

On November 2002, we advised employees at our J.E. Morgan manufacturing plant in Tamaqua, Pa., that we would have to phase out production operations at that facility. Sara Lee Branded Apparel made the announcement more than 12 months before it would affect most employees in order to provide them continuing income, career resources and, equally as important, the time to make career transition plans.

We also announced that we would continue to operate our Tamaqua distribution center, where approximately 30 percent of our local workforce is located, and we later committed to moving the distribution for our *Champion* product line from North Carolina to Tamaqua, adding approximately 40 positions.

As we said when we made this announcement, the decision to phase out production in Tamaqua was a particularly difficult, but nonetheless necessary, one to make. The decision was not about the quality of the people or their work. Both have been superior. The decision was driven principally by three factors: (1) U.S. consumers continue to make buying decisions based on price, putting constant pressure on product-cost structures (2) the U.S. retail environment in general continues to be soft and (3) the changing competitive environment dictates that companies align their resources and manufacturing capacity to market requirements or fail.

Fully aware that these factors are outside employees' control, Sara Lee Branded Apparel provided a number of resources in addition to severance pay and continuation of medical benefits to help career transitions, including:

- A career center, which was established in January 2003 and will continue through June 2004. Right Management in Allentown, Pa., was retained to provide this full-service career transition center, including individual counseling services, support services, a learning center and access to job- search resources.
- Tuition reimbursement and company training programs to enhance existing skill sets or learn new ones to make a career shift.
- Financial planning seminars and training programs to qualify for positions in forklift operations at the expanded Tamaqua distribution center. We also qualified employees for federal programs, making training in health services, computer operations/information technology and personal services available to them.
- Priority status for any position that comes open in the distribution center. Placement and transfer opportunities were also offered at other Sara Lee locations, including Winston-Salem, N.C., for qualified employees willing to relocate.

In addition, we were extremely sensitive to the effect this change would have on the Tamaqua community. To assist Tamaqua with the transition and to give local officials additional time to replace lost local earned-income tax and utility revenues, we also made a donation to the local school system and made supplemental water and sewage processing payments.

With the expansion of our distribution center nearly completed, we look forward to continuing our relationship with the Tamaqua community. More important, we want our employees to know that we appreciate the dedication and superior work they continue to provide.