SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 1, 2004

o **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 0-23071

THE CHILDREN'S PLACE RETAIL STORES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**31-1241495**
(State or other jurisdiction of incorporation or organization)	(I. R. S. employer identification number)

915 Secaucus Road
Secaucus, New Jersey 07094
(Address of Principal Executive Offices) (Zip Code)

(201) 558-2400
(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 o

Indicate by check mark whether the registrant is an accelerated filer.

Yes ☒ No o

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value $0.10 per share, outstanding at June 1, 2004: 26,854,723 shares.

THE CHILDREN'S PLACE RETAIL STORES, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE PERIOD ENDED MAY 1, 2004

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PART I - FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

THE CHILDREN'S PLACE RETAIL STORES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	May 1, 2004 (Unaudited)	January 31, 2004	May 3, 2003 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 84,295	$ 74,772	$ 47,359
Accounts receivable	9,879	8,462	14,973
Inventories	100,731	96,128	70,374
Prepaid expenses and other current assets	19,360	17,416	18,169
Deferred income taxes	2,654	2,654	293
Total current assets	216,919	199,432	151,168
Property and equipment, net	146,408	146,707	156,846
Deferred income taxes	12,413	12,428	8,288
Other assets	1,401	1,099	1,020
Total assets	$ 377,141	$ 359,666	$ 317,322
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Current liabilities:			
Revolving credit facilities	$ 0	$ 0	$ 442
Accounts payable	43,622	35,173	29,020
Income taxes payable	8,270	9,733	635
Accrued expenses, interest and other current liabilities	38,131	40,251	37,149
Total current liabilities	90,023	85,157	67,246
Long-term liabilities:			
Deferred rent liabilities	14,426	14,188	12,717
Other long-term liabilities	3,301	3,316	2,330
Total liabilities	107,750	102,661	82,293
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Common stock, $0.10 par value; 100,000,000 shares authorized; 26,847,948 shares, 26,733,313 shares and 26,605,405 shares issued and outstanding, at May 1, 2004, January 31, 2004 and May 3, 2003, respectively	2,685	2,673	2,661
Additional paid-in capital	103,068	101,288	98,942
Accumulated other comprehensive income	1,815	2,754	567
Retained earnings	161,823	150,290	132,859
Total stockholders' equity	269,391	257,005	235,029
Total liabilities and stockholders' equity	$ 377,141	$ 359,666	$ 317,322

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

THE CHILDREN'S PLACE RETAIL STORES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)
(In thousands, except per share amounts)

	Thirteen Weeks Ended May 1, 2004	Thirteen Weeks Ended May 3, 2003
Net sales	$ 225,779	$ 181,010
Cost of sales	133,921	111,120
Gross profit	91,858	69,890
Selling, general and administrative expenses	62,673	51,391
Depreciation and amortization	10,304	9,528
Operating income	18,881	8,971
Interest income, net	25	93
Income before income taxes	18,906	9,064
Provision for income taxes	7,373	3,535
Net income	$ 11,533	$ 5,529
Basic net income per common share	$ 0.43	$ 0.21
Basic weighted average common shares outstanding	26,813	26,599
Diluted net income per common share	$ 0.42	$ 0.21
Diluted weighted average common shares outstanding	27,657	26,739

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

THE CHILDREN'S PLACE RETAIL STORES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Thirteen Weeks Ended May 1, 2004	Thirteen Weeks Ended May 3, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 11,533	$ 5,529
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,304	9,528
Deferred financing fee amortization	15	17
Loss on disposals of property and equipment	330	43
Deferred rent	478	637
Changes in operating assets and liabilities:		
Accounts receivable	(1,447)	(1,244)
Inventories	(4,874)	5,453
Prepaid expenses and other current assets	(1,898)	1,156
Other assets	(318)	(49)
Accounts payable	8,587	(1,920)
Accrued expenses, interest and other current liabilities	(3,403)	1,340
Total adjustments	7,774	14,961
Net cash provided by operating activities	19,307	20,490
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(10,854)	(10,321)
Net cash used in investing activities	(10,854)	(10,321)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of stock options and employee stock purchases	1,792	175
Deferred financing costs	0	(150)
Borrowings under revolving credit facility	25,190	17,187
Repayments under revolving credit facility	(25,190)	(16,745)
Net cash provided by financing activities	1,792	467
Effect of exchange rate changes on cash	(722)	78
Net increase in cash and cash equivalents	9,523	10,714
Cash and cash equivalents, beginning of period	74,772	36,645
Cash and cash equivalents, end of period	$ 84,295	$ 47,359
OTHER CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 6	$ 61

Cash paid during the period for income taxes	8,837	151

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

THE CHILDREN'S PLACE RETAIL STORES, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Certain information and footnote disclosures required by GAAP for complete financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited financial statements contain all material adjustments, consisting of normal recurring accruals, necessary to present fairly the Company's financial position, results of operations and cash flow for the periods indicated, and have been prepared in a manner consistent with the audited financial statements as of January 31, 2004. These financial statements should be read in conjunction with the audited financial statements and footnotes for the fiscal year ended January 31, 2004 included in the Company's Annual Report on Form 10-K for the year ended January 31, 2004 filed with the Securities and Exchange Commission. Due to the seasonal nature of the Company's business, the results of operations for the thirteen weeks ended May 1, 2004 and May 3, 2003 are not necessarily indicative of operating results for a full fiscal year.

2. NET INCOME PER COMMON SHARE

In accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share," the following table reconciles net income and share amounts utilized to calculate basic and diluted net income per common share.

	Thirteen Weeks Ended	
	May 1, 2004	May 3, 2003
Net income (in thousands)	$ 11,533	$ 5,529
Basic shares	26,813,259	26,599,185
Dilutive effect of stock options	844,223	139,323
Dilutive shares	27,657,482	26,738,508
Antidilutive options	185,110	1,447,185

Antidilutive options consist of the weighted average of stock options for the respective periods ended May 1, 2004 and May 3, 2003 that had an exercise price greater than the average market price during the period. Such options are therefore excluded from the computation of diluted shares.

