated Employees exceed the limitations of Subsection 6.02, as determined in accordance with Treasury Regulation Section 1.401(m)-2(b).

2.36 Fair Market Value

“Fair Market Value” means (a) with respect to Sara Lee Stock or Hanesbrands Stock held in the Plan, the closing price per share on the New York Stock Exchange as of any date or (b) in the case of any other stock for which there is no generally recognized market, the value determined as of a particular date in accordance with Treasury Regulation Section 54.4975-11(d)(5) and based upon an evaluation by an independent appraiser meeting the requirements of the regulations prescribed under Section 401(a)(28)(C) of the Code or, in the absence of such regulations, requirements similar to the requirements of the regulations prescribed under Section 170(a)(1) of the Code and having expertise in rendering such evaluations.

2.37 Forfeiture

“Forfeiture” means the amount by which a Participant’s Annual Company Contribution Account, Transition Contribution Account, Matching Contribution Account and Predecessor Company Account (or other Employer Contribution Account under any applicable Supplement to the Plan) is reduced under Subsections 6.01, 6.02, 6.03, 10.01 or any applicable Supplement.

2.38 Hanesbrands Stock

“Hanesbrands Stock” means shares of common stock of Hanesbrands Inc.; provided, however, that, after the Spin-Off Date, such term shall include only such shares as constitute both “employer securities” as defined in Section 409(l) of the Code and “qualifying employer securities” as defined in Section 407(d)(5) of ERISA.

2.39 Highly Compensated Employee

“Highly Compensated Employee” means a highly compensated employee as defined in Code Section 414(q) and the regulations thereunder. Generally, a Highly Compensated Employee means any Employee who: (a) during the immediately preceding Plan Year received annual compensation from the Employers (determined in accordance with Subsection 6.05 of the Plan) of more than \$95,000 (or such greater amount as may be determined by the Commissioner of Internal Revenue) and, at the Company’s discretion for such preceding year, was in the top-paid twenty percent (20%) of the Employees for that year; or (b) was a five percent (5%) owner of an Employer during the current Plan Year or the immediately preceding Plan Year.

A former Participant shall be treated as a Highly Compensated Employee if such Participant was a Highly Compensated Employee when such Participant separated from service from a Controlled Group Member or such Participant was a Highly Compensated Employee at any time after attaining age fifty-five (55) years.

2.40 Hour of Service

“Hour of Service” means any hour for which an Employee is compensated by an Employer, directly or indirectly, or is entitled to compensation from an Employer for the performance of duties and for reasons other than the performance of duties, and each previously uncredited hour for which back pay has been awarded or agreed to by an Employer, irrespective of mitigation of damages. Hours of Service shall be credited to the period for which duties are performed (or for which payment is made if no duties were performed), except that Hours of Service for which back pay is awarded or agreed to by an Employer shall be credited to the period to which the back pay award or agreement pertains. The rules for crediting Hours of Service set forth in Section 2530.200b-2 of Department of Labor regulations are incorporated by reference. References in this Subsection to an Employer shall include any Controlled Group Member.

2.41 Investment Committee

“Investment Committee” means the committee appointed by the Company to manage the assets of the Plan and Trust.

2.42 Leased Employee

“Leased Employee” means any person who is not an Employee of an Employer, but who has provided services to an Employer under the primary direction or control of the Employer, on a substantially full-time basis for a period of at least one year, pursuant to an agreement between the Employer and a leasing organization.

2.43 Leave of Absence

“Leave of Absence” for Plan purposes means an absence from work which is not treated by the Participant’s Employer as a termination of employment or which is required by law to be

treated as a Leave of Absence. A Totally Disabled Employee shall not be considered to be on a Leave of Absence for purposes of the Plan.

2.44 Limitation Year

“Limitation Year” means the Plan Year.

2.45 Matching Contributions

“Matching Contribution” means the amount of a Participant’s Before-Tax Contributions for which a Matching Contribution is payable pursuant to Subsection 5.03. Notwithstanding the foregoing, for purposes of implementing the required limitations of Code Sections 401(m) and 415 contained in Subsections 6.02 and 6.05, Matching Contributions shall not include employer contributions made pursuant to Code Section 414(u) by reason of an Eligible Employee’s qualified military service.

2.46 Matching Contribution Account

“Matching Contribution Account” means an Account maintained pursuant to Subparagraph 8.01(b).

2.47 Maternity or Paternity Absence

“Maternity or Paternity Absence” means an Employee’s absence from work because of the pregnancy of the Employee or birth of a child of the Employee, the placement of a child with the Employee, or for purposes of caring for the child immediately following such birth or placement. The Committee may require the Employee to furnish such information as the Committee considers necessary to establish that the Employee’s absence was for one of the reasons specified above.

2.48 Normal Retirement Age

“Normal Retirement Age” means the date upon which a Participant attains age sixty-five (65) years.

2.49 One-Year Break in Service

“One-Year Break in Service” means each twelve (12) consecutive month period commencing on an Employee’s or Participant’s Separation Date and on each anniversary of such date during which the Employee or Participant does not perform an Hour of Service. In the case of a Maternity or Paternity Absence, the twelve (12) consecutive month periods beginning on the first day of such absence and the first anniversary thereof shall not constitute a One-Year Break in Service.

2.50 Participant

“Participant” means each Eligible Employee who satisfies the requirements of Subsection 3.01 or 12.01, as applicable.

2.51 Period of Service

“Period of Service” means a period beginning on the date an Employee enters Service (or reenters Service) and ending on his or her Separation Date with respect to such period, subject to the following special rules:

- (a) An Employee shall be deemed to enter Service on the date he or she first completes an Hour of Service.
- (b) An Employee shall be deemed to reenter Service on the date following a Separation Date when he or she again completes an Hour of Service.
- (c) An Employee shall be deemed to have continued in Service (and thus not to have incurred a Separation Date) for the following periods:
 - (i) Any period for which he or she is required to be given credit for Service under any laws of the United States; and
 - (ii) The period (referred to herein as “Medical Leave”) prior to his or her Separation Date during which he or she is unable, by reason of physical or mental infirmity, or both, to perform satisfactorily the duties then assigned to him or her or which an Employer or Controlled Group Member is willing to assign to him or her, as determined by the Committee pursuant to a medical examination by a medical doctor selected or approved by the Committee. Such period shall end with the earlier of his or her Separation Date, or the date of cessation of such inability.
- (d) Subject to the rehire rules of Subsection 12.02, all periods of Service of an Employee shall be aggregated in determining his or her Service.
- (e) If an Employee is absent from work because he or she quits, is discharged or retires, and he or she reenters Service before the first anniversary of the date of such absence, such date shall not constitute a Separation Date and the period of such absence shall be included as Service.

2.52 Plan

“Plan” means the Hanesbrands Inc. Retirement Savings Plan, as amended from time to time.

2.53 Plan Year

The first "Plan Year" is a short plan year beginning as of July 24, 2006 and ending December 31, 2006. Thereafter, the "Plan Year" shall be the twelve (12) month period beginning each January 1 and ending on the next following December 31 as defined in Subsection 1.02.

2.54 Predecessor Company

"Predecessor Company" means any corporation or other entity (other than Sara Lee Corporation), the stock, assets or business of which was acquired by an Employer or another Controlled Group Member prior to the Effective Date, or is acquired by an Employer or another Controlled Group Member on or after the Effective Date, whether by merger, consolidation, purchase of assets or otherwise, and any predecessor thereto designated by the Plan or by the Committee.

2.55 Predecessor Company Account

"Predecessor Company Account" means an Account maintained pursuant to Subparagraph 8.01(f).

2.56 Predecessor Plan

"Predecessor Plan" means a plan formerly maintained by a Controlled Group Member or a Predecessor Company (other than the Sara Lee Plan) that has been merged into and continued in the form of this Plan.

2.57 Required Commencement Date

"Required Commencement Date" means the April 1 of the calendar year next following the later of the calendar year in which the Participant attains age seventy and one-half (70-1/2) or the calendar year in which his or her Separation Date occurs; provided, however, that the Required Commencement Date of a Participant who is a five percent (5%) owner (as defined in Code Section 416) of an Employer or a Controlled Group Member with respect to the Plan Year ending in the calendar year in which he or she attains age seventy and one-half (70-1/2) shall be April 1 of the next following calendar year.

2.58 Rollover Contribution

"Rollover Contribution" means a Participant's contribution pursuant to Subsection 4.04.

2.59 Rollover Contribution Account

"Rollover Contribution Account" means the Account maintained pursuant to Subparagraph 8.01(e).

2.60 Sara Lee Plan

“Sara Lee Plan” means the Sara Lee Corporation 401(k) Plan.

2.61 Sara Lee Stock

“Sara Lee Stock” means shares of common stock of Sara Lee Corporation.

2.62 Separation Date

“Separation Date” means the earlier of (a) the date on which an Employee or Participant is no longer employed by an Employer or a Controlled Group Member because he or she quits, retires, is discharged or dies; or (b) the first anniversary of the first day of any period during which an Employee or Participant remains absent from service with all Controlled Group Members for any reason other than quit, retirement, discharge or death.

2.63 Service

“Service” means the number of completed calendar years and months during a Participant’s Periods of Service.

2.64 Spin-Off, Spin-Off Date

“Spin-Off” means Sara Lee Corporation’s distribution of all of its interest in Hanesbrands Inc. The actual date of the Spin-Off shall be known as the “Spin-Off Date.”

2.65 Totally Disabled or Total Disability

“Totally Disabled” or “Total Disability” when used in reference to a Participant means that condition of the Participant resulting from injury or illness which:

- (a) Results in such Participant’s entitlement to and receipt of monthly disability insurance benefits under the Federal Social Security Act; or
- (b) Results in such Participant’s entitlement to and receipt of (or would result in receipt of but for any applicable benefit waiting period) long-term disability benefits under a long-term disability income plan maintained or adopted by such Participant’s Employer.

2.66 Transferred Participants

“Transferred Participant” means:

- (a) any participant who has an account in the Sara Lee Plan and is employed by Hanesbrands Inc. or a Sara Lee Corporation division listed on Exhibit A on the Effective Date;

- (b) any participant who (i) has an account in the Sara Lee Plan on the Effective Date, and (ii) after the Effective Date but before the Spin-Off Date is transferred from employment with Sara Lee Corporation (or a subsidiary) to employment as an Eligible Employee of Hanesbrands Inc. or of a Sara Lee Corporation division listed on Exhibit A; and
- (c) any participant in the Sara Lee Plan who was not employed by any controlled group member of Sara Lee Corporation on the Effective Date but who was last employed by Hanesbrands Inc., the Sara Lee Branded Apparel division of Sara Lee Corporation, or a Sara Lee Corporation division listed in Exhibit A.”

2.67 Trust Agreement

“Trust Agreement” means the Hanesbrands Inc. Retirement Savings Plan Trust, which implements and forms a part of the Plan.

2.68 Trust Fund

“Trust Fund” means all assets held or acquired by the Trustee in accordance with the Plan and the Trust.

2.69 Trustees

“Trustees” mean the person or persons appointed to act as Trustees under the Trust Agreement.

2.70 Year of Service

“Year of Service” means an Employee’s continuous employment by one or more of the Employers or other Controlled Group Members for the twelve (12) month period beginning on the Employee’s date of hire or on any anniversary of that date, subject to the provisions of Subsection 12.01 and the following:

- (a) A period of concurrent Service with two (2) or more of the Employers and the other Controlled Group Members will be considered as employment with only one of them during that period.
- (b) If an Employee is on a Leave of Absence authorized by his or her Employer, his or her period of continuous employment shall include such Leave of Absence, except for any portion thereof for which he or she is not granted rights as to reemployment by an Employer or a Controlled Group Member under any applicable statute.
- (c) If and to the extent the Committee so provides, part or all of the last continuous period of employment of an Employee with an Employer or any Predecessor

Company prior to the date of coverage hereunder shall be included in determining Years of Service; except that:

- (i) All service of a Transferred Participant that was recognized under the Sara Lee Plan as of the Effective Date shall be recognized and taken into account under the Plan to the same extent as if such service had been completed under the Plan, subject to any applicable break in service rules under the Sara Lee Plan and the Plan.
 - (ii) If an individual (A) was previously employed by the Sara Lee Corporation (referred to as the "prior employers" for purposes of this Subparagraph), and (B) subsequently becomes an Employee of an Employer or a Controlled Group Member; all of the individual's service with the prior employers shall be recognized and taken into account under the Plan to the same extent as if such service had been completed under the Plan, subject to any applicable break in service rules under the applicable prior employer's plans and the Plan.
- (d) The foregoing provisions of this Subsection shall not be applied so as to allow an Employee to become a Participant in the Plan prior to the Employee's actual employment by an Employer and his or her becoming a member of a Covered Group of Employees.

SECTION 3

Participation

3.01 Eligibility to Participate

- (a) Eligible Participants.
- (i) Each Transferred Participant shall become a Participant on the Effective Date or, if later, on the date of a transfer of employment described in Subparagraph 2.66(b), subject to the terms and conditions of the Plan. Each other Eligible Employee hired prior to January 1, 2008 shall become a Participant on the first date of the first payroll period following the date he or she attains age twenty-one (21) or on January 1, 2008, if earlier; except that Eligible Employees hired prior to January 1, 2008 and described in Supplement B to the Plan shall become Participants on their dates of hire without regard to their then attained age. Notwithstanding the foregoing, each Eligible Employee hired prior to January 1, 2008 must have attained age twenty-one (21) before becoming eligible for Annual Company Contributions provided under Subsection 5.02. An Eligible Employee may become a Participant only if he or she is a member of a Covered Group.
- (ii) Each Eligible Employee hired on or after January 1, 2008 shall become a Participant as follows:
- (A) With respect to Before-Tax Contributions, Catch-Up Contributions, and Matching Contributions, immediately following the date the Eligible Employee has completed at least 30 days of Service; and
- (B) With respect to Annual Company Contributions, upon his or her date of hire as an Eligible Employee or the date he or she attains age twenty-one (21), if later; in each case, provided the Eligible Employee is then a member of a Covered Group.”
- (b) Special Participation Rules. Notwithstanding any provision of the Plan to the contrary, the following special participation rules shall apply:
- (i) “Participants” only for purposes of Subsection 4.04. For purposes of transferred amounts or Rollover Contributions made pursuant to Subsection 4.04, the term “Participant” shall include an Employee of an Employer who is not yet a Participant in the Plan, but such “Participant”

may not make Before-Tax Contributions or receive any Employer Contributions before satisfying the requirements of this Section.

- (ii) Transfer Between Covered Groups. In the event an Employee or Participant transfers employment from one Covered Group to a different Covered Group that is not eligible for the same contributions and benefits under the Plan, such individual shall be treated as terminating employment and simultaneously being reemployed under Subsection 12.01 solely for purposes of determining his or her eligibility for contributions and benefits under the Plan during his or her employment with the new Covered Group.
- (iii) Inactive Transferred Participants. Transferred Participants who are not actively employed by an Employer in a Covered Group shall be treated as terminated or restricted participants under Subsection 7.02 of the Plan.

3.02 Covered Group

Designation of a Covered Group when made by the Company shall be effected by action of the Committee or by a person or persons authorized by said Committee. Designation of a Covered Group when made by any other Employer shall be effected by action of that Employer's Board of Directors or a person or persons so authorized by that Board. Notwithstanding the foregoing, Employees who are or who become members of a group or class of Employees included in a collective bargaining unit covered by a collective bargaining agreement between an Employer and the collective bargaining representative of such Employees and who, as a consequence of good faith bargaining between the Employer and such representative, are excluded from participation in the Plan shall not be considered as belonging to a Covered Group.

3.03 Leave of Absence

A Leave of Absence will not interrupt continuity of participation in the Plan. Leaves of Absence will be granted under an Employer's rules applied uniformly to all Participants similarly situated. Notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code. In any case where a Participant is on a Leave of Absence or is a Totally Disabled Participant and his or her employment with an Employer and its Subsidiaries is terminated for any other reason, then his or her employment with the Employers for purposes of the Plan will be considered terminated on the same date and for the same reason.

3.04 Leased Employees

A Leased Employee shall not be eligible to participate in the Plan. The period during which a Leased Employee performs services for an Employer shall be taken into account for purposes of Subsection 10.01 of the Plan, unless (a) such Leased Employee is a participant in a money purchase pension plan maintained by the leasing organization which provides a non-integrated employer contribution rate of at least 10 percent (10%) of compensation, immediate

participation for all employees and full and immediate vesting, and (b) Leased Employees do not constitute more than 20 percent (20%) of the Employers' nonhighly compensated workforce.

SECTION 4

Before-Tax Contributions

4.01 Before-Tax Contributions

- (a) Before-Tax Contribution Election. Each full-time and part-time, exempt and non-exempt salaried or hourly Participant may elect to defer a portion of his or her Compensation for any Plan Year by electing to have a percentage (in multiples of one percent (1%) not to exceed fifty percent (50%)) of his or her Compensation contributed to the Plan on his or her behalf by his or her Employer as Before-Tax Contributions. A Participant may elect to make such Before-Tax Contributions beginning as soon as administratively possible following the date he or she becomes a Participant, subject to Subparagraph (b) below. Notwithstanding any Plan provision to the contrary, a Participant may make a Before-Tax Contribution election only with respect to amounts that are compensation within the meaning of Code Section 415 and Treasury Regulations Section 1.415(c)-2.
- (b) Automatic Deferral Election. Notwithstanding Subparagraph (a) above, each Participant as of January 1, 2008 who has not previously made an affirmative election under the Plan and each individual who becomes an Eligible Employee on or after January 1, 2008 will be deemed to have automatically elected to have four percent (4%) of his or her Compensation contributed to the Plan as Before-Tax Contributions beginning on January 1, 2008 or as soon as administratively possible after the Eligible Employee becomes a Participant under Subparagraph 3.01(a), if later. Each such Participant's deferral percentage shall increase automatically by one percent (1%) each Plan Year thereafter, up to six percent (6%) of Compensation; provided, however, that the automatic deferral percentage for an Eligible Employee who becomes a Participant during the last three months of a Plan Year shall not increase until the beginning of the second Plan Year following his or her participation date; and further provided that automatic increases under this Subparagraph shall not apply once a Participant has made an affirmative election to change his or her deferral percentage, including an affirmative election to cease all deferrals. Prior to the date an automatic deferral election is effective, the Committee shall provide the Eligible Employee with a notice that explains the automatic deferral feature, the Eligible Employee's right to elect not to have his or her Compensation automatically reduced and contributed to the Plan or to have another percentage contributed, and the procedure for making an alternate election. An automatic deferral election shall be treated for all purposes of the Plan as a voluntary deferral election.
- (c) Reduction of Compensation. Before-Tax Contributions shall be made by a reduction of such items of the Participant's Compensation as each Employer shall determine (on a uniform basis) for each payroll period by the applicable percentage (not to exceed the maximum percentage determined by the Committee for any payroll period). The amount deferred by a Participant will be withheld

from the Participant's Compensation and contributed to the Plan on the Participant's behalf by the Participant's Employer in accordance with Subsection 5.01.

