

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 November 1, 1997

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
(State or other jurisdiction of
incorporation or organization)

31-1241495
(I. R. S. employer identification
number)

One Dodge Drive
West Caldwell, New Jersey 07006
(Address of Principal Executive Offices) (Zip Code)

(973) 227-8900
(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 /X/

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 December
1, 1997: 24,622,103 shares

THE CHILDREN'S PLACE RETAIL STORES, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE PERIOD ENDED NOVEMBER 1, 1997

TABLE OF CONTENTS

Part I - Financial Information

Item 1.	Financial Statements:	Page

	Balance Sheets.....	1
	Statements of Income.....	2
	Statements of Cash Flows.....	3
	Notes to Financial Statements.....	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Item 3.	Quantitative and Qualitative Disclosures about Market Risk.....	10

Part II - Other Information

Item 1.	Legal Proceedings.....	11
Item 2.	Changes in Securities and Use of Proceeds.....	11
Item 6.	Exhibits and Reports on Form 8-K.....	12
	Signatures.....	13

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

THE CHILDREN'S PLACE RETAIL STORES, INC.
BALANCE SHEETS

(Dollars in thousands, except per share amounts)

	November 1, 1997 (unaudited)	February 1, 1997
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 789	\$ 3,422
Accounts receivable	2,225	890
Inventories	26,965	14,425
Prepaid expenses and other current assets	4,431	3,163
Deferred income taxes, net of valuation allowance	5,788	5,788
	-----	-----
Total current assets	40,198	27,688
Property and equipment, net	31,425	20,299
Deferred income taxes, net of valuation allowance	14,473	14,711
Other assets	525	1,781
	-----	-----
Total assets	\$ 86,621	\$ 64,479
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Revolving credit facility	\$ 9,782	\$ 0
Current portion of long-term debt	0	600
Current maturities of obligations under capital leases	286	772
Accounts payable	13,239	8,322
Accrued expenses, interest and other current liabilities	7,826	6,043
	-----	-----
Total current liabilities	31,133	15,737
Long-term debt	0	19,040
Obligations under capital leases	7	92
Other long-term liabilities	2,675	2,312
	-----	-----
Total liabilities	33,815	37,181
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, Series A, \$.10 par value	--	1,276
Common stock, Series B, \$.10 par value	--	5
Common stock, \$.10 par value	2,462	--
Additional paid-in capital	81,146	57,842
Accumulated deficit	(30,802)	(31,825)
	-----	-----
Total stockholders' equity	52,806	27,298
	-----	-----
Total liabilities and stockholders' equity	\$ 86,621	\$ 64,479
	=====	=====

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share amounts)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 1, 1997	November 2, 1996	November 1, 1997	November 2, 1996
Net sales	\$ 54,489	\$ 40,353	\$ 127,226	\$ 96,765
Cost of sales	33,081	23,377	81,998	61,678
Gross profit	21,408	16,976	45,228	35,087
Selling, general and administrative expenses	12,411	9,163	31,698	25,089
Pre-opening costs	740	461	1,962	673
Depreciation and amortization	1,601	1,005	4,216	2,859
Operating income	6,656	6,347	7,352	6,466
Interest expense, net	708	891	2,523	2,073
Other expense, net	18	1	124	378
Income before income taxes and extraordinary item .	5,930	5,455	4,705	4,015
Provision for income taxes	2,433	143	1,940	165
Income before extraordinary item	3,497	5,312	2,765	3,850
Extraordinary loss on extinguishment of debt	1,743	--	1,743	--
Net income	\$ 1,754	\$ 5,312	\$ 1,022	\$ 3,850
Pro forma income per common share: Pro forma income per common share before extraordinary item	\$ 0.14	\$ 0.22	\$ 0.11	\$ 0.16
Extraordinary item	(0.07)	--	(0.07)	--
Pro forma net income per common share	\$ 0.07	\$ 0.22	\$ 0.04	\$ 0.16
Pro forma weighted average common shares outstanding	24,439,310	23,804,185	24,015,894	23,804,185

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Thirty-Nine Weeks Ended	
	November 1, 1997	November 2, 1996
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,022	\$ 3,850
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,216	2,859
Extraordinary loss on extinguishment of debt ..	1,743	0
Deferred financing cost amortization	398	204
Loss on disposals of property and equipment	30	0
Deferred taxes	1,401	0
Changes in operating assets and liabilities:		
Accounts receivable	(1,335)	(292)
Inventories	(12,540)	(2,126)
Prepaid expenses and other current assets	(1,268)	(620)
Other assets	(307)	(129)
Accounts payable	4,919	(3,671)
Accrued expenses, interest and other current liabilities	1,688	1,882
Other long-term liabilities	455	0
Payment of restructuring charges	0	(214)
	-----	-----
Total adjustments	(600)	(2,107)
	-----	-----
Net cash provided by operating activities	422	1,743
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(15,316)	(6,397)
	-----	-----
Net cash used in investing activities	(15,316)	(6,397)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from sale of Common Stock	50,730	0
Repurchase of Noteholder and Legg Mason Warrants	(25,757)	0
Borrowings under revolving credit facility	141,642	92,684
Repayments under revolving credit facility	(131,860)	(100,517)
Repayment of long-term debt	(21,360)	(12,671)
Proceeds from issuance of long-term debt	0	20,000
Payment of obligations under capital leases	(571)	(510)
Return of funds toward common stock subscription	(488)	0
Redemption of Series A Common Stock	0	(11,845)
Net proceeds from sale of Series B Common Stock	0	18,763
Exercise of stock options	0	173
Deferred financing costs	(75)	(1,334)
	-----	-----
Net cash provided by financing activities	12,261	4,743
	-----	-----
Net increase (decrease) in cash and cash equivalents	(2,633)	89
Cash and cash equivalents, beginning of period ...	3,422	569
	-----	-----
Cash and cash equivalents, end of period	\$ 789	\$ 658
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Interest paid	\$ 2,149	\$ 1,632
Income taxes paid	538	70

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Certain information and footnote disclosures required by generally accepted accounting principles 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 February 1, 1997. These financial statements should be read in conjunction with the audited financial statements and footnotes for the fiscal year ended February 1, 1997 included in the Company's registration statement on Form S-1 (No 333-31535) as filed with the Securities and Exchange Commission and in its prospectus dated September 18, 1997 (the "Prospectus"). Due to the seasonal nature of the Company's business, the results of operations for the thirteen and thirty-nine weeks ended November 1, 1997 are not necessarily indicative of operating results for a full fiscal year.