3. STOCK BASED COMPENSATION

The Company accounts for its stock option plans and its employee stock purchase plan under the intrinsic value method described in the provisions of Accounting Principles Bulletin No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Accordingly, no compensation expense has been recognized for stock-based compensation, since the options granted were at prices that equaled or exceeded their estimated fair market value at the date of grant. If compensation expense for the Company's stock options and employee stock purchases issued during the thirteen weeks ended May 1, 2004 and May 3, 2003 had been determined based on the fair value method of accounting, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosure" ("SFAS 148"), the Company's net income would have been adjusted to the pro forma amounts indicated below for the thirteen weeks ended May 1, 2004 and May 3, 2003, respectively:

	Thirteen Weeks Ended	
	May 1, 2004	May 3, 2003
Net income – (in thousands)		
As reported	$ 11,533	$ 5,529
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	1,609	1,104
Pro forma	$ 9,924	$ 4,425
Earnings per share –		
Basic – as reported	$ 0.43	$ 0.21
Basic – pro forma	$ 0.37	$ 0.17
Diluted – as reported	$ 0.42	$ 0.21
Diluted – pro forma	$ 0.36	$ 0.17

4. COMPREHENSIVE INCOME

The following table presents the Company's comprehensive income (in thousands):

	Thirteen Weeks Ended	
	May 1, 2004	May 3, 2003
Net income	$11,533	$5,529
Translation adjustments	(939)	314
Comprehensive income	$10,594	$5,843

5. CREDIT FACILITIES

Wells Fargo Credit Facility

The Company has a credit facility (the "Wells Fargo Credit Facility") with Wells Fargo Retail Finance, LLC ("Wells Fargo"). The Wells Fargo Credit Facility provides for up to $85 million in borrowings which includes a sublimit of up to $80 million in letters of credit. Wells Fargo acts as our agent bank for a syndicated group of lenders on this facility. This credit facility also contains provisions to increase borrowings up to $120 million (including a sublimit for letters of credit of $100 million), subject to sufficient collateralization and the syndication of the incremental line of borrowing. The amount that can be borrowed under the credit facility depends on the Company's levels of inventory and accounts receivable. The Wells Fargo Credit Facility expires in April 2006 and provides for one year renewal options.

The Company had no outstanding borrowings under this credit facility as of May 1, 2004 and had letters of credit outstanding of $56.1 million. During the thirteen weeks ended May 1, 2004, the Company's borrowings under this credit facility represented overnight borrowings for letters of credit that cleared after business hours. The average balance during the thirteen weeks ended May 1, 2004 was approximately $361,000 and the average interest rate was 4%. The maximum outstanding letters of credit usage under the Wells Fargo Credit Facility was $56.1 million during the thirteen weeks ended May 1, 2004. Availability as of May 1, 2004 was $28.9 million.

The Wells Fargo Credit Facility also contains covenants, which include limitations on the Company's annual capital expenditures, the maintenance of certain levels of excess collateral, and a prohibition on the payment of dividends. Credit extended under the Wells Fargo Credit Facility is secured by a first priority security interest in all of the Company's assets, except for assets in Canada. As of May 1, 2004, the Company was in compliance with all of its covenants under the Wells Fargo Credit Facility. Noncompliance with these covenants could result in additional fees, could affect the Company's ability to borrow, or require the Company to repay the outstanding balance.

Amounts outstanding under the Wells Fargo Credit Facility bear interest at a floating rate equal to the prime rate or, at the Company's option, a LIBOR Rate plus a pre-determined spread. The LIBOR spread is 1.50% to 3.00% depending on the Company's level of availability from time to time.

Toronto Dominion Facility

The Company has a $7.3 million credit facility with Toronto Dominion Bank (the "Toronto Dominion Credit Facility") to support its Canadian subsidiary. As of May 1, 2004, the Toronto Dominion Credit Facility was secured by a standby letter of credit issued under the Wells Fargo Credit Facility to permit up to $1.8 million in borrowings. As of May 1, 2004, there were no borrowings and no letters of credit outstanding under the Toronto Dominion Credit Facility. During the thirteen weeks ended May 1, 2004, the Company did not borrow under the Toronto Dominion Credit Facility. The Toronto Dominion Bank can demand repayment and cancel the availability of the Toronto Dominion Credit Facility at any time.

6. INSURANCE PROCEEDS

During the thirteen weeks ended May 3, 2003, the Company received approximately $1.5 million in a partial settlement of its business interruption claim for its World Trade Center store. These proceeds reduced selling, general and administrative expenses on the Company's consolidated statement of income.

7. LITIGATION

The Company is involved in various legal proceedings arising in the normal course of its business. In the opinion of management, any ultimate liability arising out of such proceedings will not have a material adverse effect on the Company's financial position or results of operations.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of federal securities laws, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, the discussions of the Company's operating and growth strategy. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, those set forth under the caption "Risk Factors" in the Business section of the Company's Annual Report on Form 10-K for the year ended January 31, 2004. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could prove to be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with the Company's unaudited financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the annual audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 31, 2004, filed with the Securities and Exchange Commission.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reported period. Actual results could differ from our estimates. The accounting policies that we believe are the most critical to aid in fully understanding and evaluating reported financial results include the following:

Revenue Recognition – Sales are recognized upon purchase by customers at our retail stores or when shipped from our distribution center if the product was purchased via the Internet, net of anticipated returns. Actual merchandise return rates have historically been within our expectations and the allowance established. However, in the event that the actual rate of sales returns by customers increased significantly, our operational results could be adversely affected.

Our policy with respect to gift cards is to record revenue as the gift cards are redeemed for merchandise. Prior to their redemption, unredeemed gift cards are recorded as a liability.

Once an annual minimum customer purchase threshold is satisfied on our private label credit card, we offer a discount on future purchases for the remainder of the fiscal year. Revenue is deferred for the future discount earned by our private label credit card customers that have satisfied or are expected to satisfy minimum purchase thresholds.

Inventory Valuation – Merchandise inventories are stated at the lower of average cost or market, using the retail inventory method. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail value of inventories. At any one time, inventories include items that have been marked down to our best estimate of their fair market value. We base our decision to mark down merchandise upon its current rate of sale, the season, age and sell-through of the item. To the extent that our estimates differ from actual results, additional markdowns may have to be recorded, which could reduce our gross margins and operating results. Our success is largely dependent upon our ability to gauge the fashion taste of our customers and provide a well-balanced merchandise assortment that satisfies customer demand. Any inability to provide the proper quantity of appropriate merchandise in a timely manner could increase future markdown rates.