4.02 Catch-Up Contributions

A Participant who has attained age fifty (50) years (or will attain age fifty (50) years by the end of the Plan Year) may elect to defer an additional amount of Compensation as Before-Tax Contributions for such Plan Year in accordance with and subject to the limitations of Section 414(v) of the Code ("Catch-Up Contributions"). Before-Tax Contributions shall not include Catch-Up Contributions for purposes of implementing the required limitations of Code Sections 401(k), 402(g), and 415 contained in Subsections 6.01, 6.03, and 6.05, respectively.

4.03 Change in Election

Each Participant who has made an election for any Plan Year pursuant to Subsection 4.01 or 4.02 (if applicable) may subsequently make an election to discontinue the deferral of his or her Compensation (but not retroactively) as of the beginning of any payroll period. If a Participant discontinues his or her deferrals, he or she may subsequently elect under Subsection 4.01 or 4.02 (if applicable) to have a deferral resumed as of any subsequent payroll period. A Participant also may elect to change (but not retroactively) the rate of his or her Tax-Deferred Contributions and the amount of his or her Catch-Up Contributions (if applicable) as of the beginning of any payroll period, within the limits specified in Subsection 4.01 and 4.02 (if applicable). Elections under this Subsection shall be made in such manner and in accordance with such rules as the Committee determines. If the Committee in its discretion determines that elections under this Subsection shall be made in a manner other than in writing, any Participant who makes an election pursuant to such method may receive written confirmation of such election; further, any such election and confirmation will be the equivalent of a writing for all purposes.

4.04 Direct Transfers and Rollovers

The Committee in its discretion may direct the Trustee to accept:

- (a) From a trustee or insurance company a direct transfer (or an Eligible Rollover Distribution) of a Participant's benefit (or portion thereof) under any other Eligible Retirement Plan;
- (b) From a Participant as a Rollover Contribution an amount (or portion thereof) received by the Participant as an Eligible Rollover Distribution from another Eligible Retirement Plan; or
- (c) From a Participant as a Rollover Contribution the entire amount received by the Participant as a distribution from an individual retirement account or an individual retirement annuity where such amount is attributable to a rollover contribution of a qualified total distribution pursuant to Section 408(d)(3)(A) of the Code;

provided, however, that any such Rollover Contribution made by a Participant shall be in cash only and comply with the provisions of the Code and the rules and regulations thereunder applicable to tax-free rollovers and shall be exclusive of after-tax employee contributions. If after a Rollover Contribution has been made the Committee learns that such contribution did not meet those provisions, the Committee may direct the Trustee to make a distribution to the Participant of the entire amount of the Rollover Contribution received. Any amount so transferred or contributed to the Trustee will be credited to the Account of the Participant as determined by the Committee. If any portion of a Participant's benefits under the Plan is attributable to amounts which were transferred to the Plan, directly or indirectly (but not in a direct rollover as defined in Section 401(a)(31) of the Code), from a Plan which is subject to the requirements of Section 401(a)(11) of the Code, then the provisions of said Section 401(a)(11) shall apply to the benefits of such Participant. The Committee in its discretion may direct the Trustee to transfer Account balances of a group or class of Participants, by means of a trust-to-trust transfer, to the trustee (or insurance company) of any other individual account, profit sharing or stock bonus plan intended to meet the requirements of Section 401(a) of the Code.

SECTION 5
Employer Contributions

5.01 Before-Tax Contributions

Subject to the limitations of this SECTION 5, the Employers will contribute to the Trustee on behalf of each Participant the amount of such Participant's Before-Tax Contributions under Subsection 4.01. Such Before-Tax Contributions shall be paid to the Trustee as soon as practicable after being withheld, but no later than the fifteenth (15th) business day of the next following month, and allocated to Participants' Current Year Before-Tax Contribution Subaccounts.

5.02 Annual Company Contribution

For that portion of the first Plan Year that follows the Spin-Off Date and for each Plan Year thereafter, the Employers shall contribute to the Plan as follows:

- (a) For Participants who are exempt and non-exempt salaried employees, an amount equal to four percent (4%) of such Participants' Compensation for that portion of the Plan Year during which he or she was a salaried employee and a Participant in the Plan.
- (b) For Participants who are hourly, non-union employees or are New York-based sample department union Employees, an amount determined by the Company each year in its discretion, which amount shall not be in excess of two percent (2%) of such Participants' Compensation for that portion of the Plan Year during which he or she was an hourly employee and a Participant in the Plan.

For 2006, the Employers shall make an additional contribution on behalf of each Participant who is an exempt or non-exempt salaried employee. Such contribution shall equal two percent (2%) of the Participant's Compensation for that portion of the period beginning on January 1, 2006 (or the date the Participant was transferred to employment with Hanesbrands Inc. or a Sara Lee Corporation division listed on Exhibit A, if later) and ending on the Spin-Off Date during which the Participant was a salaried employee; provided that no contribution shall be made with respect to any period during which the employee was not a participant in the Plan or the Sara Lee Plan. For purposes of determining the amount of a Participant's contributions under this Subsection 5.02 for 2006, the Code Section 401(a)(17)(B) limit shall be applied to the sum of the Participant's Compensation paid from the Company and the Sara Lee Corporation during that year.

The Annual Company Contributions under this Subsection 5.02 shall be funded in cash and shall be invested in accordance with a Participant's investment elections. Notwithstanding the foregoing, Participants shall be eligible to receive a contribution under this Subsection only if they are employed with the Employer on the last day of the Plan Year (and for this purpose, any Participant who is employed on the last business day of the Plan Year shall be considered to be

employed on the last day of the Plan Year), or if their employment ended during the Plan Year as a result of retirement (Separation Date after age fifty-five (55) with ten (10) Years of Service, or after age sixty-five (65)), death or Total Disability.

5.03 Matching Contributions

- (a) As of each payroll date, the Employers will make a monthly Matching Contribution on behalf of each Participant equal to one hundred percent (100%) of the Participant's Before-Tax Contributions (including Catch-Up Contributions) made on such payroll date that do not exceed four percent (4%) of Compensation.
- (b) As of the end of each Plan Year, a 'true up' Matching Contribution for each Participant who did not receive the full Matching Contribution under Subparagraph (a) for the Plan Year based on the amount of his or her Before-Tax Contributions (including Catch-Up Contributions) for such Plan Year. Such true up Matching Contribution will be equal to the difference between the Matching Contribution actually made on behalf of such Participant for the Plan Year under Subparagraph (a), and the full Matching Contribution that the Participant would have been entitled to receive under Subparagraph (a) for the Plan Year if such Matching Contributions were determined as of the end of the Plan Year instead of each payroll period.
- (c) Matching Contributions shall be made in cash and will be invested in accordance with each Participant's current investment election.

5.04 Transition Contribution

Subject to the conditions and limitations of the Plan, solely for the Plan Year ending on December 31, 2006, for any Participant who, on January 1, 2006:

- (a) Was an exempt or non-exempt salaried employee of Sara Lee Corporation's Branded Apparel division; and
- (b) Had attained age fifty (50) and completed ten (10) Years of Service; and

who is not eligible for a transition credit allocation under the Hanesbrands Inc. Supplemental Employee Retirement Plan (the "SERP") (other than the salaried employee transition credit set forth in Subsection 2.32 of the SERP); the Employers shall contribute, in cash, to the Annual Company Contribution Account of such Participant an amount equal to ten percent (10%) of such eligible Participant's Compensation for calendar year 2006 (including Compensation paid prior to the Effective Date); provided, however, that Participants shall be eligible to receive a contribution under this Subsection only if they are employed on the last business day of the Plan Year (and for this purpose, any Participant who is employed on the last business day of the Plan Year shall be considered to be employed on the last day of the Plan Year), or if their employment ended during the Plan Year as a result of retirement (Separation Date after age fifty-five (55) with ten (10) Years of Service, or after age sixty-five (65)), death or Total Disability.

5.05 Allocation of Annual Company Contribution

The amount of the contribution made by the Employers for each Plan Year pursuant to Subsection 5.02 for each eligible Participant in the amounts specified in Subparagraph 5.02(a) or 5.02(b) as the case may be, shall be allocated to each such Participant's Annual Company Contribution Account as of the last day of the Plan Year.

5.06 Payment of Matching Contributions

Matching Contributions under Subparagraph 5.03(a) of the Plan for any Plan Year shall be made each calendar month based on the matchable Before-Tax Contributions that have been posted to the Participant's Accounts for each payroll period. Matching Contributions under Subparagraph 5.03(b) of the Plan for any Plan Year shall be made as soon as practicable after the end of the Plan Year.

5.07 Allocation of Matching Contributions

Subject to Subsections 6.02 and 6.05, as of the end of each calendar month (or as soon as administratively practicable thereafter), the Matching Contribution under Subparagraph 5.03(a) for each payroll period shall be allocated and credited to the Current Year Matching Contribution Subaccounts of those Participants entitled to share in such Matching Contributions, pro rata, according to the matchable Before-Tax Contributions made by them, respectively, during that period and posted to the Participants' Current Year Before-Tax Contribution Subaccount as of such Accounting Date. Matching Contributions under Subparagraph 5.03(b) of the Plan for any Plan Year shall be similarly allocated and credited as soon as practicable after the end of the Plan Year.

5.08 Payment of Employer Contributions

In no event shall any Employer Contribution required to be made to the Plan for any Plan Year under this SECTION 5 be contributed later than the time prescribed by law for filing the Employer's federal income tax return for such year, including extensions thereof.

5.09 Limitations on Employer Contributions

The Employers' total contribution for a Plan Year is conditioned on its deductibility under Section 404 of the Code in that year, and shall comply with the contribution limitations set forth in Subsection 6.05 and the allocation limitations contained in Subsections 6.01 and 5.04 of the Plan, and shall not exceed an amount equal to the maximum amount deductible on account thereof by the Employers for that year for purposes of federal taxes on income.

5.10 Verification of Employer Contributions

If for any reason the Employer decides to verify the correctness of any amount or calculation relating to its contribution for any Plan Year, the certificate of an independent

accountant selected by the Employer as to the correctness of any such amount or calculation shall be conclusive on all persons.

SECTION 6
Contribution Limits

6.01 Actual Deferral Percentage Limitations

In no event shall the Actual Deferral Percentage of the Highly Compensated Employees for any Plan Year exceed the greater of the:

- (a) Actual Deferral Percentage of all other Eligible Employees for the Plan Year multiplied by 1.25; or
- (b) Actual Deferral Percentage of all other Eligible Employees for the Plan Year multiplied by 2.0; provided that the Actual Deferral Percentage of the Highly Compensated Employees does not exceed that of all other Eligible Employees by more than two (2) percentage points.

From time to time during the Plan Year, the Committee shall determine whether the limitation of this Subsection will be satisfied and, to the extent necessary to ensure compliance with such limitation, may limit the Before-Tax Contributions to be withheld on behalf of Highly Compensated Employees or may refund Before-Tax Contributions previously withheld. If, at the end of the Plan Year, the limitation of this Subsection is not satisfied, the Committee shall refund Before-Tax Contributions previously withheld on behalf of Highly Compensated Employees. If Before-Tax Contributions made on behalf of Highly Compensated Employees must be refunded to satisfy the limitation of this Subsection, the Committee shall determine the amount of Excess Contributions and shall refund such amount on the basis of the Highly Compensated Employees' contribution amounts, beginning with the highest such contribution amounts. Excess Contributions previously withheld (and any income allocable thereto determined in accordance with Subsection 6.04) may be distributed within two and one-half (2-1/2) months after the close of the Plan Year to which such Excess Contributions relate, but in any event no later than the end of the Plan Year following the Plan Year in which such Excess Contributions were made. Matching Contributions attributable to Excess Contributions shall be treated as Forfeitures under Subsection 10.06. For Plan Years beginning on and after January 1, 2008, the Plan shall satisfy the nondiscrimination requirements of Code Section 401(k) in accordance with the safe harbor method based on Matching Contributions, as described in Code Section 401(k)(13)(D), and the foregoing provisions of this Subsection shall be inapplicable.

6.02 Limitation on Matching Contributions

In no event shall the Contribution Percentage of the Highly Compensated Employees for any Plan Year exceed the greater of the:

- (a) Contribution Percentage of all other Eligible Employees for the Plan Year multiplied by 1.25; or

- (b) Contribution Percentage of all other Eligible Employees for the Plan Year multiplied by two (2.0); provided that the Contribution Percentage of such Highly Compensated Employees does not exceed that of all other Participants by more than two (2) percentage points.

From time to time during the Plan Year, the Committee shall determine whether the limitation of this Subsection will be satisfied and, to the extent necessary to ensure compliance with such limitation, shall refund a portion of the Matching Contributions previously credited to Highly Compensated Employees. If Matching Contributions made on behalf of Highly Compensated Employees must be refunded to satisfy the limitation of this Subsection, the Committee shall determine the amount of Excess Matching Contributions and shall refund such amount on the basis of the Highly Compensated Employees' contribution amounts, beginning with the highest such contribution amounts. At the Committee's discretion, if the Excess Matching Contributions are attributable to non-vested Matching Contributions, such Excess Matching Contributions may be forfeited in accordance with Subsection 10.06 and applied in the same manner as any other Forfeiture under the Plan. Excess Matching Contributions previously credited (and any income allocable thereto determined in accordance with Subsection 6.04) may be distributed or forfeited within twelve (12) months after the close of the Plan Year to which such Excess Matching Contributions relate, but in any event no later than the end of the Plan Year following the Plan Year in which such Excess Matching Contributions were made. For Plan Years beginning on and after January 1, 2008, the Plan shall satisfy the nondiscrimination requirements of Code Section 401(m) in accordance with the safe harbor method based on Matching Contributions, as described in Code Section 401(m)(12), and the foregoing provisions of this Subsection shall be inapplicable.

6.03 Dollar Limitation

Notwithstanding the provisions of Subsection 6.01, no Participant shall make a Before-Tax Contribution election which will result in his or her Elective Deferrals for any calendar year exceeding \$15,000 (or such greater amount as may be prescribed by the Secretary of Treasury to take into account cost-of-living increases pursuant to Code Section 402(g)), except to the extent permitted with respect to Catch-Up Contributions, if applicable. If a Participant's total Elective Deferrals under this Plan and any other plan of another employer for any calendar year exceed the annual dollar limit prescribed above, the Participant may notify the Committee, in writing on or before March 1 of the next following calendar year, of his or her election to have all or a portion of such Excess Deferrals (and the income allocable thereto determined in accordance with Subsection 6.04) allocated under this Plan and distributed in accordance with this Subsection. In such event, or in the event that the Committee otherwise becomes aware of any Excess Deferrals, the Committee shall, without regard to any other provision of the Plan, direct the Trustee to distribute to the Participant by the following April 15 the Participant's Excess Deferrals (and any income attributable thereto determined in accordance with Subsection 6.04) so allocated under the Plan. Distributions to be made in accordance with the preceding sentence shall be made as soon as is practicable following receipt by the Committee of written notification of Excess Deferrals, and the Committee shall make every effort to meet the April 15 distribution deadline for all written notifications received by the preceding March 1.

The amount of such Excess Deferrals distributed to a Participant in accordance with this Subsection shall be treated as a contribution for purposes of the limitations referred to under Subsection 6.05, and shall continue to be treated as Before-Tax Contributions for purposes of the Actual Deferral Percentage test described in Subsection 6.01; however, Excess Deferrals by non-Highly Compensated Employees shall not be taken into account under Subsection 6.01 to the extent such Excess Deferrals are made under this Plan or any other plan maintained by an Employer or Controlled Group Member. In addition, any Matching Contributions attributable to amounts distributed under this Subsection (and any income allocable thereto determined in accordance with Subsection 6.04) shall be forfeited in accordance with Subsection 10.06.

6.04 Allocation of Earnings to Distributions of Excess Deferrals, Excess Contributions and Excess Matching Contributions

The earnings allocable to distributions of Excess Deferrals under Subsection 6.03, Excess Contributions under Subsection 6.01, and Excess Matching Contributions under Subsection 6.02 shall be determined by multiplying the earnings attributable to the applicable excess amounts (for the calendar and/or Plan Year, whichever is applicable) by a fraction, the numerator of which is the applicable excess amount, and the denominator of which is the balance attributable to such contributions in the Participant's Account or Accounts, as of the beginning of such year, plus the contributions allocated to the applicable account for such year. Gap period income (*i.e.*, income allocable to Excess Contributions and Excess Matching Contributions for the period after the close of the Plan Year and prior to the distribution) shall be allocated as described in Treasury Regulation Sections 1.401(k)-2(b)(2)(iv) and 1.401(m)-2(b)(iv). Gap period income (*i.e.*, income allocable to Excess Deferrals, Excess Contributions and Excess Matching Contributions for the period after the close of the Plan Year and prior to the distribution) shall be allocated as described in Treasury Regulation Sections 1.402(g)-1(e)(5), 1.401(k)-2(b)(2)(iv) and 1.401(m)-2(b)(2)(iv), respectively.

6.05 Contribution Limitations

For each Limitation Year, the Annual Addition to a Participant's Accounts under the Plan and under any other defined contribution plan maintained by any Employer shall not exceed the lesser of \$45,000 (as adjusted for cost-of-living increases under Code Section 415(d)) or 100% of the Participant's compensation for the Limitation Year. For purposes of this Subsection 6.05, "compensation" for a Limitation Year means a Participant's compensation within the meaning of Code Section 415(c)(3) and Treasury Regulations Section 1.415(c)-2(b) and (c) that is actually paid or made available during the Limitation Year, subject to the following:

- (a) Compensation shall include elective amounts that are not includible in the gross income of the Participant by reason of Code Sections 125, 132(f) and 402(g)(3).
- (b) Compensation for a Limitation Year shall include compensation paid by the later of 2-1/2 months after a Participant's severance from employment with the Employers or the end of the Limitation Year that includes the date of the Participant's severance from employment with the Employers, if:

(i) The payment is regular compensation for services during the Participant's regular working hours, or compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and absent a severance from employment, the payments would have been paid to the Participant while the Participant continued in employment with the Employers; or

(ii) The payment is for unused accrued bona fide sick, vacation or other leave that the Participant would have been able to use if employment had continued.

Any payment not described above shall not be considered compensation if paid after severance from employment, even if paid by the later of 2-1/2 months after the date of severance from employment or the end of the Limitation Year that includes the date of severance from employment, except for payments to an individual who does not currently perform services for the Employers by reason of qualified military service (within the meaning of Code Section 414(u)(1)) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employers rather than entering qualified military service.

(c) A Participant's compensation for a Limitation Year shall not include compensation in excess of the limitation under Code Section 401(a)(17) in effect for the Limitation Year.

The Committee shall take any actions it deems advisable to avoid an Annual Addition in excess of Code Section 415 of the Code; provided, however, if a Participant's Annual Addition for a Limitation Year actually exceeds the limitations of this Subsection, the Committee shall correct such excess in accordance with applicable guidance issued by the Internal Revenue Service. Annual Additions shall be subject to Code Section 415 and applicable Treasury regulations issued thereunder, the requirements of which are incorporated herein by reference to the extent not specifically provided in this Subsection 6.05.