2. INITIAL PUBLIC OFFERING

On September 18, 1997, the Company sold 4,000,000 shares of Common Stock at \$14.00 per share in an initial public offering (the "Offering"). The Company used the net proceeds of \$50.7 million, after deducting the underwriters' discount of \$3.9 million and estimated transaction expenses of \$1.4 million from this Offering, to (i) pay the principal amount of, and accrued interest on, its Senior Subordinated Notes (the "Senior Subordinated Notes") held by Nomura Holding America Inc. (the "Noteholder") in the total amount of \$20.6 million, (ii) repurchase a warrant held by the Noteholder (the "Noteholder Warrant") for \$20.6 million, (iii) repurchase two-thirds of a warrant held by Legg Mason Wood Walker Inc. (the "Legg Mason Warrant") for \$5.2 million, and (iv) reduce borrowings outstanding under the Company's revolving credit facility ("the Foothill Credit Facility") with the remainder of the net proceeds. The Senior Subordinated Notes, the Noteholder Warrant and the Legg Mason Warrant were issued in conjunction with a 1996 private placement of the Company, as discussed in Note 3-Private Placement in the financial statements in the Prospectus. As of November 1, 1997, the Company had no long-term borrowings.

As a result of the repayment of the Senior Subordinated Notes, the Company incurred a non-cash, extraordinary charge to earnings during the third quarter of Fiscal 1997 of \$1.7 million, resulting from the write-off of unamortized deferred financing costs of \$1.4 million and unamortized debt discount of \$1.5 million, net of a \$1.2 million tax benefit. The repurchase of the Noteholder Warrant and two-thirds of the Legg Mason Warrant was accounted for as a reduction of additional paid-in capital.

The repurchase price of the Noteholder Warrant and two-thirds of the Legg Mason Warrant was equal to the initial public offering price of \$14.00 per share, less the per share underwriting discount, less the exercise price of \$2.677 per warrant, multiplied by the number of shares covered by the warrant (or portion thereof) being purchased.

Concurrently with the Offering, the Company effected a 120-for-one stock split of the Series A Common Stock (the "Stock Split"), and converted all outstanding shares of the Series B Common Stock into 7,659,889 shares of Series A Common Stock (the "Series B Conversion") and redesignated the Series A Common Stock as Common Stock (the "Reclassification"). The Company also issued 201,414 shares of Common Stock upon the exercise of one-third of the Legg Mason Warrant.

The Company also amended and restated its certificate of incorporation and bylaws in order to, among other things, (i) effect the Stock Split, the Series B Conversion, and the Reclassification, (ii) authorize 100,000,000 shares of Common Stock, \$.10 par value per share, (iii) authorize 1,000,000 shares of Preferred Stock, \$1.00 par value per share, and (iv) provide for certain anti-takeover provisions.

The Company also entered into an amended and restated stockholders' agreement with all of its existing stockholders. In addition, the Company adopted the 1997 Stock Option Plan (the "1997 Plan") and an Employee Stock Purchase Plan. See Note 6 -Stock Option Plans.

3. NET INCOME PER COMMON SHARE

For the thirteen and thirty-nine weeks ended November 2, 1996 and November 1, 1997, pro forma net income per common share is calculated by dividing net income by the pro forma weighted average common shares and common share equivalents outstanding as if (i) the Stock Split, the Series B Conversion and the Reclassification (as discussed above in Note 2-Initial Public

Offering), (ii) the 1996 private placement (as discussed in Note 3-Private Placement in the financial statements in the Prospectus), (iii) the cancellation of outstanding preferred shares which were surrendered for no consideration on June 28, 1996, and (iv) the granting of management options in conjunction with the 1996 private placement, occurred on the first day of the periods presented. Common share equivalents include the Noteholder Warrant and the Legg Mason Warrant (as discussed in Note 3-1996 Private Placement in the financial statements in the Prospectus), and management options to purchase common stock under the 1996 Plan (the "1996 Plan"), and the 1997 Plan calculated using the treasury stock method in accordance with APB Opinion No. 15, "Earnings per Share", ("APB No. 15"). Prior to the Offering, the Offering price was utilized for the treasury stock calculations due to the lack of a public market. Subsequent to the Offering, the average market price was utilized in accordance with APB No. 15. Pro forma fully diluted net income per common share is equal to the amount presented.

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings per Share." Under SFAS No. 128, the presentation of both basic and diluted earnings per share is required on the statements of income for periods ending after December 15, 1997, at which time restatement will be necessary. Had the provisions of SFAS No. 128 been in effect, the Company would have reported pro forma basic income per share before the extraordinary item of \$0.16 per share and \$0.13 per share for the thirteen and thirty-nine weeks ended November 1, 1997, respectively. The extraordinary item, representing the write-off of unamortized debt financing costs and unamortized debt discount, net of taxes, in connection with the Offering, would have represented a charge of \$0.08 per share for the thirteen and thirty-nine weeks ended November 1, 1997. For the thirteen and thirty-nine weeks ended November 1, 1997, the Company would have reported pro forma basic net income of \$0.08 per share and \$0.05 per share, respectively, had the provisions of SFAS No.128 been in effect. For the thirteen and thirty-nine weeks ended November 2, 1996, the Company would have reported pro forma basic net income of \$0.26 per share and \$0.19 per share, respectively, had the provisions of SFAS No. 128 been in effect. Under SFAS No. 128, pro forma diluted earnings per share is equal to the pro forma net income per share currently disclosed by the Company.

4. LITIGATION

Between October 17 and October 31, 1997, twelve lawsuits were filed in the United States District Court for the District of New Jersey by certain shareholders of the Company, naming the Company, its directors, certain of its officers, and certain other parties as defendants. Two additional lawsuits were filed subsequent to November 1, 1997. The complaints allege violations of federal securities laws in connection with the Company's initial public offering in September 1997, relating to alleged misrepresentations and alleged omissions in the Prospectus. Each lawsuit seeks class action status, monetary damages and other potential relief. The Company believes that the allegations made in these complaints are untrue and totally without merit and intends to defend them vigorously.