Impairment of Assets – We continually evaluate each store's performance and measure the carrying value of each location's fixed assets, principally leasehold improvements and fixtures, versus its projected cash flows. An impairment loss is recorded if the projected future cash flows are insufficient to recapture the net book value of their assets. To the extent our estimates of future cash flows are incorrect, additional impairment charges may be recorded in future periods.

Litigation – We are involved in various legal proceedings arising in the normal course of our business. In our opinion, any ultimate liability arising out of such proceedings will not have a material adverse effect on our business.

Stock Options – We record no compensation expense on our financial statements for stock-based compensation, since we grant stock options at prices that equal or exceed the fair market value of the related shares at the date of the grant. If, in the future, we

elect or are required to adopt fair value accounting for our stock-based compensation, the related compensation charge will adversely impact net income. In addition, increases to our stock price would result in more diluted shares outstanding and reduce our diluted net income per common share.

Results of Operations

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of net sales:

	Thirteen Weeks Ended	
	May 1, 2004	May 3, 2003
Net sales	100.0%	100.0%
Cost of sales	59.3	61.4
Gross profit	40.7	38.6
Selling, general and administrative expenses	27.8	28.4
Depreciation and amortization	4.6	5.3
Operating income	8.3	4.9
Interest income, net	—	0.1
Income before income taxes	8.3	5.0
Provision for income taxes	3.2	1.9
Net income	5.1%	3.1%
Number of stores, end of period	700	662

Thirteen Weeks Ended May 1, 2004 (the "First Quarter 2004") Compared to Thirteen Weeks Ended May 3, 2003 (the "First Quarter 2003")

Net sales increased by $44.8 million, or 25%, to $225.8 million during the First Quarter 2004 from $181.0 million during the First Quarter 2003. During the First Quarter 2004, we opened 10 new stores and closed one store. Our comparable store sales increased 16% and contributed $26.6 million of our net sales increase in the First Quarter 2004. Comparable store sales decreased 13% during the First Quarter 2003. During the First Quarter 2004, our comparable store sales increase was primarily the result of increases in the number of comparable store sales transactions and increases in our average dollar transaction size. Net sales for the 10 new stores, as well as other stores that did not qualify as comparable stores, increased our net sales by $18.2 million.

Gross profit increased by $22.0 million to $91.9 million during the First Quarter 2004 from $69.9 million during the First Quarter 2003. As a percentage of net sales, gross profit increased to 40.7% during the First Quarter 2004 from 38.6% during the First Quarter 2003. The increase in gross profit, as a percentage of net sales, was principally due to lower markdowns and the leveraging of occupancy costs over a larger sales base, partially offset by a lower initial markup. Our initial markup was lower due to our continuing investment in the quality of our garments and the receipt of a larger proportion of basic summer merchandise, which carries a lower initial markup. During the First Quarter 2004, our summer merchandise was received earlier than was the case in the First Quarter 2003 due to the calendar shift of the Easter holiday.

Selling, general and administrative expenses increased $11.3 million to $62.7 million during the First Quarter 2004 from $51.4 million during the First Quarter 2003. Selling, general and administrative expenses decreased to 27.8% of net sales during the First Quarter 2004 from 28.4% of net sales during the First Quarter 2003. Selling, general and administrative expenses decreased, as a percentage of net sales, due primarily to the leveraging of store payroll and store operating expenses and lower pre-opening costs. During the First Quarter 2004, we recorded lower pre-opening costs as a result of opening 10 new stores, as compared to 19 new stores opened in the First Quarter 2003. These decreases, as a percentage of net sales, were partially offset by increased marketing costs to promote brand awareness. In addition, during the First Quarter 2003, insurance proceeds approximated $1.5 million, or 0.8% of net sales, for a portion of our business interruption claim from our World Trade Center store. These insurance proceeds reduced selling, general and administrative expenses.

Depreciation and amortization amounted to $10.3 million, or 4.6% of net sales, during the First Quarter 2004, as compared to $9.5 million, or 5.3% of net sales, during the First Quarter 2003. The increase in depreciation and amortization primarily was a result

of increases to our store base. Depreciation and amortization decreased, as a percentage of net sales, as a result of the leveraging over a larger sales base.

Our provision for income taxes increased to $7.4 million in the First Quarter 2004 from a $3.5 million provision in the First Quarter 2003 as a result of our increased profitability. Our effective tax rate was 39.0% during the First Quarter 2004 and First Quarter 2003.

Our net income in the First Quarter 2004 increased to $11.5 million from $5.5 million during the First Quarter 2003, due to the factors discussed above.

Liquidity and Capital Resources

Debt Service/Liquidity

Our primary uses of cash are financing new store openings and providing for working capital, which principally represents the purchase of inventory. Our working capital needs follow a seasonal pattern, peaking during the second and third quarters when inventory is purchased for the back-to-school and holiday seasons. We have been able to meet our cash needs principally by using cash on hand, cash flows from operations and seasonal borrowings under our credit facilities. As of May 1, 2004, we had no long-term debt obligations or short-term borrowings.

We have a credit facility with Wells Fargo Retail Finance, LLC. The Wells Fargo Credit Facility currently provides for borrowings up to $85 million (including a sublimit for letters of credit of $80 million). The Wells Fargo Credit Facility also contains provisions to allow us to increase borrowings up to $120 million (including a sublimit for letters of credit of $100 million), subject to sufficient collateralization and the syndication of the incremental line of borrowing. The amount that may be borrowed under the Wells Fargo Credit Facility depends on our levels of inventory and accounts receivable. Amounts outstanding under the facility bear interest at a floating rate equal to the prime rate or, at our option, a LIBOR rate plus a pre-determined spread. The LIBOR spread is 1.50% to 3.00%, depending on our level of availability from time to time. The Wells Fargo Credit Facility contains covenants, which include, limitations on our annual capital expenditures, maintenance of certain levels of excess collateral and a prohibition on the payment of dividends. Credit extended under the Wells Fargo Credit Facility is secured by a first priority security interest in all our assets, except for our assets in Canada. We were in compliance with all of the covenants under the Wells Fargo Credit Facility as of May 1, 2004. Noncompliance with these covenants could result in additional fees, could affect our ability to borrow or could require us to repay the outstanding balance.