SECTION 7
Period of Participation

7.01 Separation Date

If a Participant is transferred from employment with an Employer to employment with a Controlled Group Member (other than an Employer), then, for the purpose of determining when his or her Separation Date occurs under this Subsection, his or her employment with such Controlled Group Member (or any Controlled Group Member to which he or she is subsequently transferred) shall be considered as employment with the Employers. If a Participant who was an Eligible Employee of an Employer becomes a Leased Employee of an Employer, then his or her change in status shall not be considered a termination of employment for purposes of determining when his or her Separation Date occurs under this Subsection. A Participant's termination of employment with all of the Employers at any age while Totally Disabled shall be deemed a termination on account of Total Disability.

7.02 Restricted Participation

When payment of all of a Participant's Account balances is not made at his or her Separation Date, or if a Participant transfers to the employ of a Controlled Group Member which is not an Employer or continues in the employ of an Employer but ceases to be employed in a Covered Group, the Participant or his or her Beneficiary will continue to be considered as a Participant for all purposes of the Plan, except as follows:

- (a) He or she will not make any Before-Tax Contributions, and his or her Employer will not make any Employer Contributions on his or her behalf, for any period beginning after his or her Separation Date occurs or for any subsequent Plan Year unless he or she is reemployed and again becomes a Participant in the Plan; provided, however, that his or her Employer shall contribute:
 - (i) His or her Before-Tax Contributions, as provided in Subsection 5.01, with respect to Compensation paid through his or her Separation Date; and
 - (ii) If applicable, an Annual Company Contribution and/or a Transition Contribution for the Plan Year in which his or her Separation Date occurs, based on his or her Compensation paid during that portion of the Plan Year in which he or she was a Participant eligible for such contributions.
- (b) He or she will not make any Before-Tax Contributions, and his or her Employer will not make any Employer Contributions on his or her behalf, for any period in which he or she is in the employ of an Employer but is not an Eligible Employee.
- (c) He or she will not make any Before-Tax Contributions, and his or her Employer will not make any Employer Contributions on his or her behalf, for any period in

which he or she is employed by a Controlled Group Member that is not an Employer under the Plan.

- (d) The Participant may not apply for loans under Subsection 11.01.
- (e) A Participant whose Separation Date occurs, or a Beneficiary or Alternate Payee of a Participant, may not apply for a withdrawal under Section 11.

SECTION 8

Accounting

8.01 Separate Accounts

The Committee will maintain the following Accounts in the name of each Participant:

- (a) A "Before-Tax Contribution Account," which will reflect his or her Before-Tax Contributions, if any, made under the Plan, and the income, losses, appreciation and depreciation attributable thereto. This Account shall include a "Current Year Before-Tax Contribution Subaccount," which will reflect only the Before-Tax Contributions made by the Participant during the current Plan Year.
- (b) A "Matching Contribution Account," which will reflect his or her share of Matching Contributions, if any, made under the Plan, and the income, losses, appreciation and depreciation attributable thereto. This Account shall include a "Current Year Matching Contribution Subaccount," which will reflect only the Matching Contributions allocated to the Participant during the current Plan Year.
- (c) An "Annual Company Contribution Account," which will reflect his or her share of the Annual Company Contributions under the Plan, and the income, losses, appreciation and depreciation attributable thereto. This Account shall include a "Current Year Annual Company Contribution Subaccount," which will reflect only the Annual Company Contributions allocated to the Participant during the current Plan Year.
- (d) An "After-Tax Account," which will reflect his or her after-tax contributions, and the income, losses, appreciation and depreciation attributable to all after-tax contributions made to the Plan or a Predecessor Plan.
- (e) A "Rollover Contribution Account," which will reflect his or her Rollover Contributions to the Plan, and the income, losses, appreciation and depreciation attributable thereto.
- (f) A "Predecessor Company Account," which will reflect the contributions made by a Participant, or on his or her behalf, under a Predecessor Plan, and the income, losses, appreciation and depreciation attributable thereto.

8.02 Adjustment of Participants' Accounts

As of each Accounting Date, the Accounts of Participants shall be adjusted to reflect the following:

- (a) Transfers, if any, made between Investment Funds;

- (b) Before-Tax Contributions, Employer Contributions and Rollover Contributions, if any, and payments of principal and interest on any loans made from a Participant's Account;
- (c) Distributions and withdrawals that have been made but not previously charged to the Participant's Account; and
- (d) Changes in the Adjusted Net Worth of the Investment Funds in which such Account is invested.

As of each Accounting Date, the Committee shall establish the value of each Participant's Account, which value shall reflect the transactions posted to the Participant's Account as they occurred during the preceding calendar month. As of the first day of each Plan Year, the balance in each Participant's Current Year Before-Tax Contribution Subaccount, Current Year Matching Contribution Subaccount, Current Year Annual Company Contribution Subaccount, Current Year Transition Contribution Subaccount, if any, shall be reflected in the Participant's Before-Tax Contribution Account, Matching Contribution Account, Annual Company Contribution Account, Transition Contribution Account, and After-Tax Account, respectively and the balances of such Current Year Before-Tax Contribution Subaccount, Current Year Matching Contribution Subaccount, Current Year Annual Company Contribution Subaccount and Current Year Transition Contribution Subaccount shall be reduced to zero. If a Special Accounting Date occurs, the accounting rules set forth above in this Subsection and elsewhere in this SECTION 8 shall be appropriately adjusted to reflect the resulting shorter accounting period ending on that Special Accounting Date.

Notwithstanding the foregoing, the Committee may establish separate rules to be applied on a uniform basis in adjusting any portion of Participants' Accounts that is invested in the Sara Lee Corporation Common Stock Fund or the Hanesbrands Inc. Common Stock Fund for such accounting period, including the treatment of any dividends or stock splits with respect to the securities held in such funds. Such rules may include provisions for (i) allocating earnings from short-term investments during an accounting period to the Subaccounts of Participants; (ii) allocating dividends or stock splits to Participants' Subaccounts invested in the applicable Fund (or to a separate Account or Subaccount, as applicable); (iii) allocating shares of Sara Lee Stock or Hanesbrands Stock to Participants' Subaccounts based on the average purchase price per share purchased by the Trustee during such accounting period; and (iv) allocating shares of stock (or other securities) to Participants' Subaccounts based on the applicable stock split or stock dividend factor or other similar basis.

8.03 Crediting of 401(k) Contributions

Subject to the provisions of SECTION 4, each Participant's Before-Tax Contributions will be credited to his or her Current Year Before-Tax Contribution Subaccount no later than the Accounting Date which ends the accounting period of the Plan during which such contributions were received by the Trustee.

8.04 Charging Distributions

All payments made to a Participant or his or her Beneficiary during the accounting period ending on each Accounting Date will be charged to the proper Accounts of the Participant in accordance with Subsection 8.02.

8.05 Statement of Account

At such times during each Plan Year as the Committee may determine, each Participant will be furnished with a statement reflecting the condition of his or her Account in the Trust Fund as of the most recent Accounting Date. No Participant shall have the right to inspect the records reflecting the Accounts of any other Participant.

SECTION 9

The Trust Fund and Investment of Trust Assets

9.01 The Trust Fund

The Trust Fund will consist of all money, stocks, bonds, securities and other property of any kind held and acquired by the Trustees in accordance with the Plan and the Trust Agreement.

9.02 The Investment Funds

The Investment Committee, in its discretion, may designate one or more funds, referred to collectively as "Investment Funds," for the investment of Participants' Accounts. The Investment Committee, in its discretion, may from time to time establish new Investment Funds or eliminate existing Investment Funds. The available Investment Funds shall include the "Hanesbrands Inc. Common Stock Fund," the assets of which are primarily invested in shares of Hanesbrands Stock. A portion of each Investment Fund may be invested from time to time in the short-term investment fund (STIF) of a custodian bank.

9.03 Investment of Contributions

In accordance with rules established by the Committee, a Participant may elect to have contributions to his or her Accounts invested in one or more of the Investment Funds in even multiples of one percent (1%). If a Participant does not make such an election within such period as may be determined by the Committee, he or she shall be deemed to have elected that all eligible contributions to his or her Accounts be invested in the default investment arrangement specified by the Investment Committee in accordance with ERISA Section 404(c)(5) and accompanying regulations.

Elections under this Subsection and Subsections 9.04 and 9.05 shall be made in such manner and in accordance with such rules as the Committee determines. If the Committee determines in its discretion that elections under this Subsection and Subsections 9.04 and 9.05 shall be made in a manner other than in writing, any Participant who makes an election pursuant to such method may receive written confirmation of such request; further, any such request and confirmation shall be the equivalent of a writing for all purposes.

9.04 Change in Investment of Contributions

Effective as of any payroll period, a Participant may elect to change his or her investment election under Subsection 9.03. Such change shall apply only with respect to contributions made by or on behalf of the Participant that are received by the Trustee after the effective date of the change.

9.05 Elections to Transfer Balances Between Accounts; Diversification

On any Accounting Date, a Participant may elect to transfer or reallocate the balances in his or her Accounts in an Investment Fund to one or more other Investment Funds, subject to the trading restrictions of the Investment Fund; any such election shall be made in accordance with rules established by the Committee, and may include an election to automatically reallocate the Participant's Accounts on such dates as the Participant may specify in the election. The Participant's Accounts in the Investment Fund from which a fund transfer or reallocation is made will be charged, and his or her Accounts in the Investment Fund to which such fund transfer or reallocation is made will be credited, with the amount so transferred or reallocated in accordance with rules established by the Committee. Such transfers or reallocations shall be made as soon as administratively feasible following the Participant's election or, in the event of an automatic reallocation, on the date elected by the Participant in accordance with procedures established by the Committee. The foregoing provisions of this Subsection are contingent upon the availability of fund transfers and reallocations between Investment Funds under the terms of the investments made by each Investment Fund. A Participant's Account may be charged a redemption fee for frequent transfers into and out of an Investment Fund within a restricted time period established by the Investment Fund. Additionally, Participants may be restricted from initiating fund transfers or reallocations into or out of an Investment Fund if the Committee or an Investment Fund determines that the Participant's transfer activity would be detrimental to that Investment Fund.

9.06 Voting of Stock; Tender Offers

With respect to Hanesbrands Stock (and Sara Lee Stock for as long as it is held in the Plan), the Committee shall notify Participants of each meeting of the shareholders of Sara Lee Corporation or Hanesbrands Inc. and shall furnish to them copies of the proxy statements and other communications distributed to shareholders in connection with any such meeting. The Committee also shall notify the Participants that they are entitled to give the Trustee voting instructions as to Sara Lee Stock or Hanesbrands Stock credited to their Accounts. If a Participant furnishes timely instructions to the Trustee, the Trustee (in person or by proxy) shall vote the Sara Lee Stock or Hanesbrands Stock (including fractional shares) credited to the Participant's Accounts in accordance with the directions of the Participant. The Trustee shall vote the Sara Lee Stock or Hanesbrands Stock for which it has not received timely direction, in the same proportion as directed shares are voted.

Similarly, the Committee shall notify Participants of any tender offer for, exchange of, or a request or invitation for tenders of Sara Lee Stock or Hanesbrands Stock and shall request from each Participant instructions for the Trustee as to the tendering of Sara Lee Stock or Hanesbrands Stock credited to his or her Accounts. The Trustee shall tender or exchange such Sara Lee Stock or Hanesbrands Stock as to which it receives (within the time specified in the notification) instructions to tender or exchange. Any Sara Lee Stock or Hanesbrands Stock credited to the Accounts of Participants as to which instructions not to tender or exchange are received and as to which no instructions are received shall not be tendered or exchanged.

9.07 Confidentiality of Participant Instructions

The instructions received by the Trustee from Participants or Beneficiaries with respect to purchase, sale, voting or tender of Sara Lee Stock or Hanesbrands Stock credited to such Participants' or Beneficiaries' Accounts shall be held in confidence and shall not be divulged or released to any person, including the Committee, officers or Employees of the Company or any Controlled Group Member.

SECTION 10
Payment of Account Balances

10.01 Payments to Participants

(a) Vesting.

- (i) Before-Tax Contribution, After-Tax, and Rollover Contribution Accounts. A Participant shall at all times be fully vested in and have a nonforfeitable right to the balance in his or her Before-Tax Contribution Account and his or her After-Tax and Rollover Contribution Accounts, if any.
- (ii) Annual Company Contribution and Transition Contribution Account. If a Participant's Separation Date occurs on or after his or her Normal Retirement Age, on the date he or she dies, or on or after the date he or she becomes Totally Disabled, then the Participant shall be fully vested in his or her Annual Company Contribution Account and Transition Contribution Account. If a Participant's Separation Date occurs under any other circumstances, the balances in his or her Annual Company Contribution Account and Transition Contribution Account shall be calculated in accordance with the vesting schedule outlined below:

If the Participant's Number of Years of Service is:	The Vested Percentage of His or Her Applicable Accounts will be:
Less than 1 year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

The resulting balance in his or her Annual Company Contribution Account and Transition Contribution Account will be distributable to him or her, or, in the event of his or her death, to his or her Beneficiary, in accordance with this Subsection and Subsection 10.02.

- (iii) Matching Contribution Account. If a Participant's Separation Date occurs on or after his or her Normal Retirement Age, on the date he or she dies, or on or after the date he or she becomes Totally Disabled, then the

Participant shall be fully vested in his or her Matching Contribution Account. If a Participant's Separation Date occurs under any other circumstances on or after January 1, 2008, the Participant shall be fully vested in his or her Matching Contribution Account balance provided he or she has completed at least two Years of Service. Notwithstanding the foregoing, if the Participant is an active employee and has a Matching Contribution Account balance on December 31, 2007, he or she shall be fully vested in his or her Matching Contribution Account (including future contributions thereto) on and after January 1, 2008. If a Participant's Separation Date occurs prior to January 1, 2008, he or she shall be vested in his or her Matching Contribution Account balance to the same extent that he or she was vested at his or her Separation Date, subject to the provisions of Subparagraph 12.02(a)(i). The balance in the Participant's Matching Contribution Account after application of the foregoing vesting rules will be distributable to him or her, or, in the event of his or her death, to his or her Beneficiary, in accordance with this Subsection and Subsection 10.02

- (iv) Special Provisions to Certain Participants. In addition, a Participant who was subject to special vesting rules under the Sara Lee Plan shall be fully vested in his or her Accounts to the extent provided in the Sara Lee Plan.
- (b) Time of Payment. Except as provided in Subsection 10.03 below, payment of a Participant's benefits will be made or commence within the time determined by the Committee after his or her Separation Date, but not later than sixty (60) days after (i) the end of the Plan Year in which his or her Separation Date occurs, or (ii) such later date on which the amount of the payment can be ascertained by the Committee. In the event a Participant receives a lump sum distribution of his or her entire vested Accounts and additional contributions are subsequently credited to his or her Accounts, his or her entire remaining vested Account balance shall be distributed in an immediate lump sum to the extent such vested Account balance does not exceed \$1,000 as of the date of such distribution. Except as provided in the preceding sentence or in Subparagraph 10.01(f) below, distributions may not be made to the Participant before his or her Normal Retirement Age without his or her consent.
- (c) Method of Distribution. A Participant's vested Accounts will be distributed to him or her (or, in the event of his or her death, to his or her Beneficiary) in a lump sum unless the Participant (or, in the event of his or her death, the Participant's Beneficiary) elects, in accordance with procedures established by the Committee, to receive such distribution by any one or more of the following methods, if applicable:
 - (i) Partial Distributions. A Participant (or, in the event of his or her death, his or her Beneficiary) may elect to receive a partial distribution of the vested

Account balance (but not less than the lesser of his or her total Account balance or \$250.00) as of any Accounting Date after the Participant's Separation Date. All partial distributions under this Subparagraph shall be made in cash only. Notwithstanding any Plan provision to the contrary, a partial distribution under this Subparagraph shall not be available once a Participant or his or her surviving spouse has begun to receive installments under Subparagraph (ii) below.

- (ii) Installments. If the vested portion of a Participant's Accounts exceeds \$5,000, the Participant (or, in the event of his or her death, his or her surviving spouse) may elect to receive substantially equal installments over a period not to exceed five (5) Plan Years, commencing in any year designated but no later than the applicable Required Commencement Date, with final distribution of all vested Accounts by the fifth year. All installment distributions shall be made in cash. A Participant or his or her surviving spouse who is receiving installments may subsequently elect to receive a lump sum distribution of all remaining installment payments. No Beneficiary other than a Participant's surviving spouse may elect to receive installments.
- (iii) Special Distribution Provisions for Certain Participants. Notwithstanding the foregoing, a Participant who had an account balance in a Predecessor Plan may elect distribution under any other method available to such Participant to the extent provided in the Sara Lee Plan.
- (iv) Order of Accounts. Distributions under this Subparagraph shall be charged to the Participant's vested Accounts (if applicable) in such order as shall be determined by the Committee and applied uniformly.
- (v) Special Provisions Applicable to Dividends. Notwithstanding Subparagraph (a)(ii), dividends attributable to Sara Lee Stock or Hanesbrands Stock in a Participant's Accounts shall be one hundred percent (100%) vested.
- (d) Fees. The Committee may, on an annual or more frequent basis, charge the Accounts of any Alternate Payee, any Beneficiary, or any Participant whose Separation Date has occurred for a reason other than Retirement, for reasonable and necessary administrative fees incurred in the ongoing maintenance of such Accounts in the Plan, in accordance with uniform rules and procedures applicable to all Participants similarly situated. "Retirement" means Separation from Service on or after the earlier of: (i) the attainment of age fifty-five (55) and ten (10) Years of Service, or (ii) Normal Retirement Age.
- (e) No Payments Due to Spin-Off. Notwithstanding any Plan provision to the contrary, no Separation Date shall have occurred and no distribution of Accounts shall be made to a Participant solely on account of the Spin-Off.

- (f) Vested Accounts Not in Excess of \$1,000. Notwithstanding any Plan provision to the contrary, if the Participant's vested Accounts equal \$1,000 or less on or after the Participant's Separation Date, the method of distribution as to that Participant shall be as a lump sum cash distribution of the Participant's vested Accounts. Such distribution shall be made as soon as practicable following the Participant's Separation Date. If the Participant's vested benefit under the Plan is zero, the Participant shall be deemed to have received a distribution of such vested benefit.

10.02 Distributions in Shares

Distributions of amounts invested in the Hanesbrands Inc. Common Stock Fund (or the Sara Lee Corporation Common Stock Fund while such fund is maintained under the Plan) may be made in cash or in shares, as elected by the Participant, provided such shares are distributed at their Fair Market Value, as determined by the Trustee. If a Participant elects a stock distribution of amounts invested in the Hanesbrands Inc. Common Stock Fund or the Sara Lee Corporation Common Stock Fund and the Participant subsequently has additional contributions allocated to either of said funds, the Participant shall receive such additional contributions, to the extent vested, in shares of stock in accordance with Subsection 10.01, unless such additional contributions do not exceed \$1,000 as of the date of distribution. If an election is made by the Participant to direct the Trustee to distribute the balance of his or her Accounts invested in the Sara Lee Corporation Common Stock Fund or the Hanesbrands Inc. Common Stock Fund in cash, the Participant shall receive cash equal to the Fair Market Value of the balance of his or her Accounts. For purposes of this Subsection, the rights extended to a Participant hereunder shall also apply to any Beneficiary or Alternate Payee of such Participant. All other distributions shall be made in cash.