5. STOCKHOLDERS' EQUITY

The Company's preferred stock, Series A Common Stock, Series B Common Stock and the Common Stock are comprised of the following (dollars in thousands):

	November 1, 1997	February 1, 1997
	-----	-----
Preferred stock:		
Authorized number of shares	1,000,000	10,000
Issued and outstanding number of shares .	0	0
Liquidation preference	\$ 0	\$ 0
Series A Common Stock:		
Authorized number of shares	0	27,600,000
Issued and outstanding number of shares .	0	12,760,800
Series B Common Stock:		
Authorized number of shares	0	70,000
Issued and outstanding number of shares .	0	47,238
Liquidation preference	0	\$ 22,001
Common stock:		
Authorized number of shares	100,000,000	n/a
Issued and outstanding number of shares .	24,622,103	n/a
Warrants:		
Number of shares of Series A Common Stock	0	2,739,348

The Company's financial statements retroactively reflect the Stock Split. See Note 2 - Initial Public Offering for a further discussion of changes to the Company's Stockholders' Equity.

6. STOCK OPTION PLANS

Under the Company's 1996 Plan, the 299,160 options remaining available for grant were granted on September 18, 1997 in conjunction with the Company's Offering. All such options were granted at an exercise price of \$14.00 per share, the price at which the Company's Common Stock was sold in the Offering, except that 99,660 options were granted to the Company's Chief Executive Officer, who holds more than 10% of the Company's Common Stock, which were granted at an exercise price of \$15.40 per share, or 110% of the market price on the date of the grant. As of November 1, 1997, options to purchase 288,816 shares were exercisable and no options had been exercised under the 1996 Stock Option Plan.

In conjunction with the Company's Offering, on September 18, 1997, the Company issued 252,100 options to employees under the 1997 Plan to purchase shares of Common Stock at the Offering price of \$14.00 per share. No compensation expense was recognized in September 1997, since the options granted under the 1996 Plan and the 1997 Plan were at or above the market price on the date of the grant.

7. INCOME TAXES

During the thirteen and thirty-nine weeks ended November 2, 1996, the Company's tax provision of \$0.1 million and \$0.2 million, respectively, provided for the payment of federal income taxes based on the Alternative Minimum Tax ("AMT") at an effective tax rate of 2% and minimum taxes in most states due to the Company's utilization of its Net Operating Loss ("NOL") carryforwards. During the fourth quarter of Fiscal 1996, management determined, based on the Company's results of operations and projected future results, that it was more likely than not that the NOL carryforwards would be used in subsequent years to offset tax liabilities. As a result of this determination, the Company reversed its valuation allowance during the fourth quarter of Fiscal 1996 on the Company's deferred tax asset. Accordingly, the Company's net income for the thirteen and thirty-nine weeks ended November 1, 1997 reflects a tax provision, of \$2.4 million and \$1.9 million, respectively, based on effective statutory rates. Until the NOL is fully utilized or expires, this tax provision will not be paid in cash (other than to the extent of the federal AMT and state minimum taxes) but will reduce the deferred tax asset on the balance sheet.

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

The Form 10-Q contains certain 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 Prospectus. 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 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 Form 10Q and to the annual audited financial statements and notes thereto included in the Company's registration statement on Form S-1 filed with the Securities and Exchange Commission and declared effective on September 18, 1997.

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		Thirty-Nine Weeks Ended	
	November 1, 1997	November 2, 1996	November 1, 1997	November 2, 1996
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.7	57.9	64.5	63.7
Gross profit	39.3	42.1	35.5	36.3
Selling, general and administrative expenses	22.8	22.7	24.9	25.9
Pre-opening costs	1.4	1.2	1.5	.7
Depreciation and amortization	2.9	2.5	3.3	3.0
Operating income	12.2	15.7	5.8	6.7
Interest expense, net	1.3	2.2	2.0	2.1
Other expense, net	--	--	.1	.4
Income before income taxes and extraordinary item	10.9	13.5	3.7	4.2
Provision for income taxes	4.5	0.3	1.5	.2
Extraordinary item	3.2	--	1.4	--
Net income	3.2	13.2	0.8	4.0
Number of stores, end of period	151	104	151	104

Thirteen Weeks Ended November 1, 1997 Compared to the Thirteen Weeks Ended
November 2, 1996

Net sales increased by \$14.1 million, or 35%, to \$54.5 million during the thirteen weeks ended November 1, 1997 (the "Third Quarter 1997"), from \$40.4 million during the thirteen weeks ended November 2, 1996 (the "Third Quarter 1996"). Net sales for the 17 new stores opened during the Third Quarter 1997, as well as the stores opened or remodeled during fiscal 1996 and fiscal 1997 that did not qualify as comparable stores, contributed \$14.3 million of the sales increase, partially offset by the closing of one store during fiscal 1996 which contributed \$0.2 million of net sales during the Third Quarter 1996. Sales from new stores performed below management's expectations during the Third Quarter 1997. The Company's comparable store sales were flat during the Third Quarter 1997, as compared with an 8% comparable store sales increase during the Third Quarter 1996. The Company defines its comparable store sales as net sales from stores that have been open for more than 14 full months and that have not been substantially remodeled during that time. During the Third Quarter 1997, comparable store sales and new store sales were unfavorably impacted by unusually warm weather in late September and early October.

Gross profit increased by \$4.4 million to \$21.4 million during the Third Quarter 1997 from \$17.0 million during the Third

Quarter 1996. As a percentage of net sales, gross profit declined to 39.3% in the Third Quarter 1997 from 42.1% in the Third Quarter 1996. The decrease in gross profit as a percentage of net sales was principally due to higher markdowns and increased store occupancy costs, partially offset by a higher initial markup. The increased markdowns were required to clear excess inventory. The increased store occupancy costs resulted from new stores that had not been open long enough to leverage their rent through an established sales base.

Selling, general and administrative expenses increased \$3.2 million to \$12.4 million during the Third Quarter 1997 from \$9.2 million during the Third Quarter 1996, and increased slightly as a percentage of net sales to 22.8% during the Third Quarter 1997 from 22.7% during the Third Quarter 1996. The increase in selling, general and administrative expenses was primarily due to higher store payroll and other store expenses.

During the Third Quarter 1997, pre-opening costs were \$0.7 million as compared with \$0.5 million in the Third Quarter 1996, reflecting the opening of 17 new stores in the Third Quarter 1997, as compared to the nine new stores opened during the Third Quarter 1996.

Depreciation and amortization amounted to \$1.6 million in the Third Quarter 1997 as compared to \$1.0 million during the Third Quarter 1996. The increase in depreciation and amortization expense primarily was a result of the increase in stores.