As of May 1, 2004, we had no borrowings under our Wells Fargo Credit Facility and had outstanding letters of credit of $56.1 million. Availability under the Wells Fargo Credit Facility was $28.9 million. The maximum outstanding letter of credit usage under our working capital facility during the thirteen weeks ended May 1, 2004 was $56.1 million.

To support our Canadian operations, we have a $7.3 million facility with Toronto Dominion Bank, which, as of May 1, 2004, was collateralized by a standby letter of credit obtained under the Wells Fargo Credit Facility to permit up to $1.8 million in borrowings. As of May 1, 2004, we had no borrowings under our Canadian facility and had no outstanding letters of credit. During the thirteen weeks ended May 1, 2004, we did not utilize our Canadian credit facility.

Cash Flows/Capital Expenditures

During the thirteen weeks ended May 1, 2004 and the thirteen weeks ended May 3, 2003, operating activities provided $19.3 million and $20.5 million in cash flow, respectively. During the thirteen weeks ended May 1, 2004, cash flows provided by operating activities decreased primarily as a result of higher tax payments, partially offset by higher earnings. During the First Quarter 2004, we strategically accelerated the receipt of our merchandise and correspondingly increased our inventory levels. We believe this strategy will provide us with greater flexibility in reacting to sales trends and shifts in the calendar by enabling us to accelerate the timing of our floorsets of new season merchandise. Our higher investment in inventory was primarily offset by a corresponding increase in our accounts payable.

Cash flows used in investing activities were $10.9 million and $10.3 million in the thirteen weeks ended May 1, 2004 and the thirteen weeks ended May 3, 2003, respectively. During the thirteen weeks ended May 1, 2004 and the thirteen weeks ended May 3, 2003, we opened 10 stores and 19 stores, respectively. In addition, we completed the remodeling of three stores in each thirteen week period. The increase in cash flows used in investing activities reflects increased expenditures for information systems initiatives and our new Canadian distribution center, partially offset by lower new store expenditures reflecting fewer store openings during the thirteen weeks ended May 1, 2004. Capital expenditures also include ongoing store, office and distribution equipment needs. We anticipate that total capital expenditures for our business during fiscal 2004 will be approximately $40 million.

In October 2003, we entered into a 10 year lease, with two five-year renewal option periods, for an approximately 95,000 square foot distribution center in Mississauga, Ontario to replace our previous Canadian distribution center, which was about 30,000 square feet. The new facility was built by the landlord of our previous facility, who agreed to release us from our obligations under the previous lease. The new facility opened in May 2004. Annual rent for this facility approximates $0.4 million.

Cash flows provided by financing activities were $1.8 million during the thirteen weeks ended May 1, 2004 as compared to $0.5 million provided by financing activities in the thirteen weeks ended May 3, 2003. During the thirteen weeks ended May 1, 2004, cash flows provided by financing activities reflected funds received from the exercise of employee stock options and employee stock purchases. During the thirteen weeks ended May 3, 2003, cash flow provided by financing activities reflected funds received from borrowings under the Toronto Dominion Credit Facility and the exercise of employee stock options and employee stock purchases, partially offset by cash used for deferred financing fees.

During the thirteen weeks ended May 1, 2004, we opened 10 stores and closed one store. During fiscal 2004, we plan to open approximately 70 stores and plan to remodel approximately 10 stores. We believe that cash on hand, cash generated from operations and funds available under our credit facilities will be sufficient to fund our capital and other cash flow requirements for at least the next 12 months for our existing business. Our ability to meet our capital requirements will depend on our ability to generate cash from operations. In addition, we will consider additional sources of financing to fund our long-term growth.

On June 3, 2004, we confirmed that we are engaged in discussions with The Walt Disney Company to acquire and operate under a long-term license arrangement The Disney Store retail chain in the United States and Canada. The above discussion of liquidity and capital resources does not take into account any potential acquisition.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

In the normal course of business, our financial position and results of operations are routinely subject to market risk associated with interest rate movements on borrowings and investments and currency rate movements on non-U.S. dollar denominated assets, liabilities and income. We utilize cash from operations and short-term borrowings to fund our working capital and investment needs.

Cash balances are normally invested in short-term financial instruments. Because of the short-term nature of these investments, changes in interest rates would not materially affect the fair value of these financial instruments.

Our $85 million Wells Fargo Credit Facility provides a source of financing for our working capital requirements. Borrowings under this facility bear interest at a floating rate equal to the prime rate or, at the Company's option, a LIBOR Rate plus a pre-determined spread. As of May 1, 2004, we had no borrowings outstanding under this credit facility.

Assets and liabilities outside the United States are primarily located in Canada. Our investment in foreign subsidiaries with a functional currency other than the U.S. dollar, are generally considered long-term. We do not generally hedge these net investments.

We are not a party to any derivative financial instruments.

Item 4. Controls and Procedures

(a) Disclosure controls and procedures. As of the end of the Company's most recently completed fiscal quarter covered by this report, the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures are effective in ensuring that information required by the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Changes in internal controls over financial reporting. There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's most recently completed fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

The Company is involved in various legal proceedings arising in the normal course of its business. In the opinion of management, any ultimate liability arising out of such proceedings will not have a material adverse effect on the Company's financial position or results of operations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description of Document

10.1	Amended and Restated Employment Agreement dated as of January 22, 2004 between the Company and Neal Goldberg.
31	Section 302 Certifications
32	Section 906 Certifications

(b) Reports on Form 8-K

Fourth Quarter 2003 Sales Press Release, dated February 5, 2004.
Fourth Quarter 2003 Earnings Press Release, dated February 26, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CHILDREN'S PLACE
RETAIL STORES, INC.

Date: June 7, 2004

By: /s/ Ezra Dabah
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: June 7, 2004

By: /s/ Seth L. Udasin
Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 10.1

AMENDED AND RESTATED EMPLOYMENT AGREEMENT DATED

AS OF JANUARY 22, 2004 BETWEEN THE COMPANY AND NEAL GOLDBERG

<u>AMENDED AND RESTATED EMPLOYMENT AGREEMENT</u>

AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated as of January 22, 2004 between Neal Goldberg ("Executive") and THE CHILDREN'S PLACE RETAIL STORES, INC., a Delaware corporation ("Employer").