10.03 Beneficiary

- (a) Designation of Beneficiary. Each Participant from time to time, in accordance with procedures established by the Committee, may name or designate a Beneficiary. A Beneficiary designation will be effective only when properly provided to the Committee in accordance with its procedures while the Participant is alive and, when effective, will cancel all earlier Beneficiary designations made by the Participant. Notwithstanding the foregoing, a deceased Participant's surviving spouse will be his or her sole, primary Beneficiary unless: (i) the spouse had consented in writing to the Participant's election to designate another person or persons as a primary Beneficiary or Beneficiaries, (ii) such election designates a Beneficiary which may not be changed without spousal consent (or the consent of the spouse expressly permits designations by the Participant without any further consent by the spouse) and (iii) the spouse's consent acknowledges the effect of such election and is witnessed by a notary public.
- (b) No Beneficiary Designation at Death. If a deceased Participant failed to name or designate a Beneficiary, if the Participant's Beneficiary designation is ineffective for any reason, or if all of the Participant's Beneficiaries die before the

Participant, the Committee will direct the Trustee to pay the Participant's Account balance in accordance with the following:

- (i) To the Participant's surviving spouse;
 - (ii) If the Participant does not have a surviving spouse, to the Participant's beneficiary or beneficiaries (if any) designated by the Participant under the Hanesbrands Inc. Life Insurance Plan;
 - (iii) If the Participant does not have a surviving spouse and failed to designate a beneficiary under the Hanesbrands Inc. Life Insurance Plan, to or for the benefit of the legal representative or representatives of the Participant's estate; and
 - (iv) If the appropriate payee is not identified pursuant to Subparagraphs (i) through (iii) above, then to or for the benefit of one or more of the Participant's relatives by blood, adoption or marriage in such proportions as the Committee (or its delegate) determines.
- (c) Death of Beneficiary Prior to Participant's Death. In the event that the Participant has named multiple Beneficiaries, and one of the Beneficiaries dies before the Participant, the remaining Beneficiaries shall be entitled to the deceased Beneficiary's share, pro rata in accordance with their share of the Account balance as of the date of the Participant's death (or such other date as the Committee may determine is administratively practicable), subject to the Participant's right to change his or her beneficiary designation at any time in accordance with Subparagraph (a). The Committee reserves the right, on a uniform basis for similarly situated Beneficiaries, to make distribution of a Beneficiary's Account balance in whole or in part at any time notwithstanding any election to the contrary by the Beneficiary.
- (d) Death of Beneficiary After Participant's Death. Each Beneficiary, in accordance with procedures established by the Committee, may name or designate an individual to receive the Beneficiary's share of the Account balance (a 'Recipient') any time after the Participant's death. In the event a Beneficiary dies before complete payment of his or her share of the Account balance, such Beneficiary's share shall be paid to the Recipient designated by the Beneficiary. If a deceased Beneficiary failed to name or designate a Recipient, if the Beneficiary's designation is ineffective for any reason, or if the Recipient dies before the Beneficiary or before complete payment of the Beneficiary's share of the Account balance, the Committee will direct the Trustee to pay the Beneficiary's share in accordance with the following:
- (i) To the Beneficiary's surviving spouse;

- (ii) If the Beneficiary does not have a surviving spouse, to or for the benefit of the legal representative or representatives of the Beneficiary's estate;
- (iii) If the Beneficiary does not have a surviving spouse and an estate is not opened on behalf of the Beneficiary, to or for the benefit of one or more of the Beneficiary's relatives by blood, adoption or marriage in such proportions as the Committee (or its delegate) determines.

Notwithstanding anything contained herein to the contrary, all payments under this Subparagraph shall comply with the requirements of Code Section 401(a)(9).

10.04 Missing Participants and Beneficiaries

While a Participant is alive, he or she must file with the Committee from time to time his or her own and each of his or her named Beneficiaries' post office addresses and each change of post office address. After the Participant's death, the Participant's Beneficiary or Beneficiaries shall be responsible for filing such information with the Committee. A communication, statement or notice addressed to a Participant or Beneficiary at his or her last post office address filed with the Committee, or if no address is filed with the Committee, then at his or her last post office address as shown on the Employer's records, will be binding on the Participant and his or her Beneficiary for all purposes of the Plan. Neither the Trustee nor any of the Employers is required to search for or locate a Participant or Beneficiary. If the Committee notifies a Participant or Beneficiary that he or she is entitled to a payment and also notifies him or her of the effect of this Subsection, and the Participant or Beneficiary fails to claim his or her Account balances or make his or her whereabouts known to the Committee within three (3) years after the notification, the Account balances of the Participant or Beneficiary may be disposed of in an equitable manner permitted by law under rules adopted by the Committee, including the Forfeiture of such balances, if the value of the Account is equal to or less than the administrative fees, if any, applicable to the Participant's or Beneficiary's Account balance pursuant to Subsection 10.01.

10.05 Rollovers

- (a) General Rule. Notwithstanding any Plan provision to the contrary, a Distributee under the Plan who receives an Eligible Rollover Distribution may elect, at the time and in the manner prescribed by the Committee, to have any portion of the distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.
- (b) Non-Spouse Beneficiary Rollovers. To the extent permitted under Code Section 402(c)(11) and related regulations and guidance, if a direct trustee-to-trustee transfer is made to an individual retirement plan described in Code Section 402(c)(8)(B)(i) or (ii), which individual retirement plan is established for the purposes of receiving a distribution on behalf of a non-spouse beneficiary (as defined by Code Section 401(a)(9)(E)), the transfer shall be treated as an Eligible Rollover Distribution for purposes of the Plan and Code Section 402(c).

- (c) Qualified Rollover Contributions to Roth IRAs. Effective as of January 1, 2008, solely to the extent permitted in Code Sections 408A(c)(3)(B), (d)(3) and (e) and the regulations and other guidance issued thereunder, an eligible Distributee may elect to roll over any portion of an Eligible Rollover Distribution to a Roth IRA (as defined by Code Section 408A) in a qualified rollover contribution (as defined in Code Section 408A(e)), provided that the requirements of Code Section 402(c) are met. Notwithstanding any provisions of the Plan to the contrary, a Distributee under the Plan who receives an Eligible Rollover Distribution may elect, at the time and in the manner prescribed by the Committee, to have any portion of the distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.

10.06 Forfeitures

A Forfeiture shall be treated as a separate Account (which is not subject to adjustment under Subsection 8.02) until the next following Accounting Date on which Forfeitures will be allocated. On that date, all Forfeitures arising during the period preceding the Accounting Date which have not been previously allocated shall be allocated among and credited to the Accounts of Participants reemployed to the extent required under Subsection 12.01, shall be used to reduce Employer Matching Contributions required by Subsection 5.03 or any applicable Supplement to the Plan for the current Plan Year or succeeding Plan Years, or shall be used to reduce administrative expenses of the Plan, as determined by the Committee.

The portion of a Participant's Annual Company Contribution, Transition Contribution and Matching Contribution Accounts that is not distributable by reason of the provisions of Subsection 10.01 shall be credited to a Forfeiture Account established and caused to be maintained by the Trustee in the Participant's name as of the Accounting Date coincident with or next following his Separation Date (before adjustments then required under the Plan have been made). If the Participant does not return to employment with an Employer or a related Company by the last day of the month following sixty (60) days from his Separation Date or upon the earlier distribution of his or vested Accounts, the balance in his Forfeiture Account (after all adjustments then required under the Plan have been made) will be a Forfeiture.

If a Participant returns to employment with an Employer or a Related Company before incurring five consecutive One Year Breaks in Service, the amount previously forfeited from his Forfeiture Account, if any, will be restored to his Forfeiture Account out of Forfeitures occurring in the year of restoration or out of a restoration contribution made by the Employer for restoration purposes only.

10.07 Recovery of Benefits

In the event a Participant or Beneficiary receives a benefit payment under the Plan which is in excess of the benefit payment which should have been made, the Committee shall have the right to recover the amount of such excess from such Participant or Beneficiary on behalf of the Plan, or from the person that received such benefit payments. The Committee may, however, at

its option, deduct the amount of such excess from any subsequent benefits payable to, or for, the Participant or Beneficiary.

10.08 Dividend Pass-Through Election

With respect to a Participant's interest in the ESOP component of the Plan (as defined in Subsection 1.01 from time to time), each Participant has the right to elect either (a) to have dividends paid on such shares reinvested in shares of Sara Lee Stock or Hanesbrands Stock (as applicable), or (b) to receive a distribution in cash of such dividends in accordance with procedures established by the Committee. To the extent such dividends are reinvested, they shall be one hundred percent (100%) vested. Such distributions shall be made as soon as administratively practicable following each March 31, June 30, September 30 and December 31 Plan Year quarter, and shall not constitute Eligible Rollover Distributions. Notwithstanding the foregoing, on and after the Spin-Off Date, dividends attributable to Sara Lee Stock shall be fully vested and shall automatically be reinvested in the Sara Lee Common Stock Fund.

10.09 Minimum Distributions

Distribution of a Participant's benefits shall be made or commence by his or her Required Commencement Date. Notwithstanding the foregoing, the Committee may establish procedures to begin minimum distribution payments in the calendar year in which the Participant attains age seventy and one-half (70-1/2). Distributions to a Participant after his or her Required Commencement Date shall be made in installment payments equal to the minimum amount necessary to meet the requirements of Section 401(a)(9) of the Code. All distributions under the Plan shall comply with the requirements of Section 401(a)(9) of the Code and the regulations thereunder, and shall further comply with the rules described below:

- (a) The Participant's Accounts will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Commencement Date. If the Participant dies before distributions begin, the Participant's Accounts will be distributed, or begin to be distributed, no later than as follows:
 - (i) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age seventy and one-half (70-1/2), if later;
 - (ii) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died;
 - (iii) If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire

interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death; or

- (iv) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse have begun, this Subparagraph (a), other than Subparagraph (a)(i), will apply as if the surviving spouse were the Participant.

For purposes of this Subparagraph (a) and Subparagraph (c), unless Subparagraph (a)(iv) applies, distributions will be considered to have begun on the Participant's Required Commencement Date. If Subparagraph (a)(iv) applies, distributions will be considered to have begun on the date distributions are required to begin to the surviving spouse under Subparagraph (a)(i). Unless the Participant's interest is distributed in a single sum on or before the Required Commencement Date, distributions will be made as of the first Distribution Calendar Year in accordance with Subparagraphs (b) and (c) below.

- (b) Required Minimum Distributions During Participant's Lifetime. During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of: (i) the quotient obtained by dividing the Participant's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or (ii) if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's spouse, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year. Required minimum distributions will be determined under this Subparagraph (b) beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.
- (c) Required Minimum Distributions After Participant's Death.
 - (i) Death on or After Date Distributions Begin. If the Participant dies on or after the date distributions have begun and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as follows:

- (A) The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year;
- (B) The Participant's surviving spouse is the Participant's sole Designated Beneficiary, the remaining Life Expectancy of the surviving spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving spouse's death, the remaining Life Expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year; and
- (C) The Participant's surviving spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

- (ii) Death Before Date Distributions Begin. If the Participant dies before the date distributions have begun and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as provided in Subparagraph (c)(i). If the Participant dies before the date distributions have begun and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant dies before the date distributions have begun, the Participant's surviving spouse is the Participant's sole Designated Beneficiary, and the surviving spouse dies before distributions are required to have begun to the surviving spouse under Subparagraph

(a)(i), this Subparagraph will apply as if the surviving spouse were the Participant.

(d) **Definitions.** For purposes of this Subsection, the following definitions shall apply:

- (i) "Designated Beneficiary" means the Participant's Beneficiary who is the designated beneficiary for purposes of Code Section 401(a)(9).
- (ii) "Distribution Calendar Year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Participant's Required Commencement Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin under Subparagraph (a). The required minimum distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Commencement Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Participant's Required Commencement Date occurs, will be made on or before December 31 of that Distribution Calendar Year.
- (iii) "Life Expectancy" means life expectancy as computed by use of the Single Life Table in Treasury Regulation Section 1.401(a)(9)-9.
- (iv) "Participant's Account Balance" means the balance of the Participant's Accounts as of the Valuation Calendar Year, increased by the amount of any contributions made and allocated to the Participant's Accounts as of dates in the Valuation Calendar Year after the valuation date and decreased by distributions made in the Valuation Calendar Year after the valuation date. The balance of the Participant's Accounts for the Valuation Calendar Year includes any amounts rolled over or transferred to the Plan either in the Valuation Calendar Year or in the Distribution Calendar Year if distributed or transferred in the Valuation Calendar Year.
- (v) "Valuation Calendar Year" means the last valuation date in the calendar year immediately preceding the Distribution Calendar Year.

SECTION 11

11.01 Loans to Participants

While the primary purpose of the Plan is to allow Participants to accumulate funds for retirement, it is recognized that under some circumstances it is in the best interests of Participants to permit loans to be made to them while they continue in the active service of the Employers. Accordingly, the Committee, pursuant to such rules as it may from time to time establish, and upon application by a Participant supported by such evidence as the Committee requests, may direct the Trustee to make a loan from the Participant's Accounts under the Trust Fund (with the exception of the Participant's Matching Contribution Account, Annual Company Contribution Account and Transition Contributions Account) to a Participant who is actively at work in the employ of an Employer subject to the following:

- (a) Amount of loans. The principal amount of any loan made to a Participant shall not be less than \$500 and, when added to the outstanding balance of all other loans made to the Participant from all qualified plans maintained by the Employers, shall not exceed the lesser of:
 - (i) \$50,000, reduced by the excess (if any) of the highest outstanding balance under the Plan and all other qualified employer plans during the one (1) year period ending on the day before the date of the loan, over the outstanding balance on the date of the loan; or
 - (ii) One-half (1/2) of the Participant's vested Account balances under the Plan.
- (b) Terms and conditions of loans. Each loan must be evidenced by a written note in a form approved by the Committee, shall bear interest at a reasonable fixed rate, and shall require substantially level amortization (with payments at least quarterly) over the term of the loan. Interest rates shall be determined monthly and shall be based on the prevailing prime rate as published in The Wall Street Journal; provided, however, that the rate shall not exceed six percent (6%) during any period that the Participant is on military leave, in accordance with the Service Members Civil Relief Act ("SCRA") if the service member provides notification that he or she will be entering military service as required under SCRA.
- (c) Repayment of loans. Each loan for a purpose other than to purchase a principal residence (a "General Purpose Loan") shall specify a repayment period of not less than six (6) months nor more than five (5) years, unless the proceeds of the loan are used to purchase the Participant's principal place of residence (a "Principal Residence Loan"), in which case such loan must be repaid within ten (10) years after the date the loan is made.
- (d) Loans to Participants shall be made as soon as administratively feasible after the Committee has received the Participant's loan request and such information and

documents from the Participant as the Committee shall deem necessary. A Participant's Accounts may be charged a fee for processing each loan request. The Participant's loan request shall be made in such manner and in accordance with such rules as the Committee determines. If the Committee determines in its discretion that loan requests under this Subparagraph shall be made in a manner other than in writing, any Participant who makes a request pursuant to such method may receive written confirmation of such request; further, any such request and confirmation shall be the equivalent of a writing for all purposes.

- (e) Each loan shall be secured by a pledge of the Participant's Accounts (with the exception of the Participant's Annual Company Contribution Account, Transition Contribution Account, and Matching Contribution Account). A Participant's Annual Company Contribution Account, Transition Contribution Account and Matching Contribution Account shall be taken into account for purposes of determining the amount of the loan available under Subparagraphs 11.01(a)(i) and 11.01(a)(ii), but shall not be available for liquidation and conversion to cash as described in Subparagraph 11.01(f) below.
- (f) A loan granted under this Subsection to a Participant from any Account maintained in his or her name shall be made by liquidating and converting to cash his or her appropriate Accounts, with the exception of his or her Annual Company Contribution Account, Transition Contribution Account and Matching Contribution Account (and the appropriate subaccounts, pro rata, in the various Investment Funds), in such order as shall be determined by the Committee and applied uniformly.
- (g) A Participant may have only two (2) loans outstanding at a time; provided that a Participant may not have two (2) loans of the same type (Principal Residence or General Purpose) outstanding at any given time. A Participant shall not be entitled to take a second loan if the Participant is in default on a prior loan of the same type and has not repaid the defaulted amount to the Plan.
- (h) If, in connection with the granting of a loan to a Participant, a portion or all of any of his or her Accounts has been liquidated, the Committee shall establish temporary "Counterpart Loan Accounts" (not subject to adjustment under Subsection 8.02) corresponding to each such liquidated or partially liquidated Account to reflect the current investment of that Before-Tax Contribution Account or Rollover Contribution Account, for example, in such loan. In general, the initial credit balance in any such Counterpart Loan Account shall be the amount by which the corresponding Account was liquidated in order to make the loan. Interest accruing on such a loan shall be allocated among and credited to the Participant's Counterpart Loan Accounts established in connection with the loan, in proportion to the then net credit balances in such Counterpart Loan Accounts, as such interest accrues. Each repayment of principal and interest shall be allocated among and charged to such Counterpart Loan Accounts, and shall be

allocated among and credited to the corresponding Accounts, on the same proportionate basis; provided that all such repayments shall be credited in accordance with the investment elections in effect on the date each repayment is credited. The Committee may adopt rules and procedures for loan accounting and repayment which differ from the foregoing provisions of this Subparagraph (h), but which are consistent with the general principle that a loan to a Participant under this Subsection constitutes an investment of his or her Accounts rather than a general investment of the Trust Fund. Repayments shall be required to be invested during the month in which received or within such longer period as the Committee may reasonably determine, but in any event within the time required by Subsection 5.01. Any such repayment shall be made by payroll deduction unless otherwise permitted by the Committee.

- (i) The Committee may establish uniform rules to apply where Participants fail to repay any portion of loans made to them pursuant to this Subsection and accrued interest thereon in accordance with the terms of the loans, or where any portion of any loan and accrued interest thereon remains unpaid on a Participant's Separation Date. To the extent consistent with Internal Revenue Service rules and regulations, such rules may include charging unpaid amounts against a Participant's Accounts (in such order as the Committee decides), and treating the amounts so charged as a payment to the Participant for purposes of SECTION 10. The Committee may charge a Participant's Account for reasonable and necessary administrative fees incurred in administering any loan under this Subsection in accordance with uniform rules and procedures applicable to all Participants similarly situated. Loan repayments will be suspended under the Plan as permitted under Section 414(u)(4) of the Code.
- (j) Any loan which was being administered under a Predecessor Plan and which was transferred to this Plan shall be governed by the applicable terms of this Plan on and after the transfer date.

11.02 After-Tax Withdrawals

A Participant may withdraw all or a portion of his or her After-Tax Account, if any. The timing of such withdrawals shall be established by the Committee.

11.03 Hardship Withdrawals

In the event a Participant suffers a serious financial hardship, such Participant may withdraw a portion of the vested balance in his or her Accounts (excluding his or her Annual Company Contribution Account, his or her Transition Contribution Account, any portion of his or her Before-Tax Contribution Account attributable to qualified non-elective contributions (if applicable), and any earnings credited to his or her Before-Tax Contribution Account on or after January 1, 1989), provided that the amount of the withdrawal is at least \$250.00 and does not exceed the amount required to meet the immediate financial need created by the serious financial hardship. Notwithstanding the foregoing, the amount required to meet the immediate financial

need may include amounts necessary to pay Federal, state or local income taxes or penalties that are reasonably anticipated to result from the hardship withdrawal.