Interest expense, net, for the Third Quarter 1997 was \$0.7 million, or 1.3% of net sales, as compared with \$0.9 million, or 2.2% of net sales, in the comparable prior year period. The decrease in interest expense was primarily due to the repayment of the Senior Subordinated Notes with a portion of the proceeds from the Company's initial public offering, partially offset by increased utilization of the Foothill Credit Facility.

The Company recorded income before income taxes and extraordinary item of \$5.9 million during the Third Quarter 1997 as compared with \$5.5 million in the comparable prior year period. As a percentage of net sales, the Company's income before income taxes and extraordinary item decreased to 10.9% during the Third Quarter 1997 from 13.5% during the Third Quarter 1996, due to the factors discussed above.

The Company's income tax provision for the Third Quarter 1997 was \$2.4 million, or 4.5% of net sales, as compared with an income tax provision of \$0.1 million, or 0.3% of sales, for the comparable prior year period. During the Third Quarter 1996, the Company's income tax provision provided for the payment of federal taxes based on the AMT at an effective rate of 2% and minimum taxes in most states due to the Company's utilization of its NOL carryforwards. During the fourth quarter of fiscal 1996, the Company reversed a valuation allowance on the Company's deferred tax asset on its balance sheet. Accordingly, the Company's tax provision for the Third Quarter 1997 reflects a tax provision based on effective statutory rates. Until the NOL is fully utilized or expires, this tax provision will not be paid in cash (other than to the extent of the federal AMT and state minimum taxes) but will reduce the deferred tax asset on the balance sheet.

In the Third Quarter 1997, as a result of the repayment of the Senior Subordinated Notes with a portion of the net proceeds from the Offering, the Company recorded a non-cash extraordinary item of \$1.7 million, net of taxes, that represented the write-off of unamortized deferred financing costs and unamortized debt discount.

The Company had net income of \$1.8 million and \$5.3 million for the Third Quarter 1997 and Third Quarter 1996, respectively.

Thirty-nine Weeks Ended November 1, 1997 Compared to the Thirty-nine Weeks Ended November 2, 1996

Net sales increased by \$30.4 million, or 31%, to \$127.2 million during the thirty-nine weeks ended November 1, 1997, from \$96.8 million during the comparable prior year period. Net sales for the 43 new stores opened during the thirty-nine weeks ended November 1, 1997, as well as the stores opened or remodeled during fiscal 1996 and fiscal 1997 that did not qualify as comparable stores, contributed \$29.5 million of the sales increase, partially offset by the closing of one store during 1996 which contributed \$0.4 million of net sales during the thirty-nine weeks ended November 2, 1996. During the thirty-nine weeks ended November 1, 1997, the Company's comparable store sales increased 1%, or \$1.3 million, as compared with an 8% comparable store sales increase during the comparable prior year period.

During the thirty-nine weeks ended November 1, 1997, the Company's comparable store sales increase was partially attributable to strength in the Company's big girls, legwear and newborn departments, partially offset by weaker sales in the boys' departments. In addition, during the Third Quarter 1997, comparable store sales and new store sales were unfavorably impacted by unusually warm weather in late September and early October.

Gross profit increased by \$10.1 million to \$45.2 million during the thirty-nine weeks ended November 1, 1997 from \$35.1

million during the comparable prior year period. As a percentage of net sales, gross profit declined to 35.5% in the thirty-nine weeks ended November 1, 1997 from 36.3% in the thirty-nine weeks ended November 2, 1996. The decrease in gross profit as a percentage of net sales was primarily due to higher markdowns offset by a higher initial markup. The increased markdowns were utilized to sell through excess inventory.

Selling, general and administrative expenses increased \$6.6 million to \$31.7 million during the thirty-nine weeks ended November 1, 1997 from \$25.1 million during the thirty-nine weeks ended November 2, 1996. As a percentage of net sales, selling, general and administrative expenses decreased to 24.9% during the thirty-nine weeks ended November 1, 1997 from 25.9% during the thirty-nine weeks ended November 2, 1996. The decrease in selling, general and administrative expenses as a percentage of net sales primarily resulted from corporate administrative expenses that were leveraged over an increased sales base.

During the thirty-nine weeks ended November 1, 1997, pre-opening costs were \$2.0 million as compared with \$0.7 million in the thirty-nine weeks ended November 2, 1996, reflecting the opening of 43 new stores in the thirty-nine weeks ended November 1, 1997 as compared to the 13 new stores opened during the thirty-nine weeks ended November 2, 1996.

Depreciation and amortization amounted to \$4.2 million in the thirty-nine weeks ended November 1, 1997 as compared to \$2.9 million during the thirty-nine weeks ended November 2, 1996. The increase in depreciation and amortization expense primarily was a result of the increase in stores.

Interest expense, net, for the thirty-nine weeks ended November 1, 1997, was \$2.5 million, or 2.0% of net sales, as compared with \$2.1 million, or 2.1% of net sales, in the thirty-nine weeks ended November 2, 1996. The increase in interest expense during the thirty-nine weeks ended November 1, 1997 was primarily due to interest on the Senior Subordinated Notes and the amortization of deferred financing costs of the Senior Subordinated Notes, which were only outstanding for approximately four months of the prior year period, partially offset by the elimination of interest expense on various loans repaid by the Company with proceeds from the 1996 Private Placement and lower interest under the Foothill Credit Facility during the thirty-nine weeks ended November 1, 1997. The lower interest under the Foothill Credit Facility during the thirty-nine weeks ended November 1, 1997 was attributable to lower outstanding loan balances during the first five months of fiscal 1997 and an interest rate reduction during the Third Quarter 1997 resulting from a loan amendment.

Other expense, net, for the thirty-nine weeks ended November 1, 1997 amounted to \$0.1 million, or 0.1% of net sales, as compared to \$0.4 million, or 0.4% of net sales, during the thirty-nine weeks ended November 2, 1996. During the thirty-nine weeks ended November 1, 1997, other expenses primarily consisted of an anniversary fee on the Foothill Credit Facility. During the thirty-nine weeks ended November 2, 1996, other expenses primarily comprised anniversary and credit amendment fees relating to the Foothill Credit Facility.