WHEREAS, Employer and Executive entered into a certain Employment Agreement dated January 22, 2004 ("Employment Agreement"); and

WHEREAS, this Amended and Restated Employment Agreement replaces and supersedes the Employment Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties agree as follows:

SECTION 1

<u>EMPLOYMENT OF EXECUTIVE</u>

1.01. Employer hereby agrees to employ Executive and Executive hereby agrees to be and remain in the employ of Employer upon the terms and conditions hereinafter set forth.

SECTION 2

<u>EMPLOYMENT PERIOD</u>

2.01. The terms of Executive's employment under this Agreement (the "Employment Period") shall commence on January 22, 2004 (the "Commencement Date") and shall continue unless terminated in accordance with the provisions of Section 5.

SECTION 3

<u>DUTIES</u>

3.01. <u>Generally.</u> During the Employment Period, Executive (i) shall be employed as President of Employer, (ii) shall serve as a member of the Executive Management Committee of Employer, (iii) shall devote all of his business time and attention to the business and affairs of Employer and other enterprises controlled by, or under common control with, Employer (collectively, "Company"), and (iv) shall use his best efforts, skills and abilities in the diligent and faithful performance of his duties and responsibilities hereunder. Notwithstanding the

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foregoing, Executive shall have the right to (i) engage in personal investment activities for himself and his family and (ii) engage in charitable and civic activities, provided the outside activities set forth in (i) and (ii) hereof do not interfere with Executive's performance of his duties and responsibilities hereunder. In no event shall Executive serve as an officer or director of any other business corporation or as a general partner of any partnership except with the prior written approval of the Chief Executive Officer of Employer.

3.02. <u>Reporting.</u> Executive shall report directly to the Chief Executive Officer of Employer. During the Employment Period, Executive will be subject to all of the written policies, rules and regulations of which Executive is given notice applicable to senior executives of Employer and will comply with all directions and instructions of the Chairman of the Board and the Chief Executive Officer.

SECTION 4

<u>COMPENSATION</u>

4.01. <u>Compensation, Generally.</u> For all services rendered and required to be rendered by Executive under this Agreement, Employer shall pay to Executive during and with respect to the Employment Period, and Executive agrees to accept (in full payment), Base Salary and Performance Bonus, all as more fully described on Exhibit A (collectively, the "Compensation").

4.02 <u>Other Benefits.</u> During the Employment Period, Executive shall be eligible to receive such benefits that the Employer generally makes available to Employer's senior executives from time to time (other than those benefits provided under or pursuant to separately negotiated individual employment agreements or arrangements). Executive's Base Salary shall constitute the compensation on the basis of which the amount of Executive's benefits under any such plan or program shall be fixed and determined.

4.03 <u>Expense Reimbursement.</u> Employer shall reimburse Executive for all business expenses reasonably incurred by him in the performance of his duties under this Agreement upon his presentation, not less frequently than monthly, of signed, itemized accounts of such expenditures all in accordance with Employer's procedures and policies as adopted and in effect from time to time and applicable to its senior executives.

4.04 Vacations. Executive shall be entitled to three weeks vacation with additional vacation as approved by the Chief Executive Officer, each twelve-month period worked, which vacation will accrue ratably over the course of such twelve-month period, which shall be taken at such time or times as may be approved by the Chief Executive Officer and shall not unreasonably interfere with Executive's performance of his duties under this Agreement.

4.05 Options.

(i) On the Commencement Date, Executive shall be granted stock options to purchase 250,000 shares of Common Stock of the Company at an exercise price equal to the Fair Market Value (as that term is defined in the Company's current stock option plan) of the Company's common stock as of the close of business on the Commencement Date (the "Initial Stock Option") and pursuant to the vesting schedule set forth in this Section 4.05(i). Subject to Section 6.02, Executive shall vest in the Initial Stock Option granted herein in accordance with the following schedule: 50,000 shares on January 31, 2005 and 50,000 shares on each of the next four anniversaries thereof.

(ii) On January 3, 2005, Executive shall be granted stock options to purchase 50,000 shares of Common Stock of the Company at an exercise price equal to the Fair Market Value (as that term is defined in the Company's current stock option plan) of the Company's common stock as of January 3, 2005 (the "Additional Stock Option") and pursuant to the vesting schedule set forth in this Section 4.05(ii). Subject to Section 6.02, Executive shall vest in the Additional Stock Option granted herein in accordance with the following schedule: 10,000 shares on January 31, 2005 and 10,000 shares on each of the next four anniversaries thereof.

SECTION 5

TERMINATION OF EMPLOYMENT PERIOD

5.01. Termination Without Cause. At any time during the Employment Period, by notice to the other, Employer or Executive may terminate Executive's employment under this Agreement without cause. Such notice shall specify the effective date of termination, which in the case of termination by Executive, shall not be less than 30 days after the date of such notice.

5.02. By Employer: Cause. At any time during the Employment Period, by notice to Executive, Employer may terminate Executive's employment under this Agreement "for Cause," effective immediately. Such notice shall specify the cause for termination. For the purposes of this Section 5.02, "for Cause" means:

(i) a breach by Executive of any of the material provisions of this Agreement that Executive fails to remedy or cease within ten (10) business days after notice thereof to Executive; or

(ii) any conduct, action or behavior by Executive that has or may reasonably be expected to have a material adverse effect on the reputation or interests of the Company or Executive; or

(iii) the commission by Executive of an act involving moral turpitude, dishonesty or fraud, or the engagement in any other willful or intentional misconduct, whether or not in connection with Executive's employment hereunder; or

(iv) Executive shall have committed an act constituting a felony under the laws of the United States or any state or political subdivision thereof.

5.03. Disability. If during the Employment Period, Executive becomes incapable of fulfilling his obligations hereunder because of injury or physical or mental illness, and such incapacity exists for a period of at least 120 consecutive days or for shorter periods aggregating at least 180 days during any period of twelve consecutive months ("Disability"), Employer may, upon at least fifteen days' prior written notice to Executive, but in no event shall the termination date be prior to January 3, 2005, terminate Executive's employment under this Agreement. The Disability of Executive shall be determined by an independent physician acceptable to both Employer and Executive or his representative.