- (a) Immediate and Heavy Need. A hardship shall be deemed on account of immediate and heavy financial need only if the withdrawal is on account of:
- (i) Tuition, related educational fees, and room and board expenses, for up to the next twelve (12) months of post-secondary education for the Participant or his or her spouse, children or dependents (determined under Code Section 152 without regard to Section 152(b)(1), (b)(2) and (d)(1)(B));
 - (ii) Costs directly related to the purchase of a primary residence for the Participant (not including mortgage payments);
 - (iii) Unreimbursed medical expenses that would be deductible by the Participant for federal income tax purposes pursuant to Code Section 213, and that are incurred by the Participant, the Participant's spouse or any dependent (as defined in Code Section 152 without regard to the change in the definition under the Working Families Tax Relief Act of 2004) including any non-custodial child who is subject to the special rule of Code Section 152(e); or amounts necessary to obtain medical care or medically necessary equipment or services for the Participant, the Participant's spouse or a dependent described in this Subparagraph (iii);
 - (iv) The need to prevent eviction of the Participant from his or her primary residence or foreclosure on the mortgage of the Participant's principal residence;
 - (v) Payment for burial or funeral expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Code Section 152 without regard to Section 152(d)(1)(B)); or
 - (vi) Expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income).
- (b) Necessary amount. A determination of whether the requirement that the withdrawal not exceed the amount required to meet the immediate financial need created by the serious financial hardship is satisfied shall be made on the basis of all relevant facts and circumstances in a consistent and nondiscriminatory manner; provided, however, that the Participant must provide the Committee with a statement on which the Committee may reasonably rely, unless it has actual knowledge to the contrary, certifying that the Participant's financial need cannot be relieved by all of the following means:

- (i) Through reimbursement or compensation by insurance or otherwise,
- (ii) By reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself cause an immediate and heavy financial need,
- (iii) By cessation of elective contributions under this Plan, or other distributions from this Plan, and
- (iv) By other distributions, such as the distribution of dividends which are currently available to the Participant, or nontaxable (at the time of the loan) loans from Plans maintained by the Employer or by any other employer, or by borrowing from commercial sources on reasonable commercial terms.

For purposes of this Subsection, the Participant's resources shall be deemed to include those assets of his or her spouse and minor children that are reasonably available to the Participant. Property owned by the Participant and the Participant's spouse, whether as community property, joint tenants, tenants by the entirety, or tenants in common, will be deemed a resource of the Participant. However, property held for the Participant's child under an irrevocable trust or under the Uniform Gifts to Minors Act will not be treated as a resource of the Participant.

- (c) A Participant may not request more than two (2) withdrawals per calendar year under this Subsection.
- (d) To obtain a hardship withdrawal, a Participant must submit his withdrawal request in accordance with procedures and within such time periods as may be determined by the Committee. Hardship withdrawals shall be made as soon as administratively feasible after the Committee has received the Participant's withdrawal request and such information and documents from the Participant as the Committee shall deem necessary.

11.04 Age 59-1/2 Withdrawals

Upon making an application to the Committee, a Participant who has attained the age of fifty-nine and one-half (59-1/2) may withdraw part or all of his or her vested Account balances (excluding his or her Annual Company Contribution Account and his or her Transition Contribution Account). The form and timing of such applications and withdrawals shall be established by the Committee.

11.05 Additional Rules for Withdrawals

Withdrawals made pursuant to Subsections 11.02, 11.03 and 11.04 shall be made in cash and shall be charged to the Participant's vested Accounts (if applicable) in such order as shall be determined by the Committee and applied uniformly. Requests for a withdrawal shall be made

in such manner and in accordance with such rules as the Committee determines. If the Committee determines in its discretion that a withdrawal under this Subsection shall be made in a manner other than in writing, any Participant who makes a request pursuant to such method may receive written confirmation of such request; further, any such request and confirmation shall be the equivalent of a writing for all purposes.

SECTION 12

Reemployment

12.01 Reemployed Participants

Except as provided below, if a Participant is reemployed by an Employer following a termination of employment, such Participant shall resume participation in the Plan for all purposes on the first day of the first payroll period following his rehire date that he is a member of a Covered Group. If a former Employee or Eligible Employee is reemployed by an Employer, Service he or she had accrued prior to his or her termination of employment will be reinstated for purposes of determining his or her eligibility to participate in the Plan, and he or she shall become eligible to participate in the Plan in accordance with the provisions of Subsection 3.01.

12.02 Calculation of Service Upon Reemployment

- (a) Reemployment with Vested Interest in Plan Accounts. If at the time the Participant terminated employment, he or she had either (A) a vested interest in his or her Before-Tax Contribution Account, Annual Company Contribution Account, Transition Contribution Account, Matching Contribution Account or Predecessor Company Account, or (B) amounts credited to his or her Before-Tax Contribution Account, the following rules shall apply:
- (i) If the Participant is reemployed by a Controlled Group Member before he or she incurs five (5) consecutive One-Year Breaks In Service, the Participant may repay to the Trustee, within five (5) years of his or her Reemployment Date, the total amount previously distributed to him or her from his or her Plan Accounts subject to vesting as a result of his or her earlier termination of employment. If a Participant makes such a repayment to the Trustee, both the amount of the repayment and the Forfeiture that resulted from the previous termination of employment shall be credited to his or her Accounts as of the Accounting Date coincident with or next following the date of repayment and he or she shall continue to vest in such amounts in accordance with the vesting schedule in effect at the Participant's reemployment.
 - (ii) If a Participant is reemployed by a Controlled Group Member on or after he or she incurs five (5) consecutive One-Year Breaks in Service, his or her pre-break Service shall count as Service for purposes of vesting in amounts credited to his or her Annual Company Contribution Account, Transition Contribution Account, Matching Contribution Account or Predecessor Company Account, as applicable, on or after such reemployment. However, pre-break Forfeitures will not be restored to such Participant's Accounts and such Participant's post-break Service shall be disregarded for purposes of vesting in his or her pre-break Annual

Company Contribution Account, Transition Contribution Account, Matching Contribution Account or Predecessor Company Account, as applicable.

- (b) **Reemployment with No Vested Interest in Plan Accounts.** If at the time the Participant terminated employment, he or she did not have either (A) a vested interest in his or her Annual Company Contribution Account, Transition Contribution Account, Matching Contribution Account, or Predecessor Company Account, or (B) amounts credited to his or her Before-Tax Contribution Account, the following rules shall apply:
- (i) If the Participant is reemployed by a Controlled Group Member before he or she incurs five (5) consecutive One-Year Breaks In Service, the amount of the Forfeiture that resulted from the previous termination of employment shall be credited to his or her Accounts as of the Accounting Date coincident with or next following the date of his or her reemployment or as soon as administrative feasible thereafter and he or she shall continue to vest in such amounts.
 - (ii) If the Participant is reemployed by a Controlled Group Member before he or she incurs five (5) consecutive One-Year Breaks In Service, pre-break Forfeitures shall not be restored to his or her Accounts. In addition, if the Participant's number of consecutive One-Year Breaks In Service exceeds the greater of five (5) of the aggregate number of such Participant's pre-break Service, such pre-break Service shall be disregarded for purposes of vesting in amounts credited to his or her Employer Contribution Accounts after such employment.
- (c) **Forfeitures.** Forfeitures that are credited to a Participant's Accounts under this Subsection shall be allocated from amounts forfeited under Subsection 10.01 or the applicable Supplement or, in the absence of such amounts, shall reduce income and gains of the Fund to be credited under Subsection 8.02.
- (d) **Transferred Participants.** Notwithstanding any Plan provision to the contrary, all service of a Transferred Participant that was recognized under the Sara Lee Plan as of the Effective Date (or as of a subsequent transfer of employment described in Subparagraph 2.66(b), if applicable) shall be recognized and taken into account under the Plan to the same extent as if such service had been completed under the Plan, subject to the provisions of this Section and any applicable break in service rules under this Plan and the Sara Lee Plan.
- (e) **Former NTX and Sara Lee Employees.** If an individual (i) was previously employed by the Sara Lee Corporation (referred to as the "prior employers" for purposes of this Subparagraph), and (ii) subsequently becomes an Employee of an Employer or a Controlled Group Member; all of the individual's service with the prior employers shall be recognized and taken into account under the Plan to the

same extent as of such service had been completed under the Plan, subject to the provisions of this Section and any applicable break in service rules under the applicable prior employer's plans.

SECTION 13
Special Rules for Top-Heavy Plans

13.01 Purpose and Effect

The purpose of this SECTION 13 is to comply with the requirements of Code Section 416. The provisions of this SECTION 13 shall be effective for each Plan Year in which the Plan is a "Top-Heavy Plan" within the meaning of Code Section 416(g).

13.02 Top Heavy Plan

In general, the Plan will be a Top-Heavy Plan for any Plan Year if, as of the last day of the preceding Plan Year (the "Determination Date"), the aggregate Account balances of Participants in this Plan who are Key Employees (as defined in Section 416(i)(1) of the Code) exceed sixty percent (60%) of the aggregate Account balances of all Participants in the Plan. In making the foregoing determination, the following special rules shall apply:

- (a) A Participant's Account balance shall be increased by the aggregate distributions, if any, made with respect to the Participant during the one (1) year period ending on the Determination Date (including distributions under a terminated plan which, had it not been terminated, would have been aggregated with this Plan under Section 416(g)(2)(A)(i) of the Code). In the case of a distribution made for a reason other than separation from service, death or Total Disability, the one (1) year period shall be replaced with a five (5) year period.
- (b) The Account balance of, and distributions to, a Participant who was previously a Key Employee, but who is no longer a Key Employee, shall be disregarded.
- (c) The Account of a Beneficiary of a Participant shall be considered the Account of a Participant.
- (d) The Account balances of a Participant who did not perform any services for the Employers during the one (1) year period ending on the Determination Date shall be disregarded.

13.03 Key Employee

In general, a "Key Employee" is an Employee who, at any time during the Plan Year that includes the Determination Date was:

- (a) An officer of an Employer receiving annual Compensation greater than \$140,000 (as adjusted under Section 416(i)(1) of the Code);
- (b) A five percent (5%) owner of an Employer; or

(c) A one percent (1%) owner of an Employer receiving annual Compensation from any of the Employers and the Controlled Group Members of more than \$150,000.

13.04 Minimum Employer Contribution

For any Plan Year in which the Plan is a Top-Heavy Plan, an Employer's contribution, if any, credited to each Participant who is not a Key Employee shall not be less than three percent (3%) of such Participant's Compensation for that year. For purposes of the foregoing, contributions under Subsection 5.01 shall not be considered Employer contributions. In no event, however, shall an Employer contribution credited in any year to a Participant who is not a Key Employee (expressed as a percentage of such Participant's Compensation) exceed the maximum Employer contribution credited in that year to a Key Employee (expressed as a percentage of such Key Employee's Compensation).

13.05 Aggregation of Plans

Each other defined contribution plan and defined benefit plan maintained by the Employers that covers a "Key Employee" as a Participant or that is maintained by the Employers in order for a Plan covering a Key Employee to qualify under Section 401(a)(4) and 410 of the Code shall be aggregated with this Plan in determining whether this Plan is Top-Heavy. In addition, any other defined contribution or defined benefit plan of the Employers may be included if all such plans which are included when aggregated will continue to qualify under Section 401(a)(4) and 410 of the Code.

13.06 No Duplication of Benefits

If an Employer maintains more than one plan, the minimum Employer contribution otherwise required under Subsection 13.04 above may be reduced in accordance with regulations of the Secretary of the Treasury to prevent inappropriate duplications of minimum contributions or benefits.

13.07 Compensation

For purposes of this Section 13, "Compensation" shall mean compensation as defined in Subsection 6.05 of the Plan.

SECTION 14
General Provisions

14.01 Committee's Records

The records of the Committee as to an Employee's age, Separation Date, Leave of Absence, reemployment and Compensation will be conclusive on all persons unless determined to the Committee's satisfaction to be incorrect.

14.02 Information Furnished by Participants

Participants and their Beneficiaries must furnish to the Committee such evidence, data or information as the Committee considers desirable to carry out the Plan. The benefits of the Plan for each person are on the condition that he or she furnish promptly true and complete evidence, data and information requested by the Committee.

14.03 Interests Not Transferable

Except as otherwise provided in Subsection 14.04 and as may be required by application of the tax withholding provisions of the Code or of a state's income tax act, benefits under the Plan are not in any way subject to the debts or other obligations of the persons entitled to such benefits and may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered.

14.04 Domestic Relations Orders

If the Committee receives a domestic relations order issued by a court pursuant to a state's domestic relations law, the Committee will direct the Trustee to make such payment of the Participant's vested benefits to an Alternate Payee or Payees as such order specifies, provided the Committee first determines that such order is a qualified domestic relations order ("QDRO") within the meaning of Section 414(p) of the Code. The Committee will establish reasonable procedures for determining whether or not a domestic relations order is a QDRO. Upon receiving a domestic relations order, the Committee shall promptly notify the Participant and any Alternate Payee named in the order that the Committee has received the order and any procedures for determining whether the order is a QDRO. If, within eighteen (18) months after receiving the order, the Committee makes a determination that the order is a QDRO, any direction to the Trustee to pay the benefits to an Alternate Payee as specified in the QDRO will include a direction to pay any amounts that were to be paid during the period prior to the date the Committee determines that the order is a QDRO. If during the eighteen (18) month period the Committee determines that the order is not a QDRO or no determination is made with respect to whether the order is a QDRO, the Committee will direct the Trustee to pay the amounts that would have been paid to the Alternate Payee pursuant to the terms of the order to the Participant if such amounts otherwise would have been payable to the Participant under the terms of the Plan. The Committee in its discretion may maintain an Account for an Alternate Payee to which any amount that is to be paid to such Alternate Payee from a Participant's Accounts will be

credited. The Alternate Payee for whom such Account is maintained may exercise the same elections with respect to the fund or funds in which the Account will be invested as would be permissible for a Participant in the Plan. Further, the Alternate Payee may name a Beneficiary, in the manner provided in Subsection 10.03 to whom the balance in the Account is to be paid in the event the Alternate Payee should die before complete payment of the Account has been made. Distribution of the Alternate Payee's Account shall be made in accordance with Subsections 10.01 and 10.02, and the Alternate Payee may exercise the same elections with respect to requesting a distribution or partial distribution of his or her Account as would be permissible for a Participant in the Plan; provided that the Alternate Payee's Required Commencement Date shall be the date on which the Participant attains (or, in the event of the Participant's death, would have attained) the Participant's Required Commencement Date. The Committee may direct the Trustee to distribute benefits to an Alternate Payee on the earliest date specified in a QDRO, without regard to whether such distribution is made or commences prior to the Participant's earliest retirement age (as defined in Section 414(p)(4)(B) of the Code) or the earliest date that the Participant could commence receiving benefits under the Plan.

14.05 Facility of Payment

When, in the Committee's opinion, a Participant or Beneficiary is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Committee may direct the Trustee to make payments to his or her legal representative, or to a relative or friend of the Participant or Beneficiary for his or her benefit, or the Committee may direct the Trustee to apply the payment for the benefit of the Participant or Beneficiary in any way the Committee considers advisable.

14.06 No Guaranty of Interests

Neither the Trustee nor the Employers in any way guarantee the Trust Fund from loss or depreciation. The Employers do not guarantee any payment to any person. The liability of the Trustee and the Employers to make any payment is limited to the available assets of the Trust Fund.

14.07 Rights Not Conferred by the Plan

The Plan is not a contract of employment, and participation in the Plan will not give any Employee the right to be retained in an Employer's employ, nor any right or claim to any benefit under the Plan, unless the right or claim has specifically accrued under the Plan.

14.08 Gender and Number

Where the context admits, words denoting men include women, the plural includes the singular and vice versa.

14.09 Committee's Decisions Final

An interpretation of the Plan and a decision on any matter within the Committee's discretion made by it in good faith is binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known, and the Committee shall make such adjustment as it considers equitable and practicable.

14.10 Litigation by Participants

If a legal action begun against the Trustee, the Committee or any of the Employers by or on behalf of any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant's or Beneficiary's benefits, the cost to the Trustee, the Committee or any of the Employers of defending the action will be charged to such extent as possible to the sums, if any, involved in the action or payable to the Participant or Beneficiary concerned.

14.11 Evidence

Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

14.12 Uniform Rules

In managing the Plan, the Committee will apply uniform rules to all Participants similarly situated.

14.13 Law That Applies

Except to the extent superseded by laws of the United States, the laws of North Carolina (without regard to any state's conflict of laws principles) shall be controlling in all matters relating to the Plan.

14.14 Waiver of Notice

Any notice required under the Plan may be waived by the person entitled to such notice.

14.15 Successor to Employer

The term "Employer" includes any entity that agrees to continue the Plan under Subparagraph 16.02(c).

14.16 Application for Benefits

Each Participant or Beneficiary eligible for benefits under the Plan shall apply for such benefits according to procedures and deadlines established by the Committee. In the event of denial of any application for benefits, the procedure set forth in Subsection 14.17 shall apply.

14.17 Claims Procedure

Claims for benefits under the Plan shall be made in such manner as the Committee shall prescribe. Claims for benefits and the appeal of denied claims under the Plan shall be administered in accordance with Section 503 of ERISA, the regulations thereunder (and any other law that amends, supplements or supersedes said Section of ERISA), and the claims and appeals procedures adopted by the Committee and/or the Appeal Committee, as appropriate, for that purpose. The Plan shall provide adequate notice to any claimant whose claim for benefits under the Plan has been denied, setting forth the reasons for such denial, and shall afford a reasonable opportunity to such claimant for a full and fair review by the Appeal Committee of the decision denying the claim. No action at law or in equity shall be brought to recover benefits under the Plan until the appeal rights described in this Subsection have been exercised and the Plan benefits requested in such appeal have been denied in whole or in part. Any legal action subsequent to a denial of a benefit appeal taken by a Participant against the Plan or its fiduciaries must be filed in a court of law no later than ninety (90) days after the Appeal Committee's final decision on review of an appealed claim. All decisions and communications relating to claims by Participants, denials of claims or claims appeals under this SECTION 14 shall be held strictly confidential by the Participant, the Committees and the Employers during and at all times after the Participant's claim has been submitted in accordance with this Section.

14.18 Action by Employers

Any action required or permitted under the Plan of an Employer shall be by resolution of its Board of Directors or by a duly authorized Committee of its Board of Directors, or by a person or persons authorized by resolution of its Board of Directors or such Committee.

SECTION 15

No Interest in Employers

The Employers shall have no right, title or interest in the Trust Fund, nor will any part of the Trust Fund at any time revert or be repaid to an Employer, unless:

- (a) The Internal Revenue Service initially determines that the Plan does not meet the requirements of Section 401(a) of the Code, in which event the assets of the Trust Fund attributable to the contributions made to the Plan by the Employer or Employers with respect to whom such determination is made shall be returned to them; or
- (b) Any portion of a contribution is made by an Employer by mistake of fact and such portion is returned to the Employer within one year after payment to the Trustee; or
- (c) A contribution conditioned on the deductibility thereof is disallowed as an expense for federal income tax purposes and such contribution (to the extent disallowed) is returned to the Employer within one year after the disallowance of the deduction.