The Company recorded income before income taxes and extraordinary item of \$4.7 million during the thirty-nine weeks ended November 1, 1997 as compared with \$4.0 million in the thirty-nine weeks ended November 2, 1996. As a percentage of net sales, the Company's income before income taxes and extraordinary item decreased to 3.7% during the thirty-nine weeks ended November 1, 1997 from 4.2% during the thirty-nine weeks ended November 2, 1996 due to the factors discussed above.

The Company's income tax provision for the thirty-nine weeks ended November 1, 1997, was \$1.9 million, or 1.5% of net sales, as compared with an income tax provision of \$0.2 million, or 0.2% of net sales, for the comparable prior year period. During the thirty-nine weeks ended November 2, 1996, the Company's income tax provision provided for the payment of federal taxes based on the AMT at an effective rate of 2% and minimum taxes in most states due to the Company's utilization of its NOL carryforwards. During the fourth quarter of fiscal 1996, the Company reversed a valuation allowance on the Company's deferred tax asset on its balance sheet. Accordingly, the Company's tax provision for the thirty-nine weeks ended November 1, 1997 reflects a tax provision based on effective statutory rates. Until the NOL is fully utilized or expires, this tax provision will not be paid in cash (other than to the extent of the federal AMT and state minimum taxes) but will reduce the deferred tax asset on the balance sheet.

As a result of the repayment of the Senior Subordinated Notes with a portion of the net proceeds from the Offering, the Company recorded a non-cash extraordinary item of \$1.7 million, net of taxes, that represented the write-off of unamortized deferred financing costs and unamortized debt discount.

The Company had net income of \$1.0 million and \$3.9 million for the thirty-nine weeks ended November 1, 1997, and the thirty-nine weeks ended November 2, 1996, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Debt Service / Liquidity

Since February 1, 1997, the Company's primary uses of cash have been to finance new store openings, provide working capital, which primarily represents the purchase of inventory, and make required interest payments on its debt. The Company has been able to meet its cash needs, including those associated with the opening of new stores, principally by using cash flow from operations, borrowings under the Foothill Credit Facility and proceeds from the Offering.

Pursuant to its Offering on September 18, 1997, the Company received net proceeds of \$50.7 million, after deducting the underwriters' discount of \$3.9 million and estimated transaction fees of \$1.4 million. The Company used the net proceeds from the Offering to (i) pay the principal amount of, and accrued interest on, its Senior Subordinated Notes of \$20.6 million, (ii) repurchase the Noteholder Warrant for \$20.6 million, (iii) repurchase two-thirds of the Legg Mason Warrant for \$5.2 million, and (iv) reduce borrowings outstanding under the Foothill Credit Facility with the remainder of the proceeds. As of November 1, 1997, the Company had no long-term debt obligations.

As of November 1, 1997, there was \$9.8 million outstanding in borrowings and \$6.0 million in letters of credit outstanding under the Foothill Credit Facility. Availability under the Foothill Credit Facility as of November 1, 1997 was \$11.3 million and the interest rate charged under the Foothill Credit Facility was 8.5% for reference rate borrowings and 7.625% for LIBOR borrowings.

As of November 1, 1997, the Company was in compliance with all of its covenants under the Foothill Credit Facility. Management believes that compliance with these covenants will not interfere with its business and that cash flows from operations and borrowings under the Foothill Credit Facility will be sufficient to meet the Company's liquidity needs and will support the implementation of its growth strategy.

During fiscal 1998 the Company anticipates entering into a commitment with respect to a new distribution center and corporate office. The Company's lease for its current distribution center and headquarters facility is scheduled to expire in March 1999. During the Third Quarter 1997, the Company entered into a one year lease for interim warehouse space at an annual cost of approximately \$200,000.

Cash Flows / Capital Expenditures

Cash flows provided from operating activities during the thirty-nine weeks ended November 1, 1997, were \$0.4 million as compared with \$1.7 million in the comparable prior year period. The decrease in cash flow from operations in the thirty-nine weeks ended November 1, 1997 primarily resulted from an increase in inventory to support the 43 new stores opened during fiscal 1997 and an overall increase in chain wide inventory to support a higher sales plan partially offset by an increase in accounts payable.

Cash flows used in investing activities were \$15.3 million and \$6.4 million, during the thirty-nine weeks ended November 1, 1997 and the thirty-nine weeks ended November 2, 1996, respectively. Net cash used for investing activities increased as a result of capital expenditures made primarily in connection with the Company's store expansion and remodel program. In a typical new store, capital expenditures (net of landlord contribution) approximate \$0.2 million. During the thirty-nine weeks ended November 1, 1997 and the thirty-nine weeks ended November 2, 1996, the Company opened 43 and 13 stores and remodeled 7 and 5 stores, respectively. Management anticipates that capital expenditures in 1997 for 1997 new store openings and remodels as well as ongoing maintenance programs will be approximately \$16 million. In addition, management anticipates spending approximately \$1 to \$2 million in fiscal 1997 for fiscal 1998 new store openings and remodels. Management continually assesses the number of new stores openings based upon the performance of new and existing stores and the availability of suitable sites. The Company may determine to open fewer stores in fiscal 1998 than originally planned.

Cash flows provided by financing activities were \$12.3 million and \$4.7 million in the thirty-nine weeks ended November 1, 1997 and the thirty-nine weeks ended November 2, 1996, respectively. The increase in cash flows provided by financing activities reflects the Company's Offering, the repayment of the Senior Subordinated Notes and the repurchase of the Noteholder and two-thirds of the Legg Mason Warrants, offset partially by increased borrowings under the Foothill Credit Facility. Cash flows provided by financing activities during the thirty-nine weeks ended November 2, 1996 reflect the 1996 Private Placement with the SKM investors and the Noteholder. The net proceeds of the 1996 Private Placement were used to redeem certain shares of outstanding Common Stock, repay long-term debt and reduce borrowings under the Foothill Credit Facility.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Part II - Other Information

Item 1. Legal Proceedings

Between October 17 and October 31, 1997, twelve lawsuits were filed in the United States District Court for the District of New Jersey by certain shareholders of the Company, naming the Company, its directors, certain of its officers, and certain other parties as defendants. Two additional lawsuits were filed subsequent to November 1, 1997. The complaints allege violations of federal securities laws in connection with the Company's initial public offering in September 1997, relating to alleged misrepresentations and alleged omissions in the Prospectus. Each lawsuit seeks class action status, monetary damages and other potential relief. The Company believes that the allegations made in these complaints are untrue and totally without merit and intend to defend them vigorously.