SECTION 6

TERMINATION COMPENSATION

6.01. Entitlement to Payment Upon Termination Without Cause. Subject to the provisions of Sections 6.02 and 9.08, if Executive's employment hereunder is terminated by Employer pursuant to Section 5.01, Executive terminates his employment with Employer pursuant to Section 5.01 for "Good Reason," or Executive's employment is terminated for any reason following a Change of Control as defined in Section 8, Executive shall be entitled to continuation of his Base Salary for a period of one (1) year following such termination, subject to execution of a

separation agreement and general release (the terms of which shall be consistent with this Agreement) in a form reasonably satisfactory to Employer. The amount to be paid pursuant to this Section 6.01 is referred to as the "Termination Compensation" and the period for which such compensation is to be paid is referred to as the "Relevant Period". For purposes of this Section 6.01, "Good Reason" shall mean: (1) a relocation of Employer's headquarters outside the New York City metropolitan area; (2) a demotion of Executive's position, a material, adverse change in Executive's duties and responsibilities, or an adverse change in Executive's reporting as set forth in Paragraph 3.02; (3) Employer's failure to pay any amount or benefits when due, which failure is not cured within ten (10) business days after notice to Employer; (4) Employer's material breach of this Agreement which breach is not cured within ten (10) business days after notice to Employer; or (5) Ezra Dabah no longer holds the position of Chief Executive Officer of Employer. Such Termination Compensation shall be paid to Executive in equal consecutive monthly installments during the Relevant Period, with the first such installment paid on the first day of the month next following the effective date of termination of Executive's employment hereunder.

6.02. Stock Options Upon Termination. In the event Executive's employment hereunder is terminated by Employer pursuant to Section 5.01 or Executive terminates his employment with Employer pursuant to Section 5.01 for "Good Reason" prior to January 3, 2005, (i) 60,000 stock options scheduled to vest pursuant to Section 4.05(i), which number of shares shall be prorated based on the date of termination of Executive's employment, shall vest immediately, and (ii) Executive shall have a period of three months during which any vested options held by Executive may be exercised (at the conclusion of which period any unexercised options shall permanently expire). In the event Executive's employment hereunder is terminated by Employer pursuant to Section 5.01 or Executive terminates his employment with Employer pursuant to Section 5.01 for "Good Reason" on or after January 3, 2005 (i) the stock options scheduled to vest pursuant to Section 4.05(i) and 4.05(ii) on the next anniversary date following the date of termination of Executive's employment, which number of shares shall be prorated based on the date of termination of Executive's employment, shall immediately vest, and (ii) Executive shall have a period of three months during which any vested options held by Executive may be exercised (at the conclusion of which period any unexercised options shall permanently expire). In the event that Executive's employment is terminated by Employer pursuant to Section 5.02 or Executive voluntarily terminates his employment for any reason other than "Good

Reason", (i) all stock options previously granted to Executive that have not yet vested shall be forfeited, and (ii) Executive shall have a period of three months during which any vested options held by Executive may be exercised (at the conclusion of which period any unexercised options shall permanently expire). In the event that Executive's employment is terminated by Employer or Executive for any reason following a Change in Control as defined in Section 8, (i) all stock options previously granted to Executive that have not yet vested shall vest immediately; and (ii) Executive shall have a period of three months during which any vested options held by Executive may be exercised (at the conclusion of which period any unexercised options shall permanently expire). In the event that Executive's employment is terminated by Employer by reason of Disability pursuant to Section 5.03, or if Executive dies, (i) all stock options previously granted to Executive that have not yet vested shall vest immediately, and (ii) Executive (or his estate or personal representative) shall have a period of twelve months during which any vested options held by Executive may be exercised (at the conclusion of which period any unexercised options shall permanently expire).

6.03. No Other Termination Compensation. Executive shall not be entitled to any benefit or compensation following termination of his employment hereunder, except as set forth in this Section 6 and Section 8.01, if applicable.

SECTION 7

LOCATION OF EXECUTIVE'S ACTIVITIES

7.01. Principal Place of Business. Executive's principal place of business in the performance of his duties and obligations under this Agreement shall be in the New York metropolitan area, which includes Secaucus, New Jersey. For so long as Employer's headquarters are located in the New York City metropolitan area, Executive's principal place of business shall be located at such headquarters.

7.02. Travel. Notwithstanding the provisions of Section 7.01, Executive will engage in such travel and spend time in other places as may be necessary or appropriate in furtherance of his duties hereunder.

SECTION 8

CHANGE IN CONTROL

8.01. Effect of Change in Control. If a Change in Control (as hereinafter defined) shall occur and if Executive is terminated by Employer or Executive for any reason, all outstanding stock options under the stock option plan shall immediately vest and Executive shall be entitled to all the payments in Section 6.01.

As used in this Agreement, "Change in Control" means the occurrence during the Term of any of the following events:

(i) The sale to any purchaser of (A) all or substantially all of the assets of the Employer or (B) capital stock representing more than 50% of the stock of the Employer entitled to vote generally in the election of directors of the Employer; or

(ii) The merger or consolidation of the Employer with another corporation if, immediately after such merger or consolidation, less than a majority of the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors of the surviving or resulting corporation in such merger or consolidation is held, directly or indirectly, in the aggregate by the holders immediately prior to such transaction of the outstanding securities of the Employer; or

(iii) There is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report or item therein), each promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d) (2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 50% or more of the combined voting power of the voting stock of Employer; or

(iv) Employer files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form, or report or item therein) that a change in control of Employer has occurred or will occur in the future pursuant to any then existing contract or transaction.

SECTION 9

EXCLUSIVITY OF SERVICES, CONFIDENTIAL INFORMATION AND RESTRICTIVE COVENANTS

9.01. Exclusivity of Services; Use of Name. During the Employment Period and continuing through the first anniversary of the date in which Executive ceases to be an employee of the Company (the "Covenant Period"), Executive will not:

(i) Promote, participate or engage in any business on behalf of any Direct Competitor of the Company, whether Executive is acting as owner, partner, stockholder, employee, broker, agent, principal, trustee, corporate officer, director, consultant or in any other capacity whatsoever; provided, however, that this will not prevent Executive from holding for investment up to 1% of any class of stock or other securities quoted or dealt in on a recognized stock exchange or on Nasdaq. For purposes of this Section, a Direct Competitor of the Company means (A) any division of The Gap, Inc. or any Person under common control with The Gap, Inc. that is engaged in the retail sale of children's apparel, (B) any division of The Limited, Inc. or any Person under common control with The Limited, Inc. that is engaged in the retail sale of children's apparel, (C) Gymboree or Kids R Us or any Person under common control with Gymboree or Kids R Us, as the case may be, or (D) any other Person engaged in the retail sale of children's apparel.