The amount of any contribution that may be returned to an Employer pursuant to Subparagraph (b) or (c) above must be reduced by any portion thereof previously distributed from the Trust Fund to Participants or their Beneficiaries and by any losses of the Trust Fund allocable thereto, and in no event may the return of such amount cause any Participant's Account balance to be less than the amount that such balance would have been had the contribution not been made under the Plan.

SECTION 16

Amendment or Termination

16.01 Amendment

While the Employers expect to continue the Plan, the Company reserves the right, subject to SECTION 15, to amend the Plan from time to time, by resolution of the Board of Directors in accordance with Subsection 14.18, or by resolution of a committee authorized to amend the Plan by resolution of the Board of Directors of the Company. Notwithstanding the foregoing, no amendment will reduce a Participant's Account balance to less than an amount he or she would be entitled to receive if he or she had terminated his or her association with the Employers on the day of the amendment.

16.02 Termination

The Plan will terminate as to all Employers on any date specified by the Company, by resolution of the Board of Directors in accordance with Subsection 14.18, if advance written notice of the termination is given to the Trustee and the other Employers. The Plan will terminate as to an individual Employer on the first to occur of the following:

- (a) The date it is terminated by that Employer, by resolution of its Board of Directors in accordance with Subsection 14.18, if advance written notice of the termination is given to the Company and the Trustee;
- (b) The date the Employer permanently discontinues its contributions under the Plan; and
- (c) The dissolution, merger, consolidation or reorganization of that Employer, or the sale by that Employer of all or substantially all of its assets; provided, however, that upon the occurrence of any of the foregoing events, arrangements may be made whereby the Plan will be continued by a successor to such Employer, in which case the successor will be substituted for such Employer under the Plan.

16.03 Effect of Termination

On termination or partial termination of the Plan, the date of termination will be an Accounting Date, and, after all adjustments then required have been made, each Participant's Account balance will be vested in him or her and distributed to him or her by one or more of the methods described in Subsection 10.01 as the Committee decides. All appropriate accounting provisions of the Plan will continue to apply until the Account balances of all Participants have been distributed under the Plan.

16.04 Notice of Amendment or Termination

Participants will be notified of an amendment or termination within a reasonable time.

16.05 Plan Merger, Consolidation, Etc.

In the case of any merger or consolidation with, or transfer of assets or liabilities to, any other Plan, each Participant's benefits if the Plan terminated immediately after such merger, consolidation or transfer shall be equal to or greater than the benefits he or she would have been entitled to receive if the Plan had terminated immediately before the merger, consolidation or transfer.

SECTION 17

Relating to the Plan Administrator and Committees

17.01 The Employee Benefits Administrative Committee

The Board of Directors of the Company has appointed the Committee, consisting of three (3) or more individuals, to consolidate the powers and duties of administration of the employee benefit plans and programs maintained by the Company. Each appointee to the Committee shall serve for as long as is mutually agreeable to the Company and to the appointee. A majority of the members of the Committee have the power to act on behalf of the Committee. The Committee may delegate any of its responsibilities hereunder, by designating in writing other persons to advise it with regard to any such responsibilities. Any person to whom the Committee has delegated any of its responsibilities also may delegate any of its responsibilities hereunder, subject to the approval of the Committee, by designating in writing other persons to carry out its responsibilities under the Plan, and may retain other persons to advise it with regard to any of such responsibilities. The Committee and any delegate of the Committee hereunder may serve in more than one fiduciary capacity. The Committee and its delegates may allocate fiduciary responsibilities among themselves in any reasonable and appropriate fashion, subject to the approval of the Committee. Except as otherwise specifically provided and in addition to the powers, rights and duties specifically given to the Committee elsewhere in the Plan and the Trust Agreement, the Committee shall have the following **discretionary** powers, rights and duties:

- (a) To approve the appointment and removal of the members of the Appeal Committee, who shall have such powers, rights and duties as are specifically provided elsewhere in the Plan in addition to those delegated by the Committee.
- (b) To act as "Plan Administrator" of the Plan, and to adopt such regulations and rules of procedure as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan and Trust Agreement. The Committee shall be the fiduciary responsible for ensuring that procedures safeguarding the confidentiality of all Participant decisions and directions relating to purchase, sale, tendering and voting (as described in Subsection 9.06) of shares of Sara Lee Stock and Hanesbrands credited to such Participants' Accounts are sufficient and are being followed.
- (c) To determine all questions arising under the Plan other than those determinations that have been delegated to the Appeal Committee or the Investment Committee, including the power to determine the rights or eligibility of Employees or Participants and any other persons, and the amounts of their benefits under the Plan, and to remedy ambiguities, inconsistencies or omissions, and to make factual findings; such determinations shall be binding on all parties. Benefits under this Plan will be paid only if the Committee decides in its discretion that the applicant is entitled to them.

- (d) To enforce the Plan in accordance with its terms and the terms of the Trust Agreement and in accordance with the rules and regulations adopted by the Committee.
- (e) To construe and interpret the Plan and Trust Agreement, to reconcile and correct any errors or inconsistencies and to make adjustments for any mistakes or errors made in the administration of the Plan.
- (f) To furnish the Employers with such information as may be required by them for tax or other purposes.
- (g) To employ agents, attorneys, accountants, actuaries or other organizations or persons (who also may be employed by the Employers) and allocate or delegate to them any of the powers, rights and duties of the Committee as the Committee may consider necessary or advisable to properly administer the Plan. To the extent that the Committee delegates to any person or entity the discretionary authority to manage and control the administration of the Plan, such person or entity shall be a fiduciary as defined in ERISA. As appropriate, references to the Committee herein with respect to any delegated powers, rights and duties shall be considered references to the applicable delegate.

17.02 The ERISA Appeal Committee

The Committee has appointed the Appeal Committee primarily for the purpose of reviewing decisions denying benefits under the Plan and reviewing requests for hardship withdrawals under Subsection 11.03 of the Plan. The Appeal Committee shall consist of five (5) or more individuals, and each such appointee shall serve for as long as is mutually agreeable to the Committee and to the appointee. A majority of the members of the Appeal Committee will have the power to act on behalf of the Appeal Committee. Except as otherwise specifically provided and in addition to the powers, rights and duties specifically given to the Appeal Committee elsewhere in the Plan and the Trust Agreement, the Appeal Committee shall have the following powers, rights and duties:

- (a) To adopt such regulations and rules of procedure as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan and Trust Agreement.
- (b) To have final review of appeals of decisions by the Committee or its delegates denying benefits under the Plan, and to have final review of decisions by the Committee or its delegates denying requests for hardship withdrawals under Subsection 11.03 of the Plan, including the power to determine the rights or eligibility of Employees or Participants and any other persons, and to remedy ambiguities, inconsistencies or omissions.

- (c) To enforce the Plan in accordance with its terms and the terms of the Trust Agreement, and in accordance with the rules and regulations adopted by the Committee.
- (d) To construe the Plan and Trust Agreement, to reconcile and correct any errors or inconsistencies and to make adjustments for any mistakes or errors made in the administration of the Plan.

The Committee and the Appeal Committee are sometimes referred to herein collectively as the "Committees."

17.03 Secretary of the Committee

Each of the Committees may appoint a secretary to act upon routine matters connected with the administration of the Plan, to whom the Committee or the Appeal Committee, as the case may be, may delegate such authorities and duties as it deems expedient.

17.04 Manner of Action

During any period in which two (2) or more members of any of the committees are acting, the following provisions apply where the context admits:

- (a) A member of the Committee or the Appeal Committee, as applicable, by writing may delegate any or all of such member's rights and duties to any other member, with the consent of the latter.
- (b) The Committee or the Appeal Committee, as applicable may act by meeting or by writing signed without meeting, and may sign any document by signing one document or concurrent documents.
- (c) An action or a decision of a majority of the members of the Committee or the Appeal Committee, as the case may be, as to a matter shall be effective as if taken or made by all members of the Committee or the Appeal Committee, as applicable.
- (d) If, because of the number qualified to act, there is an even division of opinion among the members of the Committee or the Appeal Committee, as the case may be, as to a matter, a disinterested party selected by the Committee or the Appeal Committee, as applicable, may decide the matter and such party's decision shall control.
- (e) The certificate of the secretary of the Committee or the Appeal Committee, as applicable, of a majority of the members that the Committee or the Appeal Committee, as the case may be, has taken or authorized any action shall be conclusive in favor of any person relying on the certificate.

17.05 Interested Party

If any member of the Committee or the Appeal Committee, as applicable also is a Participant in the Plan, such individual may not decide or determine any matter or question concerning payments to be made to such individual unless such decision or determination could be made by such individual under the Plan if such individual were not a member of the applicable committees.

17.06 Reliance on Data

The Committee or the Appeal Committee, as applicable may rely upon data furnished by authorized officers of any Employer as to the age, Service and Compensation of any Employee of such Employer and as to any other information pertinent to any calculations or determinations to be made under the provisions of the Plan, and the Committees shall have no duty to inquire into the correctness thereof.

17.07 Committee Decisions

Subject to applicable law, any interpretation of the provisions of the Plan and any decisions on any matter within the discretion of the Committee or the Appeal Committee, as applicable made by such party in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known, and the Committee or the Appeal Committee, as applicable shall make such adjustments on account thereof as they consider equitable and practicable.

SECTION 18

Adoption of Plan by Controlled Group Members

With the consent of the Company, any Controlled Group Member of the Company may adopt the Plan and become an Employer hereunder. The adoption of the Plan by any such Controlled Group Member shall be effected by resolution of its Board of Directors, and the Company's consent thereto shall be effected by resolution of the Committee.

SECTION 19

Supplements to the Plan

From time to time, the Company or the Committee may adopt Supplements to the Plan for the purpose of modifying the provisions of the Plan as they apply to certain or all Participants in a Covered Group or for the purpose of preserving benefits derived from another plan maintained by an Employer or a Predecessor Company to an Employer. Such Supplements will form a part of the Plan as applied to the Participants affected or covered thereby.

* * *

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by the undersigned officer this 26th day of July, 2006.

HANESBRANDS INC.

By: /s/ Kevin W. Oliver

Its: Senior Vice President, Human Resources

EXHIBIT A

Accounts Transferred from the Sara Lee Plan

The assets and liabilities of the Sara Lee Plan attributable to participants employed by the following businesses/divisions were transferred from the Sara Lee Plan to the Plan as of the Effective Date:

Business /Division	Division Code
Champion Athleticwear	7800
Champion Jogbra	9501
Champion Jogbra (Vermont)	9500
Eden Yarn	9225
Harwood	9260
Hanes Printables	9250
Henson Kicknerick	9300
J. E. Morgan	9265
OuterBanks	9266
Playtex Apparel-Hourly	9401
Playtex Apparel-Salary	9400
Sara Lee Activewear/Hourly	9221
Sara Lee Business Services	9273
	(except process level 12702)
Sara Lee Casualwear	9220
	(except process level 19901 (Courtalds))
Sara Lee Direct	9271
Sara Lee Hosiery	9210
Sara Lee Intimate Apparel	9200
	(except process level 19901 (Courtalds))
Sara Lee Sock Company (previously known as Adams-Millis Corporation)	7995
Sara Lee Underwear	9240
Sara Lee Underwear Weston	9260
Scotch Maid	7975
Socks Galore	9272
Spring City Knitting	9230

Covered Groups

The following lists the Covered Groups under the Plan as of the Effective Date

1. Employees of Hanesbrands Inc. other than (a) employees employed in Puerto Rico, and (b) employees covered by a collective bargaining agreement which agreement does not provide for participation in the Plan; provided that participation in the Plan was the subject of good faith bargaining.

**SUPPLEMENT A
TO
HANESBRANDS INC.
RETIREMENT SAVINGS PLAN
Provisions Relating to the Merger of the
National Textiles, L.L.C. 401(k) Plan
into the
Hanesbrands Inc. Retirement Savings Plan**

A-1. Purpose. The provisions of this Supplement A apply to: (a) participants in the National Textiles, L.L.C. 401(k) Plan (the "NTX Plan") as of January 1, 2007 and (b) all other individuals who are active employees of National Textiles, L.L.C. ("NTX") on January 1, 2007; and shall supersede the provisions of the Plan (except such Plan provisions as impose conditions or limitations required by applicable law) to the extent necessary to eliminate any inconsistency between the Plan and this Supplement A. Effective as of the close of business on January 1, 2007 (the "Merger Date"), the NTX Plan shall be merged into, and continued in the form of, this Plan. The purpose of this Supplement A is to reflect the merger and resulting transfer of accounts of participants in the NTX Plan as of the Merger Date ("NTX Plan Participants") and to set forth special provisions which shall apply with respect to NTX Plan Participants. The merger and the transfer of assets and liabilities from the NTX Plan to this Plan shall be in accordance with the applicable provisions of ERISA and Sections 401(a)(12), 411(d)(6), and 414(l) of the Code. In addition to providing for the merger of the NTX Plan into this Plan, this Supplement A provides a special vesting rule with respect to individuals who are not NTX Plan Participants but are active employees of NTX on the Merger Date.

A-2. Participation. Subject to the conditions and limitations of the Plan, each NTX Plan Participant on the Merger Date who is employed by NTX or Hanesbrands, Inc. on and after the Merger Date shall automatically become a Participant in this Plan on the Merger Date and shall be covered by this Supplement A. Except as provided in this Supplement A, NTX Plan Participants described in the preceding sentence:

Shall be eligible to make Before-Tax Contributions in accordance with Subparagraph 4.01(a) (and Catch-Up Contributions, if applicable, in accordance with Subsection 4.02);

Shall not be deemed to have made an automatic deferral election under Subparagraph 4.01(b) until such time as otherwise determined by the Committee; and

Shall be eligible to receive Annual Company Contributions in accordance with Subsection 5.02, and Matching Contributions in accordance with Subsection 5.03.

Each other NTX Plan Participant shall, on and after the Merger Date, be treated as a restricted Participant or Beneficiary (as applicable) of the Plan pursuant to Subsection 7.02 and the conditions and limitations of the Plan. Notwithstanding any provision of the Plan to the contrary, NTX Plan Participants who have not met the requirements of Section 3.01 of the Plan prior to the Merger Date shall be permitted to continue making and receiving Plan contributions

described in subparagraphs (a), (b) and (c) above on and after the Merger Date; provided, however, that any employee of NTX or Hanesbrands, Inc. on and after the Merger Date who did not meet the requirements of Section 3.01 of the Plan as of the Merger Date and who was not an NTX Participant as of the Merger Date, must meet the requirements of Section 3.01 of the Plan on or after the Merger Date prior to becoming a Participant in the Plan.

A-3. Transfer of Assets. The assets of accounts held in the NTX Plan will be transferred into and become assets of this Plan and will be held, invested and administered by the Trustee with the other assets of the Trust Fund pursuant to the provisions of the Trust Agreement and Plan.

A-4. Transfer of Accounts. All accounts maintained for NTX Plan Participants under the NTX Plan on the Merger Date shall be adjusted as of that date in accordance with the provisions of the NTX Plan. As soon as administratively practicable following such adjustment, assets and liabilities of the NTX Plan equal to the net credit balances in such accounts, as adjusted, shall be transferred to the Plan and credited to corresponding accounts established for each NTX Plan Participant under the Plan as follows:

NTX Account	HBI Account
Tax-Deferred 401(k) Contribution Account	Before-Tax Contribution Account
After-Tax Account	After-Tax Account
Rollover Account	Rollover Contribution Account
Prior ESOP Account	Predecessor Company Account
Matching Contribution Account	Predecessor Company Account
Prior Company Account	Predecessor Company Account

Effective as of the Merger Date, NTX Plan Participants' accounts under the NTX Plan shall be paid from the Plan in accordance with the terms of the Plan.

A-5. Plan Benefits for Participants Who Terminated Employment Prior to the Merger Date. The benefits that would have been provided under the Plan with respect to any Participant who retired or whose employment otherwise terminated prior to the Merger Date will be provided from the Plan pursuant to the provisions thereof.

A-6. Vesting. As of the Merger Date, each NTX Plan Participant, employed by NTX or the Employer on the Merger Date, shall be 100% vested in and have a nonforfeitable interest in all contributions made to the Plan prior to the Merger Date and on and after the Merger Date. Each other NTX Plan Participant who was not employed by NTX, the Employer or a Controlled Group Member on the Merger Date shall be vested in his Account balance to the same extent that he was vested at his Separation Date, subject to Section 12 of the Plan. Each individual who is actively employed by NTX on the Merger Date but is not then an NTX Plan Participant shall be 100% vested in and have a nonforfeitable interest in all contributions made to the Plan on his behalf on and after the Merger Date.

A-7. Loans. Any loans from the NTX Plan to NTX Plan Participants that are outstanding as of the Merger Date shall be transferred to the Plan and will be held and

administered hereunder pursuant to the terms of such loans, regulations under the Code and ERISA, and rules established by the Committee.

A-8. Transfer of Records. On or as soon as practicable after the Merger Date, the administrator of the NTX Plan shall transfer to the Plan Administrator all administrative records maintained with respect to NTX Plan Participants.

A-9. Use of Terms. The provisions of this Supplement A shall supersede the provisions of the Plan (except such Plan provisions that impose conditions or limitations required by applicable law) to the extent necessary to eliminate any inconsistency between this Supplement A and the Plan. Terms used in this Supplement A shall, unless defined in this Supplement A or otherwise noted, have the meanings given to those terms elsewhere in the Plan.

**SUPPLEMENT B
TO
HANESBRANDS INC.
RETIREMENT SAVINGS PLAN
Special Participation Provisions**

The following individuals shall become Participants pursuant to Subsection 3.01(a)(i) of the Plan without regard to age (except for purposes of the Annual Company Contribution):

EMPLOYEE ID	BIRTHDATE	STATUS DATE
150720	2/26/1989	10/2/2007
150703	6/28/1987	9/30/2007
150710	11/12/1987	10/2/2007
150712	6/4/1988	10/2/2007
150575	9/10/1988	9/19/2007
150627	1/16/1987	9/23/2007
150574	10/21/1987	9/19/2007
150578	12/26/1988	9/19/2007
150637	10/24/1987	9/24/2007
150462	8/22/1987	9/11/2007
150401	9/17/1987	9/4/2007
150436	12/5/1987	9/11/2007
150468	5/26/1989	9/5/2007
150125	4/12/1989	8/28/2007
149971	6/17/1988	8/17/2007
149981	11/17/1987	8/19/2007
149953	11/10/1987	8/14/2007
150453	5/13/1989	9/10/2007
149540	5/18/1988	7/10/2007
149571	2/20/1988	7/9/2007
149337	3/15/1988	6/15/2007
149265	4/29/1988	6/11/2007
149263	8/12/1987	6/11/2007
149194	5/2/1987	5/31/2007
148964	4/29/1988	5/17/2007
148879	9/2/1987	4/30/2007
148830	10/14/1988	4/24/2007
148666	8/12/1988	12/27/2007
148669	3/12/1988	3/30/2007
148461	11/20/1988	2/27/2007
148508	5/29/1988	3/7/2007
148461	11/20/1988	2/27/2007

<u>EMPLOYEE ID</u>	<u>BIRTHDATE</u>	<u>STATUS DATE</u>
148391	12/1/1988	2/15/2007
148203	7/5/1988	1/24/2007
148332	12/1/1990	2/6/2007
135548	5/5/1989	9/20/2006
135163	4/28/1988	8/28/2006

HANESBRANDS INC.

SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

Conformed through September 24, 2008

HANESBRANDS INC.
SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

(Effective as of January 1, 2006)

SECTION 1

Introduction

1.1 Purpose

The Hanesbrands Inc. Supplemental Employee Retirement Plan (the "Plan") is maintained by the Corporation to provide retirement benefits that are otherwise limited under the Retirement Savings Plan. In addition, the accrued benefits of any Transferred Participant shall be transferred from the Sara Lee SERP to the Plan as of the Effective Date. On and after the Effective Date, all benefits previously accrued by Transferred Participants under the Sara Lee SERP shall be provided under the Plan, and Transferred Participants shall accrue no additional benefits under the Sara Lee SERP.

The Plan shall constitute a top hat plan within the meaning of Section 201(2) of ERISA. Notwithstanding any provision of the Plan to the contrary, the Plan is subject to the provisions of Section 409A of the Code and at all times shall be interpreted and administered so that it is consistent with such Code section; provided, however, that the vested benefits of each Transferred Participant who terminated employment with Sara Lee Corporation and all of its Controlled Group Members prior to January 1, 2005 shall be determined in accordance with Subsection 1.6 (and shall not be subject to Code Section 409A), except as otherwise provided in Subsection 3.3.

1.2 Effective Date and Plan Year

The Plan is effective as of January 1, 2006. The Plan is administered on the basis of a Plan Year.

1.3 Employers

The Corporation and each other Controlled Group Member that is a participating employer under the Retirement Savings Plan shall be deemed to have adopted the Plan and shall be treated as an Employer hereunder.

1.4 Plan Administration

As described in Subsection 5.1, the Committee shall be the administrator (as defined in Section 3(16)(A) of ERISA) of the Plan; provided, however, that the Committee may delegate all or any part of its powers, rights, and duties under the Plan to such person or persons as it may deem advisable.

1.5 Plan Supplements

The provisions of the Plan may be modified by supplements to the Plan. The terms and provisions of each supplement are a part of the Plan and supersede the other provisions of the Plan to the extent necessary to eliminate inconsistencies between such other Plan provisions and such supplement.

1.6 Plan Benefits for Participants who Terminated Employment

The benefits provided under the Plan with respect to any Participant whose employment with the Employers has terminated shall, except as otherwise specifically provided in the Plan, be governed in all respects by the terms of the Plan in effect as of the date of the Participant's termination of employment (or in the case of a Transferred Participant who Separated from Service prior to the Effective Date, pursuant to the Sara Lee SERP).

SECTION 2

Definitions

2.1 2008 Special Election

If the Committee, in its discretion, decides to offer a 2008 Special Election, then the "2008 Special Election" shall mean a Participant's valid election, made prior to December 31, 2008 in accordance with rules and procedures established by the Committee, to receive his or her RSSERP Benefit and/or Pension SERP Benefit at a time and in a form specified in Subparagraphs 4.4(a)(iii) and 4.4(b)(iv), respectively.

2.2 A&B Level Transition Credit

"A&B Level Transition Credit" means the annual credit, if any, made during the 2006-2010 Plan Years to Participants who had (a) attained age 45 and (b) completed five or more years of credited service as an A or B level executive as of January 1, 2006; provided, however, that S. Babu, K. McAleer, K. Oliver, and C. Yaroch shall be treated as eligible to receive the A&B Level Transition Credit. A&B Level Transition Credits will be calculated as follows:

Age Plus Years of A&B Level Service (as of 1/1/06)	Credit (as a percentage of the Participant's Supplemental Compensation)
50 to 54	4%
55 to 59	8%
60 to 64	12%
65 to 69	14%
70 or more	15%

In order to receive the A&B Level Transition Credit for any Plan Year, any Participant who meets the requirements described herein must be an active Employee as of the last day of the Plan Year or have retired, died, or become a Totally Disabled Participant during the Plan Year.

2.3 Account

“Account” means the notional accounts and subaccounts maintained for a Participant under the Plan, as described in Subsection 4.1.

2.4 Annual Company Credit

“Annual Company Credit” means the annual company contribution made on behalf of a Participant as described in the Retirement Savings Plan.

2.5 Beneficiary

“Beneficiary” means the person or persons designated by a Participant to receive payment of his or her RSSERP Benefit (“RSSERP Beneficiary”) or Pension SERP Benefit (“Pension SERP Beneficiary”) upon his or her death in accordance with Subsection 4.5. A beneficiary designation shall be effective only when properly provided to the Committee in accordance with its rules and procedures while the Participant is alive and, when effective, will cancel all prior beneficiary designations. If the Participant does not have an effective RSSERP Beneficiary and/or Pension SERP Beneficiary designation on the date of his or her death (because the Participant failed to designate a beneficiary or the Participant’s named beneficiary died before the Participant), the Committee will make the applicable payments described in Subsection 4.5 as follows:

- (a) To the Participant’s surviving spouse;
- (b) If the Participant does not have a surviving spouse, to or for the benefit of the legal representative or representatives of the Participant’s estate;
- (c) If the Participant does not have a surviving spouse and an estate is not opened on behalf of the Participant, to or for the benefit of one or more of the Participant’s relatives by blood, adoption or marriage in such proportions as the Committee (or its delegate) determines.

2.6 Code

“Code” means the Internal Revenue Code of 1986, as amended.

2.7 Committee

“Committee” means the Hanesbrands Inc. Employee Benefits Administrative Committee appointed by the Corporation to administer the Plan.

2.8 Controlled Group Member

“Controlled Group Member” means the Corporation and any affiliated or related corporation which is a member of a controlled group of corporations (within the meaning of Section 1563(a) of the Code) which includes the Corporation or any trade or business (whether or not incorporated), which is under common control with the Corporation (within the meaning of Section 414(c) of the Code).

2.9 Corporation

“Corporation” means Hanesbrands Inc., a Maryland corporation.

2.10 Default Payment Date

“Default Payment Date” means the first business day that occurs 12 months after the end of the Participant’s Election Period.

2.11 Deferred Vested Participant

“Deferred Vested Participant” means a Participant who has Separated from Service, is not a Retired Participant, and is eligible for a monthly deferred vested pension under the Pension Plan.

2.12 Determination Date

For purposes of the RSSERP Benefit, “Determination Date” means the date on which the Committee or its delegate receives notification of a Participant’s Separation from Service. For

purposes of the Pension SERP Benefit, "Determination Date" means the date on which the benefit calculation package is sent to the Participant; provided, however, a Participant's Determination Date shall be the date that is 6 months after the Participant's Separation from Service if his or her benefit calculation package has not been sent by such date.

2.13 Effective Date

"Effective Date" means January 1, 2006, except as otherwise required to comply with applicable law or as specifically provided herein.

2.14 Election Period

"Election Period" means the period commencing on the Participant's Determination Date and ending on the 60th day thereafter.

2.15 Employee

"Employee" means a person, including an officer of an Employer, who is in the employ of an Employer. For all purposes of the Plan, an individual shall be an "Employee" of or be "employed" by an Employer for any Plan Year only if such individual is treated by the Employer for such Plan Year as its employee for purposes of employment taxes and wage withholding for Federal income taxes, regardless of any subsequent reclassification of such individual as an Employee by an Employer, any governmental agency, court, or other third party. Any such reclassification shall not have a retroactive effect for purposes of the Plan.

2.16 Employer

"Employer" means the Corporation and each other Controlled Group Member that is a participating employer under the Retirement Savings Plan.

2.17 ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.18 Matching Credit

“Matching Credit” means the employer matching contribution made on behalf of a Participant as described in the Retirement Savings Plan.

2.19 Normal Retirement Date

“Normal Retirement Date” means the first day of the month coincident with or next following the Participant’s attainment of age 65.

2.20 Participant

“Participant” means an Employee who satisfies the requirements of Subsection 3.1.

2.21 Pension Plan

“Pension Plan” means the Hanesbrands Inc. Pension and Retirement Plan, as amended from time to time. No further benefits shall accrue under the Pension Plan on or after the Effective Date.

2.22 Pension SERP Benefit

“Pension SERP Benefit” means a Participant’s benefit described in Subsection 4.2.

2.23 Pension SERP Interest Rate

“Pension SERP Interest Rate” means an interest rate equal to 120% of the annual rate on 30-year Treasury securities published for the month that is 3 months prior to the Determination Date or payment commencement date, as applicable, rounded to the nearest 0.25%.

2.24 Plan

“Plan” means the Hanesbrands Inc. Supplemental Employee Retirement Plan, as amended from time to time.

2.25 Plan Year

“Plan Year” means the 12-month period beginning each January 1 and ending the next following December 31.

2.26 Plan Year RSSERP Credit

“Plan Year RSSERP Credit” means the credit described in Subparagraph 4.1(b).

2.27 Present Value

“Present Value” means the present value of a Participant’s Pension SERP Benefit, calculated as if the Pension SERP Benefit were payable as an annuity under the Pension Plan using the Pension Plan’s (a) early payment factors, as applicable, (b) the mortality table provided under the Pension Plan as of December 31, 2007, and (c) the Pension SERP Interest Rate. For a Retired Participant’s Present Value calculation, the assumed commencement date shall be the date of the Participant’s retirement and the Present Value will be accumulated with interest at the Pension SERP Interest Rate to the actual payment commencement date. For a Deferred Vested Participant’s Present Value calculation, the assumed commencement date shall be the Participant’s Normal Retirement Date and the Present Value shall be determined as of the date payment is to be made under Subparagraph 4.4(b).

2.28 Residual Credit

“Residual Credit” means a credit to the Participant’s RSSERP Benefit made after the Participant’s Separation from Service based on the Annual Company Credit, A&B Level Transition Credit, and Salaried Employee Transition Credit.

2.29 Retired Participant

“Retired Participant” means a Participant who has Separated from Service after attaining age 55 and completing at least 10 years of vesting service (as defined in the Pension Plan) or after age 65.

2.30 Retirement Savings Plan

“Retirement Savings Plan” means the Hanesbrands Inc. Retirement Savings Plan, as amended from time to time; provided, however, that for the period from the Effective Date to the date the Retirement Savings Plan first becomes effective, the term “Retirement Savings Plan” shall mean the Sara Lee Corporation 401(k) Plan as applied to a Participant and Code limits referenced herein shall be applied as if the Hanesbrands Inc. Retirement Savings Plan, and the Sara Lee Corporation 401(k) Plan were a single plan for the first Plan Year.

2.31 RSSERP Benefit

“RSSERP Benefit” means the Participant’s benefit described in Subsection 4.1.

2.32 Salaried Employee Transition Credit

In addition, a “Salaried Employee Transition Credit” will be made on behalf of any employee who (a) had attained age 50; (b) had completed at least 10 years of vesting service (as defined in the Pension Plan) with the Corporation as of January 1, 2006; and (c) notwithstanding any provision of the Retirement Savings Plan, did not receive a Transition Contribution in the Retirement Savings Plan equal to 10% of the employee’s 2006 Supplemental Compensation. The Salaried Employee Transition Credit shall be reduced by the amount of any Transition Contribution the employee received in the Retirement Savings Plan for 2006.

2.33 Sara Lee SERP

“Sara Lee SERP” means the Sara Lee Corporation Supplemental Executive Retirement Plan.

2.34 Separation from Service

“Separation from Service” occurs when a Participant’s terminates employment with the Corporation and its Controlled Group Members by reason of a resignation, discharge, retirement,

or death. Separation from Service for purposes of the Plan shall be interpreted consistent with the requirements of Code Section 409A(a)(2)(A)(i) and any IRS guidance issued thereunder.

2.35 SERP Benefit

“SERP Benefit” means the Participant’s RSSERP Benefit and/or Pension SERP Benefit, as applicable.

2.36 Specified Employee

“Specified Employee” means an Employee described in Code Section 409A(a)(2)(B)(i).

2.37 Supplemental Compensation

For purposes of the RSSERP Benefit, a Participant’s “Supplemental Compensation” means his or her compensation as defined in the Retirement Savings Plan but including the following additional amounts:

- (a) Any amounts that cannot be recognized as compensation in the Retirement Savings Plan due to the dollar limitation contained in Code Sections 401(a)(17) of the Code;
- (b) Deferrals of base salary and bonus compensation for the Plan Year in which deferred; and
- (c) Any compensation required to be included as Supplemental Compensation pursuant to an employment, severance or other written agreement with an Employer; provided, however, that severance payments to Specified Employees that are delayed six months in compliance with Code Section 409A shall be attributable to the year in which such amounts were earned rather than the year in which they are paid.

2.38 Transferred Participant

“Transferred Participant” means any participant in the Sara Lee SERP who was employed by the Corporation on December 31, 2005 or who was last employed by the Corporation’s predecessor division of Sara Lee Corporation; provided, however, that L. Chaden, D. Volz, and expatriate employees of the Corporation on January 1, 2006 shall not be considered “Transferred Participants,” so that such individuals’ benefits under the Sara Lee SERP shall remain payable exclusively by Sara Lee Corporation under the Sara Lee SERP.

2.39 Total Disability

“Total Disability” means total disability, as defined in the Pension Plan. A “Totally Disabled Participant” means a Participant who is subject to a Total Disability.

2.40 Other Definitions

Other defined terms used in the Plan shall have the meanings given such terms elsewhere in the Plan, the Retirement Savings Plan and the Pension Plan.

SECTION 3

Participation

3.1 Eligibility

Transferred Participants shall be eligible to participate in the Plan on the Effective Date. In addition, each other Employee of an Employer who is a participant in the Retirement Savings Plan will become a Participant in the Plan upon the date that the contributions that he or she would otherwise receive under the Retirement Savings Plan are limited by one or more of the following:

- (i) By operation of Code Section 415;
- (ii) Because Supplemental Compensation is not taken into account under the Retirement Savings Plan; or
- (iii) Because a period required to be included as service pursuant to an employment, severance or other written agreement with an Employer is not taken into account under the Retirement Savings Plan.

3.2 Period of Participation

Each Employee who becomes a Participant in the Plan shall continue as a Participant until the earlier of the date that all of his or her vested SERP Benefits (if any) have been distributed or his or her death.

3.3 Reemployed Participants

- (a) In the event a Participant who terminated employment with the Corporation and all Controlled Group Members prior to January 1, 2005 is reemployed by the Controlled Group Members on or after the Effective Date, the following rules shall apply:

- (i) The Participant's SERP Benefits that were earned and vested as of December 31, 2004 and that have been distributed or are in distribution status as of his or her reemployment date shall continue to be distributed in accordance with the terms of the Sara Lee SERP as in effect on his or her earlier Separation from Service and shall not be subject to the requirements of Code Section 409A; and
 - (ii) The Participant's SERP Benefits that either (i) were earned and vested as of December 31, 2004 and (A) have not been distributed, or (B) are not in distribution status, or (ii) were not earned and vested as of December 31, 2004, shall be subject to the applicable terms of this Plan document and the requirements of Code Section 409A.
- (b) In the event a Participant who Separated from Service with the Corporation and all Controlled Group Members on or after January 1, 2005 is reemployed by the Controlled Group Members on or after the Effective Date, the SERP Benefits determined as of the Participant's initial Separation from Service shall be subject to the applicable terms of this Plan document and the requirements of Code Section 409A and distribution of those amounts shall not be impacted by the Participant's reemployment.

SECTION 4

SERP Benefits

4.1 RSSERP Benefit

Subject to Subsection 4.3, a Participant's RSSERP Benefit shall be equal to the balance in the Account maintained on behalf of the Participant under the Plan, which Account balance shall be equal to the sum of (a) plus (b) plus (c) below, and as adjusted pursuant to (d) below:

- (a) **Pre-Effective Date Benefit.** A Participant's Account under the Plan shall be credited with the amount of the Participant's Sara Lee 401(k) SERP Benefit determined under the Sara Lee SERP, if any, determined as of the date immediately preceding the Effective Date.
- (b) **Plan Year RSSERP Credits.** A Participant's Account under the Plan shall be credited with the Plan Year RSSERP Credit equal to (i) plus (ii) plus (iii) below, if any, as of the last day of each Plan Year:
 - (i) **Annual Company Credit.** The amount equal to (A) minus (B) below:
 - (A) The annual company contribution that would have been made on behalf of the Participant (if any) under the Retirement Savings Plan (or, in 2006, under the Sara Lee 401(k) Plan) for the applicable Plan Year based on the Participant's Supplemental Compensation and without regard to Code Section 415; minus
 - (B) The annual company contribution actually made on behalf of the Participant under the Retirement Savings Plan (or, in 2006, under the Sara Lee 401(k) Plan) for such Plan Year.
 - (ii) **Matching Credit.** The amount equal to the Matching Credit that would have been made on behalf of the Participant under the Retirement Savings

Plan for the Plan Year based on his or her Supplemental Compensation less any matching contributions received (or deemed received as described below) by the Participant under the Retirement Savings Plan for that Plan Year; provided, however, that for purposes of determining the Matching Credit under this Plan, the Participant will be deemed to (A) have made 401(k) contributions (excluding catch-up contributions) of 4% of the Participant's Supplemental Compensation, and (B) have received the appropriate matching contribution under the Retirement Savings Plan based upon such deemed 401(k) contribution (regardless of the Participant's actual contribution rate).

- (iii) The A&B Level Transition Credit, if any.
- (iv) The Salaried Employee Transition Credit, if any.
- (c) Forfeited Retirement Savings Plan Benefit. To the extent that service under a separation agreement is included in SERP vesting service, a Participant's Account under the Plan shall be credited with any amount of the Participant's Retirement Savings Plan benefit that would be vested under the Retirement Savings Plan recognizing SERP vesting service but that is forfeited due to his or her Separation from Service with the Controlled Group Members prior to becoming fully vested under the Retirement Savings Plan.
- (d) Adjustment of Account. The Account maintained on behalf of a Participant under the Plan shall be adjusted from time to time to reflect a hypothetical investment in the Hanesbrands Inc. Common Stock Fund under the Retirement Savings Plan; provided, however, that for as long as the Corporation is a Controlled Group Member of Sara Lee Corporation, the Account maintained on behalf of a Participant under the Plan shall be adjusted from time to time to reflect a hypothetical investment in the Sara Lee Corporation Common Stock Fund under the Sara Lee Corporation 401(k) Plan. The Committee may establish such rules and procedures relating to the maintenance, adjustment, and liquidation of

Participants' Accounts, the crediting of credits and the notional income, losses, expenses, appreciation, and depreciation attributable thereto, as are considered necessary or advisable. In addition to the Account described above, the Committee may maintain such other Accounts as the Committee considers necessary or desirable.

4.2 Pension SERP Benefit

Subject to Subsection 4.3, a Transferred Participant's Pension SERP Benefit shall be equal to the Transferred Participant's Sara Lee Pension SERP Benefit determined under the Sara Lee SERP, if any, determined as of the Effective Date.