Item 2. Changes in Securities and Use of Proceeds

The Company used the net proceeds from the Offering of \$50.7 million, after deducting the underwriters' discount of \$3.9 million and estimated transaction expenses of \$1.4 million, to (i) pay the principal amount of, and accrued interest on, its Senior Subordinated Notes of \$20.6 million, (ii) repurchase the Noteholder Warrant for \$20.6 million, (iii) repurchase two-thirds of the Legg Mason Warrant for \$5.2 million, and (iv) reduce borrowing outstanding under the Foothill Credit Facility with the remainder of the net proceeds.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description of Document
10.1	Amendment as of October 27, 1997 to Merchant Services Agreement dated December 12, 1994 between the Company and Hurley State Bank.
10.2	Employee Stock Purchase Servicing Agreement, between the Company and Merrill Lynch, Pierce, Fenner and Smith Incorporated dated October 30, 1997.
11.1	Statement re: computation of per share earnings.
27.1	Financial data schedule

(b) Reports on Form 8-K

None

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: December 16, 1997

By: /s/ Ezra Dabah

Ezra Dabah
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: December 16, 1997

By: /s/ Seth L. Udasin

Seth L. Udasin
Vice President &
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1
FIRST AMENDMENT
TO THE
MERCHANT SERVICES AGREEMENT

The First Amendment to the Merchant Services Agreement ("First Amendment") is dated as of October , 1997, by and between HURLEY STATE BANK ("Bank") and THE CHILDREN'S PLACE RETAIL STORES, INC. ("Company").

WHEREAS, Bank and Company have entered into the Merchant Services Agreement dated as of December 12, 1994, as amended and supplemented ("Merchant Services Agreement"); and

WHEREAS, Bank and Company desire to amend certain provisions of the Merchant Services Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and mutual covenants hereinafter set forth, Bank and Company agree as follows:

1. The Merchant Fee as set forth in paragraph 3.1 (a) of the Merchant Services Agreement is changed from 3.41% to 3.91%. The Merchant Fee of 3.91% will remain in effect until August 1, 1998. Thereafter the Merchant Fee will be subject to change.

2. In addition to the other fees provided for in Article III of the Merchant Services Agreement, Bank will charge and Company agrees to pay an Open Active Account Fee and a Never Active Account Fee.

- (a) Open Active Account Fee. Company shall pay an Open Active Account Fee for each calendar month. Subject to the cap set forth in the following sentence, the amount of the Open Active Account Fee for each calendar month will be the product of (i) the number of Accounts that have a debit or credit balance at any time during the month ("Open Active Accounts") and (ii) the applicable per Account fee, which will be determined according to the following schedule and will be based on the calendar year-to-date average active Account balance, as calculated by Bank.

Year-To-Date Average Active Account Balance	Per Account Fee
-----	-----
\$151.00 or more	\$ 0
\$141.00 - \$150.99	\$.08
\$131.00 - \$140.99	\$.16
\$121.00 - \$130.99	\$.39
\$111.00 - \$120.99	\$.65
\$101.00 - \$110.99	\$.97
\$ 91.00 - \$100.99	\$1.36

The Open Active Account Fee payable by Company for each calendar month will be no more than an amount equal to the greater of (i) 2.22% of the net amount of Card Sales made by Company during such calendar month ("Current Net Sales"), or (ii) 2.22% of the net amount of Card Sales made by Company during the same calendar month of the prior year, as set forth in Exhibit A attached hereto and incorporated herein ("Prior Year Net Sales"). Bank will calculate the amount of the Open Active Account Fee on or about the last day of each calendar month and will collect the Open Active Account Fee each month in accordance with paragraph 3.1 (d) of the Merchant Services Agreement. Until August 1, 1998, the sum of the Merchant Fee and Open Active Account Fee payable by Company for each calendar month will be no more than 6.13% of the net amount of Current Net Sales or Prior Year Net Sales, as applicable (determined in accordance with this paragraph). The amount of the Open Active Account Fee will be subject to change on or after August 1, 1998.

- (b) Never Active Account Fee. On August 31, 1997 and on September 30, 1997, Bank will determine the number of Accounts which are 180 days and older and which have never been active (that is, had a debit or credit balance at any time) ("Never Active Account"). Company shall pay a Never Active Account Fee in the amount of \$.43 per Account for each Never Active Account identified on August 31, 1997 and an additional Never Active Account Fee for each Never Active Account identified on September 30, 1997. Bank will collect the Never Active Account Fee in accordance with paragraph 3.1(d) of the Merchant Services Agreement.

3. Company has requested that Bank provide to Company each month until August 1, 1998, a tape file of the names and addresses of Cardholders whose Accounts have been open at least 90 days and have never been active, to enable Company to direct market to such Cardholders to activate their Accounts. Bank will provide the requested file to Company, provided Company shall use such names and addresses for the sole purpose of marketing to Cardholders to activate

their Accounts. Notwithstanding Company's direct marketing programs to such Cardholders, Bank shall have the right, among other rights provided under the Hurley State Bank Credit Card Agreement and Merchant Services Agreement, to terminate Accounts which are 180 days and older and which have never been active.

4. This First Amendment will be effective as of August 1, 1997.

5. Any capitalized terms used herein and not otherwise defined will have the meanings given to them in the Merchant Services Agreement. Except as provided in this First Amendment, or as necessary and appropriate to give meaning to the terms and conditions of this First Amendment, the terms and conditions of the Merchant Services Agreement will remain in full force and effect. In the event of any conflict between the terms of the Merchant Services Agreement and this First Amendment, this First Amendment will govern.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment.

THE CHILDREN'S PLACE RETAIL STORES, INC.

HURLEY STATE BANK

By: /s/ Stanley Silver

By: /s/ Richard F. Atkinson

Name: Stanley Silver

Name: Richard F. Atkinson

Title: President

Title: Senior Vice President

Date: 10/27/97

Date: 11/3/97

EXHIBIT A

The Children's Place
Prior Year
Net Sales

Aug-96

\$2,645,182

Sep-96

\$2,922,475

Oct-96

\$2,140,691

Nov-96

\$2,228,979

Dec-96

\$2,771,653

Jan-97

\$1,030,300

Feb-97

\$1,277,198

Mar-97

\$1,866,892

Apr-97

\$1,443,810

May-97

\$1,378,114

Jun-97

\$1,369,468

Jul-97

\$1,314,753

THE CHILDREN'S PLACE

MERRILL LYNCH
EMPLOYEE STOCK PURCHASE
SECTION 423 SERVICING AGREEMENT

OCTOBER 30, 1997

EMPLOYEE STOCK PURCHASE PLAN SERVICING AGREEMENT
FOR INTERNAL REVENUE CODE SECTION 423 PLANS

Agreement dated as of 10/30, 1997 between The Children's Place____
(the "Employer") and Merrill Lynch, Pierce, Fenner & Smith Incorporated
("Merrill Lynch").