(ii) Directly or indirectly employ (other than on behalf of the Company), solicit or entice away any director, officer or employee of the Company or any of its subsidiaries; or

(iii) Take any action to interfere, directly or indirectly, with the goodwill of the Company or any of its subsidiaries, or induce or attempt to induce any Person doing business with the Company to cease doing business with the Company; or

(iv) Use the name of the Company or its subsidiaries in the conduct of any business activities (except in furtherance of the Company's business) or for Executive's personal use without the prior written consent of the Company.

9.02. Confidential and Proprietary Information; Work Product; Warranty.

a. Confidentiality. Executive acknowledges and agrees that there are certain trade secrets and confidential and proprietary information (collectively, "Confidential Information") which have been developed by the Company and which are used by the Company in its business. Confidential Information shall include, without limitation: (i) customer lists and supplier lists; (ii) the details of the Company's relationships with its customers, including the financial relationship with a customer; (iii) the Company's marketing and development plans, business plans; and (iv) other information proprietary to the Company's business. Executive shall not, at any time during or after his employment hereunder, use or disclose such Confidential Information, except to authorized representatives of the Company or as required in the performance of his duties and responsibilities hereunder. Executive shall return all Company property, such as computers, software and cell phones, and documents (and any copies including in machine or human-readable form), to the Company when his employment terminates. Executive shall not be required to keep confidential any information, which is or becomes publicly available or is already in his possession (unless obtained from the Company). Further, Executive shall be free to use and employ his general skills, know-how and expertise, and to use, disclose and employ any generalized ideas, concepts, know-how, methods, techniques or skills, including those gained or learned during the course of the performance of any services hereunder, so long as he applies such information without disclosure or use of any Confidential Information. Executive hereby acknowledges that his employment under this Agreement does not conflict with, or breach any existing confidentiality, non-competition or other agreement to which Executive is a party or to which he may be subject.

b. Work Product. Executive agrees that all copyrights, patents, trade secrets or other intellectual property rights associated with any ideas, concepts, techniques, inventions, processes, or works of authorship developed or created by him during his employment by the Company and for a period of 6 months thereafter, that (i) relate, whether directly or indirectly, to the Company's actual or anticipated business, research or development or (ii) are derived from any work performed by Executive on the Company's behalf, shall, to the extent possible, be considered works made for hire within the meaning of the Copyright Act (17 U.S.C. § 101 et. seq.) (the "Work Product"). All Work Product shall be and remain the property of the Company. To the extent that any such Work Product may not, under applicable law, be considered works made for hire, Executive hereby grants, transfers, assigns, conveys and relinquishes, and agrees to grant, transfer, assign, convey and relinquish from time to time, on

an exclusive basis, all of his right, title and interest in and to the Work Product to the Company in perpetuity or for the longest period otherwise permitted by law. Consistent with his recognition of the Company's absolute ownership of all Work Product, Executive agrees that he shall (i) not use any Work Product for the benefit of any party other than the Company and (ii) perform such acts and execute such documents and instruments as the Company may now or hereafter deem reasonably necessary or desirable to evidence the transfer of absolute ownership of all Work Product to the Company; provided, however, if following ten (10) business days' written notice from the Company, Executive refuses, or is unable, due to disability, incapacity, or death, to execute such documents relating to the Work Product, he hereby appoints any of the Company's officers as his attorney-in-fact to execute such documents on his behalf. This agency is coupled with an interest and is irrevocable without the Company's prior written consent.

c. Warranty. Executive represents and warrants to the Company that (i) there are no claims that would adversely affect his ability to assign all right, title and interest in and to the Work Product to the Company; (ii) the Work Product does not violate any patent, copyright or other proprietary right of any third party; (iii) Executive has the legal right to grant the Company the assignment of his interest in the Work Product as set forth in this Agreement; and (iv) he has not brought and will not bring to his employment hereunder, or use in connection with such employment, any trade secret, confidential or proprietary information of another, or computer software, except for software that he has a right to use for the purpose for which it shall be used, in his employment hereunder.

9.03. Injunctive Relief. Executive acknowledges that a breach or threatened breach of any of the terms set forth in this Section 9 shall result in an irreparable and continuing harm to the Company for which there shall be no adequate remedy at law. The Company shall, without posting a bond, be entitled to obtain injunctive and other equitable relief, in addition to any other remedies available to the Company.

9.04. Essential and Independent Agreements. It is understood by the parties hereto that Executive's obligations and the restrictions and remedies set forth in this Section 9 are essential elements of this Agreement and that but for his agreement to comply with and/or agree to such obligations, restrictions and remedies, the Company would not have entered into this Agreement or employed him. Executive's obligations and the restrictions and remedies set forth in this Section 9 are independent agreements and the existence of any claim or claims by him against the Company under this Agreement or otherwise will not excuse his breach of any of his obligations or affect the restrictions and remedies set forth under this Section 9.

9.05. Survival of Terms; Representations. Obligations under this Section 9 hereof shall remain in full force and effect notwithstanding the termination of Executive's employment. Executive acknowledges that he is sophisticated in business, and that the restrictions and remedies set forth in this Section 9 do not create an undue hardship on him and will not prevent him from earning a livelihood. He further acknowledges that he has had a sufficient period of time within which to review this Agreement, including this Section 9, with an attorney of his choice and he has done so to the extent he desired. Executive and the Company agree that the restrictions and remedies contained in this Section 9 are reasonable and necessary to protect the Company's legitimate business interests regardless of the reason for or circumstances giving rise to such termination and that he and the Company intend that such restrictions and remedies shall be enforceable to the fullest extent permissible by law. Executive agrees that given the scope of the Company's business and the sophistication of the information highway, any further geographic limitation on such remedies and restrictions would deny the Company the protection to which it is entitled hereunder. If it shall be found by a court of competent jurisdiction that any such restriction or remedy is unenforceable but would be enforceable if some part thereof were deleted or modified, then such restriction or remedy shall apply with such modification as shall be necessary to make it enforceable to the fullest extent permissible under law.

9.06. Mutually Non-Disparagement. Neither Executive nor senior executives of Employer will make or authorize any public statement disparaging the other in its or his business interests and affairs. Notwithstanding the foregoing, neither party shall be (i) required to make any statement that it or he believes to be false or inaccurate, or (ii) restricted in connection with any litigation, arbitration or similar proceeding or with respect to its response to any legal process.