In the case of a Participant in compensation band 3, 4 or 5 who is entitled to receive severance benefits under the Hanesbrands Inc. Severance Pay Plan (previously known as the Sara Lee Corporation Severance Pay Plan for Employees of Sara Lee Branded Apparel), and who would satisfy the requirements for early retirement under the Pension Plan if his/her severance period (as defined in the separation agreement pursuant to which the severance benefits are paid) were a period of actual employment under the Pension Plan, then to the extent provided in the Participant's separation agreement, the Participant's SERP Benefit shall be increased to reflect the difference between (i) the Pension Plan benefit that would be payable if the years of severance period was recognized as years of vesting service as defined in the Pension Plan; and (ii) the actual Pension Plan benefit; provided, however, that such Participant's severance period shall not be considered as credited service for purposes of determining the amount of the Participant's accrued Pension SERP Benefit.

4.3 Vesting of Benefits

A Participant shall have a nonforfeitable right to his or her SERP Benefit as provided in Subparagraphs (a) and (b) below, as applicable.

- (a) RSSERP Benefit. A Participant's Annual Company Credits and Matching Credits shall become nonforfeitable on the same basis and at the same time as his or her annual company contributions and matching contributions, respectively, become

nonforfeitable under the Retirement Savings Plan. A Participant's A&B Level Transition Credits or Salaried Employee Transition Credit, if any, shall be nonforfeitable at all times.

- (b) Pension SERP Benefit. A Participant's Pension SERP Benefit shall become nonforfeitable on the same basis and at the same time as his or her benefit under the Pension Plan.

In determining whether a Participant is vested in his or her SERP Benefit, any period required to be included as service pursuant to an employment, severance or other written agreement with an Employer shall be considered service with an Employer under the Plan.

4.4 Payment of Benefits

A Participant's SERP Benefit shall, subject to the further provisions of this Plan, be payable to or on account of the Participant as follows:

- (a) RSSERP Benefit.
 - (i) If the value of the Participant's vested RSSERP Benefit (determined without regard to any Residual Credit) is less than \$50,000 on the Participant's Determination Date, then any 2006 Special Election made by the Participant shall be void, and the Participant's RSSERP Benefit shall be paid in a lump sum as soon as administratively practicable following the Participant's Determination Date, but in no event later than the end of the calendar year after the calendar year of the Participant's Determination Date. Any Residual Credit to the Participant's Account after his or her Determination Date shall be paid in a lump sum as soon as practicable after such credit is made, but in no event later than the end of the calendar year after the calendar year of the Participant's Determination Date. Notwithstanding the foregoing, in no event shall distribution to a Specified Employee be made earlier than 6 months following his or her Separation from Service.

- (ii) If the value of the Participant's vested RSSERP Benefit (determined without regard to any Residual Credit) is \$50,000 or more on the Participant's Determination Date, the Participant's RSSERP Benefit will be paid as follows:
- (A) Subject to Subparagraph (B) below, the Participant's RSSERP Benefit shall be paid in a lump sum on or as soon as practicable after the Default Payment Date, but in no event later than the end of the calendar year after the calendar year of the Participant's Determination Date.
 - (B) In lieu of the payment method described in Subparagraph (A), during the Election Period, the Participant may elect to receive his or her RSSERP Benefit in one of the following forms, in accordance with rules and procedures established by the Committee:
 - (1) In a lump sum paid as of the first business day of the calendar year beginning 5 years after the Default Payment Date (or any calendar year thereafter); or
 - (2) In annual installments over a period of 5 or 10 years commencing as of the first business day of the calendar year beginning 5 years after the Default Payment Date (or any calendar year thereafter).
 - (C) If the Participant made a valid 2006 Special Election and does not make an election described in Subparagraph (B), his or her RSSERP Benefit shall be paid in accordance with such 2006 Special Election commencing as soon as administratively practicable following the Participant's Default Payment Date.

If a proper election is not made during the Election Period, the Participant shall be deemed to have elected a distribution under Subparagraph (A).

(b) Pension SERP Benefit.

- (i) If the Present Value of the Participant's vested Pension SERP Benefit is less than \$50,000 on the Participant's Determination Date or if the Participant does not qualify as a Retired Participant or a Totally Disabled Participant, then any 2006 Special Election made by the Participant shall be void, and the Present Value of the Participant's Pension SERP Benefit shall be paid in a lump sum as soon as administratively practicable following the Participant's Determination Date, but in no event later than the end of the calendar year after the calendar year of the Participant's Determination Date. Notwithstanding the foregoing, in no event shall distribution to a Specified Employee be made earlier than 6 months following his or her Separation from Service. If the Participant's distribution is suspended due to the waiting period imposed by operation of Code Section 409A and the related terms of the Plan, it shall be accumulated with interest at the Pension SERP Interest Rate.
- (ii) If the Present Value of the vested portion of the Participant's Pension SERP Benefit is \$50,000 or more on the Participant's Determination Date and the Participant qualifies as either a Retired Participant or a Totally Disabled Participant, then the Participant's Pension SERP Benefit will be paid as follows:
 - (A) Subject to Subparagraph (B) below, if the Participant did not make a valid 2006 Special Election, the Participant's Pension SERP Benefit shall be paid the Present Value of his or her Pension SERP Benefit shall be paid in a lump sum as soon as administratively practicable following the Default Payment Date but in no event later than the end of

the calendar year after the calendar year of the Participant's Determination Date.

- (B) In lieu of the payment method and timing described in Subparagraph (A), and subject to the timing restrictions in Subparagraph (C), during the Election Period, the Participant may elect to receive his or her Pension SERP Benefit in one of the following forms, in accordance with rules and procedures established by the Committee:
 - (1) The Present Value paid in a lump sum; or
 - (2) The Present Value paid in monthly installments over a period of 5 or 10 years (as elected).
- (C) If a Participant makes an election as described in Subparagraph (B) during the Election Period, payments will commence as follows:
 - (1) As elected by the Participant, as of the first day of any month following the date that is 5 years after the Default Payment Date.
 - (2) The amount of the Participant's Pension SERP Benefit will be determined as of the date the Participant retires and will be accumulated with interest at the Pension SERP Interest Rate to the payment date.
- (D) If the Participant made a valid 2006 Special Election and does not make an election described in Subparagraph (B), his or her Pension SERP Benefit shall be paid in accordance with such 2006 Special Election.

4.5 Payments Upon Death

Notwithstanding any provision of Subsection 4.4 to the contrary, the following rules shall apply upon a Participant's death:

- (a) **RSSERP Benefit.** If the Participant dies before complete payment of his or her vested RSSERP Benefit under Subparagraph 4.4(a), payment of his or her remaining RSSERP Benefit shall be made to his or her RSSERP Beneficiary in a lump sum as soon as practicable following the date of the Participant's death (but in no event later than the end of the calendar year following the calendar year of his or her death).
- (b) **Pension SERP Benefit.**
 - (i) **Death Before Commencement.**
 - (A) If a Participant Separates from Service before qualifying as a Retired Participant and dies before commencement of his or her Pension SERP Benefit, the Present Value of the Participant's Pension SERP Benefit shall be paid to the Participant's Pension SERP Beneficiary in a lump sum as soon as practicable following the date of the Participant's death (but in no event later than the end of the calendar year following the calendar year of his or her death).
 - (B) If a Retired Participant dies before commencement of his or her Pension SERP Benefit payments, then the Present Value of his or her Pension SERP Benefit shall be paid to the Participant's Pension SERP Beneficiary in a lump sum as soon as practicable following the date of the Participant's death (but in no event later than the end of the calendar year following the calendar year of his or her death).

- (C) Death while Active. If a Participant dies while actively employed by the Corporation, the Present Value of the Participant's Pension SERP Benefit attributable to the active death benefit, as determined under the Pension Plan, shall be paid to the Participant's Pension SERP Beneficiary in a lump sum as soon as practicable following the date of the Participant's death (but in no event later than the end of the calendar year following the calendar year of his or her death). If such benefit is payable to the Participant's surviving spouse, the Present Value shall be determined based on the surviving spouse's age on the date of the Participant's death. If such benefit is payable to a Pension SERP Beneficiary other than the Participant's surviving spouse, the Present Value shall be determined as if such amount were payable to a spouse the same age as the Participant.
- (ii) Death After Commencement. If the Participant dies after commencement of his or her Pension SERP Benefit payments, the Present Value of the unpaid portion of his or her Pension SERP Benefit shall be paid to his or her Pension SERP Beneficiary in a lump sum as soon as practicable following the date of the Participant's death (but in no event following the later of the end of the calendar year following the calendar year of his or her death).

4.6 Payment of FICA Tax on Pension SERP Benefit

Notwithstanding anything contained in the Plan to the contrary, an initial Pension SERP Benefit payment may, in the discretion of the Committee, be made on behalf of the Participant in the amount of the Federal Insurance Contributions Act ("FICA") tax due from the Participant on his or her Pension SERP Benefit, determined as of the date such FICA tax is due. If such initial

Pension SERP Benefit payment is made, then all later calculations and payments related to the Participant's Pension SERP Benefit shall be adjusted to reflect the initial payment.

4.7 Benefits Provided by Employers

Benefits payable under this Plan to a Participant or his or her surviving spouse, beneficiary or estate shall be paid directly by the Participant's Employer. No Employer shall be required to segregate any assets to be applied for the payment of benefits under this Plan.

4.8 Other Employment

A Participant or his or her surviving spouse or beneficiary who is receiving SERP Benefits hereunder will continue to be entitled thereto regardless of other employment or self-employment.

SECTION 5

General

5.1 Committee

This Plan will be administered by the Committee appointed by the Board of Directors of the Corporation or a committee thereof. The Committee may delegate any of its authority hereunder to a committee or to one or more individuals provided such delegation is in writing. Any such delegation is incorporated herein by this reference. The Committee, and to the extent applicable its delegates, shall have the discretionary authority to determine factual issues and eligibility for Plan coverage and benefits, to interpret the provisions and terms of Plan and to decide claims for benefits under the terms of the Plan. Subject to applicable law, any interpretation of the provisions of the Plan (including any Supplement) and any decision on any matter within the discretion of the Committee, or as applicable its delegates, made by it or them in good faith shall be final and binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known, and the Committee or as applicable its delegates shall make such adjustment on account thereof as it considers equitable and practicable. The Committee shall not be liable in any manner for any determination of fact made in good faith. Any claim for benefits under the Plan shall be handled by the Committee, or as applicable its delegates, pursuant to the claims procedures under the Retirement Savings Plan or the Pension Plan, as applicable, and such procedures are incorporated herein by this reference. No action at law or in equity may be brought to recover benefits under the Plan until the Participant has exercised all appeal rights and the Plan benefits requested in such appeal have been denied in whole or in part. Benefits under the Plan shall be paid only if the Committee, or as applicable its delegates, in its or their discretion, determines that a Participant (or other claimant) is entitled to them.

5.2 Interests Not Transferable

Except as provided under an agreement between the Participant and the Corporation or required for purposes of withholding of any tax under the laws of the United States or any State

or locality, the interest of any Participant, his or her spouse or minor children under the Plan is not subject to the claims of creditors and may not be voluntarily or involuntarily sold, transferred, assigned, alienated or encumbered.

5.3 Facility of Payment

When, in the Committee's opinion, a Participant or beneficiary is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the amounts payable to such person may be paid to such person's legal representative, or to a relative or friend of such person for his or her benefit, or such amounts may be applied for the benefit of such person in any way the Committee considers advisable.

5.4 Gender and Number

Where the context admits, words denoting men include women, the plural includes the singular and vice versa.

5.5 Controlling Law

To the extent not superseded by the laws of the United States, the laws of North Carolina (without regard to any state's conflict of law principles) shall be controlling in all matters relating to the Plan.

5.6 Successors

This Plan is binding on each Employer and will inure to the benefit of any successor of an Employer, whether by way of purchase, merger, consolidation or otherwise.

5.7 Rights Not Conferred by the Plan

The Plan is not a contract of employment, and participation in the Plan will not give any Employee the right to be retained in an Employer's employ, nor any right or claim to any benefit under the Plan, unless the right or claim has specifically accrued under the Plan.

5.8 Litigation by Participants

If a legal action begun against the Committee or any of the Employers by or on behalf of any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant's benefits, the cost to the Committee or any of the Employers of defending the action will be charged to such extent as possible to the sums, if any, involved in the action or payable to or on behalf of the Participant concerned.

5.9 Uniform Rules

In managing the Plan, the Committee will apply uniform rules to all Participants similarly situated.

5.10 Action by Employers

Any action required or permitted under the Plan of an Employer shall be by resolution of its Board of Directors or by a duly authorized Committee of its Board of Directors, or by a person or persons authorized by resolution of its Board of Directors or such Committee.

5.11 Tax Effects

The Corporation, the Committee, the Controlled Group Members, and their representatives and delegates do not in any way guarantee the tax treatment of benefits for any individual, and the Corporation, the Committee, the Controlled Group Members, and their representatives and delegates do not in any way guarantee or assume any responsibility or liability for the legal, tax, or other implications or effects of the Plan. In the event of any legal, tax, or other change that may affect the Plan, the Corporation, or the Controlled Group Members, the Corporation may, in its sole discretion, take any actions it deems necessary or desirable as a result of such change.

SECTION 6

Amendment and Termination

While the Employers expect to continue the Plan indefinitely, the Corporation reserves the right to amend or terminate the Plan by action of the Board of Directors of the Corporation or by action of a committee or an individual authorized to amend or terminate the Plan, provided that in no event shall any Participant's SERP Benefit accrued to the date of such amendment or termination be reduced or modified by such action.

**SUPPLEMENT A
TO
HANESBRANDS INC.
SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN
Provisions Relating to Transferred Participants Previously Participating in
the Earthgrains Company Supplemental Executive Retirement Plan**

A-1. History and Purpose. The purpose of this Supplement A is to describe the benefits that would have been payable under the Earthgrains SERP to each Supplement A Participant (defined below) and to describe the benefits payable to each eligible Supplement A Participant under the Plan. This Supplement A is intended to supersede the terms of the Earthgrains SERP as applied to any Supplement A Participant. Accordingly, any benefit payable to or on behalf of a Supplement A Participant under this Supplement shall be considered to have been provided under the Earthgrains SERP for all purposes. A Supplement A Participant who receives the benefits described in this Supplement shall be deemed to have received his or her entire Earthgrains SERP benefit. Except as otherwise specifically provided herein, a Supplement A Participant is not intended to receive any rights under this Supplement A in addition to his or her rights under the Earthgrains SERP. "Supplement A Participant" means each Transferred Participant who was an active participant in the Earthgrains SERP as of December 31, 2002.

A-2. Supplement A Pension SERP Benefit. In lieu of a Pension SERP Benefit, a Supplement A Participant shall be entitled to the following:

- (a) **Amount of Supplement A Pension SERP Benefit.** Subject to the requirements set forth below, each Supplement A Participant who retires or terminates employment with all Controlled Group Members shall be entitled to a benefit equal to the following:
 - (i) The benefit which would be payable to the Supplement A Participant under the Earthgrains supplement to the Pension Plan, determined (A) without regard to the limitation of Code Section 401(a)(17), and (B) using

the definition of Earthgrains Formula Compensation (as defined in the Sara Lee SERP); minus

(ii) The Supplement A Participant's actual accrued benefit under the Earthgrains supplement of the Pension Plan.

(b) **Form of Payment.**

(i) The benefit payable to a Supplement A Participant (the Participant's "Supplement A SERP Benefit") shall be paid as follows:

(A) Subject to Subparagraphs (B) and (C) below, if the Participant did not make a valid 2006 Supplement A Special Election (as defined below), the Participant's Supplement A SERP Benefit shall be paid in a lump sum as soon as practicable after such Supplement A Participant's Separation from Service; provided, however, that in no event shall distribution to a Specified Employee be made less than 6 months following his or her Separation from Service.

(B) If the Supplement A Participant made a valid 2006 Supplement A Special Election, the Participant's Supplement A Benefit shall be paid in accordance with such election. A "2006 Supplement A Special Election" means a Supplement A Participant's valid election, made prior to December 31, 2005 in accordance with rules and procedures established by the Committee, to receive his or her Supplement A Benefit in actuarially equivalent quarterly installments, semi-annual installments or annual installments (as elected) for a period not to exceed 5 years, commencing as soon as practicable after such Supplement

A Participant's Separation from Service (or, for a Specified Employee, 6 months following his or her Separation from Service).

- (C) In lieu of the payment method and timing described in Subparagraphs (A) or (B), the Participant may elect to receive his or her Supplement A Benefit in actuarially equivalent quarterly installments, semi-annual installments or annual installments (as elected) for a period not to exceed 5 years, commencing 5 years after the later of (x) the Participant's Separation from Service, or (y) the date the Participant otherwise would have commenced payment of his or her Supplement A Benefit under Subparagraphs (A) or (B) above, as applicable; provided, however that an election under this Subparagraph (C) must be made in accordance with rules and procedures established by the Committee and must be received by the Committee at least 1 year before Participant's Separation from Service. A new election under this Subparagraph shall revoke all prior elections; provided, however, that an election received within 1 year of the date of the Participant's Separation from Service shall be invalid.

(c) **Actuarial Factors.** The following actuarial factors shall apply for purposes of this Paragraph A-2:

- (i) **Present Value.** Present value shall be determined using the factors set forth in the Pension Plan on December 31, 2007.
- (ii) **Early Retirement Reduction.** The Supplement A SERP Benefit shall be reduced 4/12% per month for each of the first 60 months and 5/12% per month for each of the next 60 months that payment commences before

Normal Retirement Date; provided, however, that no reduction shall apply if the Supplement A Participant retires after attaining age 62 with 20 Years of Service.

(iii) **Installment Payments.** The actuarial factors for determining installment payments shall be determined using the factors set forth in the Pension Plan on December 31, 2007.

A-3. Plan Provisions. All provisions of the Plan, to the extent that they are consistent with the provisions of this Supplement, shall apply to Supplement A Participants; provided, however, that a Supplement A Participant shall only be entitled to a benefit under the Plan to the extent such benefit is specifically provided under this Supplement A.

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Richard A. Noll, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanesbrands Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Richard A. Noll
Richard A. Noll
Chief Executive Officer

Date: October 31, 2008

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, E. Lee Wyatt Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanesbrands Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ E. Lee Wyatt Jr.

E. Lee Wyatt Jr.
Executive Vice President,
Chief Financial Officer

Date: October 31, 2008

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hanesbrands Inc. ("Hanesbrands") on Form 10-Q for the fiscal quarter ended September 27, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard A. Noll, Chief Executive Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hanesbrands.

/s/ Richard A. Noll
Richard A. Noll
Chief Executive Officer

Date: October 31, 2008

The foregoing certification is being furnished to accompany Hanesbrands Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2008 (the "Report") solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hanesbrands Inc. ("Hanesbrands") on Form 10-Q for the fiscal quarter ended September 27, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, E. Lee Wyatt, Jr., Chief Financial Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hanesbrands.

/s/ E. Lee Wyatt Jr.
E. Lee Wyatt Jr.
Executive Vice President,
Chief Financial Officer

Date: October 31, 2008

The foregoing certification is being furnished to accompany Hanesbrands Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2008 (the "Report") solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.