WHEREAS, the Employer desires to use the services of Merrill Lynch
in connection with the Employer's Stock Purchase Plan, named on the accompanying
Schedule A and subject to the fees described in Schedule B, (the "Plan") to
which Section 423 of the Internal Revenue Code of 1986 (the "Code") applies.

NOW, THEREFORE IN CONSIDERATION of the mutual covenants set forth
herein, the Employer and Merrill Lynch agrees as follows:

SERVICE DESCRIPTION AND RESPONSIBILITIES

Section 1. Merrill Lynch Services

During the term of this Agreement, Merrill Lynch will perform the
following services with respect to the Plan and Employer's common stock (the
"Stock").

(a) Merrill Lynch will establish a separate brokerage Account for
each Participant in the Plan and maintain records of the Stock and transactions
in that Account.

(b) Merrill Lynch will: 1) allocate shares of Stock to the Accounts
of Participants, but only following Merrill Lynch's (i) receipt of either a
certificate or certificates from the Employer, registered in the name of Merrill
Lynch or its nominee, for the total number of full shares to be allocated,
including instruments of transfer in a form acceptable to Merrill Lynch
permitting registration of such shares in the name of Merrill Lynch or its
nominee, (ii) receipt from the "Employer" of "available funds" for the residual
fraction of a share, if any, (iii) receipt of a file (a "Payroll File) from the
Employer setting forth a total payroll deduction amount in U.S. dollars for each
participant involved, (iv) receipt of a written statement from the Employer
specifying the fair market price and allocation price of the Stock and the date
to be reflected on Merrill Lynch's records for use in allocating Stock to
Participant's Accounts and for reporting purposes, and such additional
information as Merrill Lynch may specify from time to time, and (v)
reconciliation of the shares of Stock received and the "available funds"
received with the Payroll File to determine that the aggregate amount of shares
and "available funds" received corresponds to the aggregate of the amounts
specified in the Payroll File; 2) provide a

periodic report to the Employer in Merrill Lynch's standard form as in effect from time to time setting forth information concerning shares of Stock acquired under the Plan which were held in the account of each Participant and which prior to a specified date have been sold on the market, delivered to Participants, or transferred to another Merrill Lynch account, to another broker, or to a third party. Merrill Lynch makes no representation or warranty as to whether the information set forth on such periodic reports will be sufficient for the Employer to determine whether the holding period specified in Section 423(a) of the Code has been satisfied with regard to any share of Stock or to determine the amount of any tax deduction to which the Employer may be entitled by reason of any "disposition" or shares of Stock as that term is used in Section 423 of the Code, and 3) to comply with Section 423 of the Code, Merrill Lynch will maintain and age the Employer's Stock held in Participants' Accounts in the following categories: Plan shares held under 2 years and Plan shares held over 2 years and shares not acquired through payroll deduction under the Plan (non-plan shares). Upon participants' instructions to liquidate shares held in their Accounts, the disposition of shares will be as follows: non-plan shares first. Followed by Plan shares held in a Participant's Account over 2 years and lastly Plan shares held under 2 years. Plan shares under 2 years are disposed of on a first-in first-out basis.

(c) Merrill Lynch will arrange for the production of "Enrollment Materials" to explain the Plan to employees and to enroll participants. Enrollment materials consist of 1) an employee enrollment brochure to describe the Plan, and 2) an enrollment form to establish the payroll deduction with the Employer and the Account with Merrill Lynch. The contents of the enrollment form will not be subject to change; however, supplemental information may be included to satisfy the Employer's requirements. The Employer understands and agrees that Merrill Lynch must review and approve all Enrollment Materials prior to printing and distribution to employees. The production of the Enrollment Materials shall be treated as an additional service pursuant to Section 9 of the Agreement.

(d) Merrill Lynch will hold all Stock in each Account in the name of Merrill Lynch or its nominee, unless otherwise directed by the Participant for whom the Account is maintained, in which case Merrill Lynch may charge a fee to the Participant for re-registration and delivery of the Shares involved unless the Employer has agreed to pay for the Transfer/Delivery Fee in accordance with Schedule B to the Agreement by checking the appropriate line thereon:

(e) Merrill Lynch will automatically reinvest all cash dividends on Stock received in each Account in shares of the Employer's Stock to the extent possible, unless the Participant directs otherwise, in which case all such dividends

shall be remitted in check format to the Participant as soon as practicable.

(f) Merrill Lynch will transmit to each participant all proxy statements, annual reports, meeting notices, etc. received from the Employer with respect to Stock acquired pursuant to the Plan and held in the Participant's Account. Proxies will be voted with respect to full Shares held in a Participant's Account in accordance with the Participant's instructions duly delivered to Merrill Lynch. For purposes of consolidating annual report mailings and proxy solicitation, Merrill Lynch will, at the Employer's request and subject to Section 9 of this Agreement, provide the Employer with name, address and share balance information in the standard Merrill Lynch format for those Plan Participants who have objected to disclosure of this information pursuant to Rule 14b-1(b)(3)(i) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(g) Merrill Lynch will prepare and distribute quarterly to each Participant a statement as to the Stock acquired for the Participant's Account under the Plan. If a separate confirmation for one or more such purchases is requested by the Employer, a fee for the furnishings of such confirmations shall be charged to the Employer pursuant to Section 9 of the Agreement.