9.07. Other Duties of Employee During and After Employment Period. Both during and after the Employment Period, Executive shall, upon reasonable notice, furnish such information as may be in his possession

to, and cooperate with, the Company as may reasonably be requested by the Company in connection with any litigation in which the Company is or may be a party.

9.08. Breaches of Provisions. If Executive breaches any of the provisions of this Section 9 then, and in any such event, in addition to other remedies available to Employer, Executive shall not be entitled to any Termination Compensation, including any Termination Compensation made to him hereunder prior to Employer's discovery of such breach.

SECTION 10

MISCELLANEOUS

10.01. Notices. Any notice, consent, or authorization required or permitted to be given pursuant to this Agreement shall be in writing and sent to the party for or to whom intended, at the address of such party set forth below, by certified mail, postage paid, or at such other address as either party shall designate by notice given to the other in the manner provided herein.

If to Employer:

Attention: Steven Balasiano, Esq.
Vice President & General Counsel
The Children's Place Retail Stores, Inc.
915 Secaucus Road
Secaucus, NJ 07094

With Copies to:

Ezra Dabah
Chairman/Chief Executive Officer
The Children's Place Retail Stores, Inc.
915 Secaucus Road
Secaucus, NJ 07094

If to Executive:

Neal Goldberg
The Children's Place Retail Stores, Inc.
915 Secaucus Road
Secaucus, NJ 07094

With Copies to:

Hollis Gonerka Bart, Esq.
McGuire Woods LLP
65 E. 55th Street
New York, NY 10022

10.02. Taxes. Employer is authorized to withhold from payments made hereunder to Executive such amounts for income tax, social security, unemployment compensation and other judgment of Employer to comply with applicable laws and regulations.

10.03. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to agreements made and to be performed therein.

10.04. Headings. All descriptive headings in this Agreement are inserted for convenience only and shall be disregarded in construing or applying any provision of this Agreement. Should any provision of this Agreement require judicial interpretation, the court interpreting or construing the same shall not construe the provision against any party by reason of the rule of interpretation that a document is to be construed more strictly against the party who prepared the same.

10.05. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement by the other party must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach by such other party.

10.06. Assignment. This Agreement is personal in its nature and the parties shall not, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that

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Employer may assign this Agreement to any of its affiliates or in connection with the reorganization, merger or sale of Employer or the sale of substantially all the assets of Employer, and the provisions of this Agreement shall inure to the benefit of, and be binding upon, each successor of Employer , whether by merger, consolidation, transfer of all or substantially all of its assets, or otherwise.

10.07. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

10.08. Severability. If any provision of this Agreement or part thereof, is held to be unenforceable, the remainder of such provisions of this Agreement, as the case may be, shall nevertheless remain in full force and effect.

10.09. Entire Agreement and Integration. This Agreement contains the entire agreement and understanding between Employer and Executive with respect to the subject matter hereof. Such agreement supersedes any prior agreement between the parties relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

THE CHILDREN’S PLACE RETAIL STORES, INC.

By: /s/ Ezra Dabah
EZRA DABAH

By: /s/ Neal Goldberg
NEAL GOLDBERG

Exhibit A

COMPENSATION

1. **Base Salary:** At the initial rate of $625,000 per year, payable in equal installments not less frequently than monthly during each year of the Employment Period. Base Salary shall be subject to annual review by the Compensation Committee.

2. **Performance Bonus:** Following each Bonus Period (as defined below), Executive shall be entitled to receive a Performance Bonus based upon the Operating Income of Employer during such Bonus Period. The Performance Bonus for each such Period will be payable within 90 days after the end of such period. The amount of the Performance Bonus for each Bonus Period will be equal to a product equal to (a) Executive’s semi-annual Base Salary, times (b) 50%, times (c) the Bonus Percentage (as hereinafter defined). The following provisions shall apply to determinations relating to Performance Bonus.

“Bonus Percentage” shall mean, for each Bonus Period, a percentage for such period that is determined based upon Operating Income in accordance with a schedule adopted by the Board for all senior executives prior to commencement of such period or as soon thereafter as possible, except that the Bonus percentage shall be not more than 200% for any Bonus Period.

“Bonus Period” shall mean each of the two periods of approximately six months duration within each fiscal year of the Employer, one beginning on the first day of the fiscal year and ending on this Saturday on or nearest (whether following or preceding) July 31, of the calendar year in which it commenced, and the other beginning on the Sunday following such Saturday and ending on the last day of such fiscal year.

“Operating Income” shall mean, for each Bonus Period, the operating income of Employer for such period as determined in accordance with generally accepted accounting principles. The amount of Operating Income shall be determined by the Compensation Committee, with respect to the Bonus Period ending on approximately July 31st and January 31st of each year.

3. **<u>Guaranteed Performance Bonus</u>:** Executive shall be entitled to a minimum Performance Bonus of $156,250 during the Bonus Period ending on July 31, 2004.

SECTION 302 CERTIFICATIONS

CERTIFICATIONS

I, Ezra Dabah, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Children's Place Retail Stores, 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 officers 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)) 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) 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

(c) 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 officers 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 equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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.

Date: June 7, 2004

By: /s/ Ezra Dabah
Chairman of the Board and
Chief Executive Officer

CERTIFICATIONS

I, Seth L. Udasin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Children's Place Retail Stores, 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 officers 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)) 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) 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

(c) 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 officers 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 equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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.

Date: June 7, 2004

By: /s/ Seth L. Udasin
Vice President and
Chief Financial Officer

SECTION 902 CERTIFICATIONS

CERTIFICATIONS

I, Ezra Dabah, Chairman and Chief Executive Officer of The Children’s Place Retail Stores, Inc. (the “Company”), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The quarterly report of the Company on Form 10-Q for the period ended May 1, 2004 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 such quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 7th day of June, 2004.

By: /s/ Ezra Dabah
Chairman of the Board and
Chief Executive Officer

I, Seth L. Udasin, Vice President and Chief Financial Officer of The Children’s Place Retail Stores, Inc. (the “Company”), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The quarterly report of the Company on Form 10-Q for the period ended May 1, 2004 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 such quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 7th day of June, 2004.

By: /s/ Seth L. Udasin
Vice President and
Chief Financial Officer