Section 2. Employer Responsibilities

During the term of the Agreement, the Employer will assume the responsibilities and perform the duties set forth below:

(a) The Employer will furnish to Merrill Lynch, on information forms provided by Merrill Lynch or its designated agents or otherwise in a format prescribed by Merrill Lynch, all Payroll Files and employee payroll and other information which Merrill Lynch may require in order to establish an Account and to perform its services or calculate its fees under this Agreement. In particular, but not by way of limitation, the Employer will notify Merrill Lynch in the manner specified by Merrill Lynch of the name and Account number of each Participant who terminates participation in the Plan whether by reason of termination of employment with the Employer, cessation of payroll deductions or otherwise. Merrill Lynch shall have the right to close such terminated or inactive Plan Participant's Account, subject to the notification process described in Section 8 subsection (b). Merrill Lynch shall be entitled to rely upon the accuracy and completeness of all information which it reasonably believes to have been furnished to it by the Employer or at the Employer's direction and shall have no duty to inquire about such information or about the application of any funds,

securities or other assets held by the Employer under the Plan. Other than with respect to a Participant's Account and transactions therein, the Employer shall be solely responsible for resolving any dispute between the Employer and a Participant and answering any inquiries relating to the Participant's rights and entitlements under the Plan. Merrill Lynch shall have no obligation or liability in this regard or for answering any inquiries concerning any transaction or event affecting any Account which occurs prior to the later of (i) the date of the Agreement and (ii) the establishment of such Account in accordance with the Agreement.

(b) The Employer agrees to use the enrollment form designed by Merrill Lynch for the purpose of authorizing payroll deductions and establishing an Account with Merrill Lynch. This enrollment form will be distributed, collected and maintained by the Employer. The Employer agrees to maintain a record of these forms in such a manner as to allow retrieval and delivery of the forms to Merrill Lynch within two business days, to comply with any Internal Revenue Service (IRS), state, or other taxing authority inquiry, request or audit. If such a request is made, a copy will be made for Merrill Lynch and the original maintained by the Employer at all times, unless otherwise required by law, regulation or legal process. The Employer agrees to maintain these original enrollment forms on file for the life of the account plus a period of at least seven years. In addition, The Employer agrees to follow identical procedures in the event of other tax authority requests for documentation or information relating to the Plan or its participants.

In order to establish an Account under this Agreement, the Employer agrees to furnish the information requested by Merrill Lynch in a machine-readable format. Accounts will be established automatically through the processing of the Payroll File with the content and format specified by Merrill Lynch. Specifically, the Employer must provide Participant name, address, social security number (account number), and dollar contribution information. Since Merrill Lynch will not retain the enrollment forms, The Employer understands and agrees to review all enrollment forms received for 1) completeness, 2) for exceptions indicated on the form, and 3) for any participants indicating foreign residency or citizenship. The Employer is responsible for obtaining any missing information or incomplete forms and further understands and agrees that Merrill Lynch will rely on all social security number, name and address information provided by the Employer to be current and accurate for individual Participant tax reporting purposes. In the case of exceptions to the form or if foreign residency or citizenship is indicated, copies of the forms will be provided by the Employer to Merrill Lynch for special processing. Upon receipt of these copies, Merrill Lynch will update the Account

according to the information indicated on the enrollment form .

The Employer will in no event permit the following employees to become Participants in the Plan: 1) an employee who has not attained the age of majority in the state or country in which the employee resides, and the Employer will refuse to accept any enrollment forms submitted by such a individual, or 2) an employee who has not completed enrollment form to the Employer. The Employer further agrees to obtain and file executed enrollment forms on all employees wishing to enroll in the Plan before including them on a Payroll File and submitting to Merrill Lynch as active Plan Participants.

In the event another firm has provided services similar to those provided by Merrill Lynch hereunder in respect of the Plan, the Employer agrees to obtain executed enrollment forms from al Participants on the Payroll File pursuant to the procedures described above and shall not be obligated to receive in any Account assets from such firm until reconciliation of the assets so received with information received from such firm or Employer detailing the allocation of these assets to each relevant Account; provided that Merrill Lynch will have no responsibility for determining the accuracy of the information received or for reconciling such information with any Participant's entitlements under the Plan; provided further that Merrill Lynch shall not be obligated in any event to accept assets in an Account which are not allowable as an investment in the Account in accordance with Section 8.

(c) The Employer will collect all amounts deductible pursuant to the Plan from the compensation of Participants and other amounts contributed by the Participant pursuant to the Plan and will make all required Employer contributions, if any, in accordance with the Plan, and shall hold such amounts or shares until delivered to Merrill Lynch in accordance with the schedule specified on Schedule A. Merrill Lynch shall not be obligated to accept delivery of shares other than in accordance with such schedule but may do so in its sole discretion as an additional service pursuant to Section 9. The Employer will promptly notify Merrill Lynch of any change in the information specified on Schedule A to this Agreement.

(d) The Employer will consolidate all information and deliver a single Payroll File to Merrill Lynch in a machine-readable format, conforming to specifications furnished by Merrill Lynch from time to time. In the event that, (i) the Employer is unable to submit one Payroll File, (ii) a Payroll File does not conform to such specifications, the processing of such Payroll File by Merrill Lynch shall not be required, or (iii) Merrill Lynch processes a file and it does

not conform to such specifications, such processing shall be an additional service pursuant to Section 9.

Each Payroll File shall be reconciled by the Employer against the funds and Stock referenced in such file prior to delivery of the file to Merrill Lynch. If any Payroll File submitted to Merrill Lynch is incomplete, incorrect or subsequently changed by the Employer, the work performed by Merrill Lynch to correct, change or otherwise prepare the Payroll File for processing also shall be treated as an additional service by Merrill Lynch pursuant to Section 9. If the Employer requests that Merrill Lynch make entry corrections to the Payroll File after an investment has been made, the Employer agrees to provide Merrill Lynch with a letter of authorization detailing the date of the error, type of adjustment, Participant name and account number. An adjustment will be processed by Merrill Lynch and a refund will be returned to the Employer, if applicable, and this work shall also be treated as an additional service pursuant to Section 9.

(e) All remittances of funds by the Employer to Merrill Lynch in respect to the Plan shall be made either by check or by wire transfer in accordance with instructions received from Merrill Lynch. All Stock delivered directly by the Employer to Merrill Lynch in respect of the Plan shall be fully paid and nonassessable and registered in the name of Merrill Lynch or its nominee, and all Stock and Payroll files shall be delivered to Merrill Lynch at the place and in the manner specified in instructions transmitted by Merrill Lynch to the Employer.

(f) All Stock and Payroll Files delivered to Merrill Lynch on behalf of the Employer and any of its subsidiaries participating in the Plan, as well as other notices and instructions relating to the Plan or this Agreement, shall be delivered by the department, office or single source within the Employer, or other person acting on behalf of the Employer, specified on Schedule A. For purposes of the Agreement, any action taken by any person acting on behalf of the Employer shall be considered as an action by the Employer. Delivery of Stock or Payroll Files other than in accordance with Sections 2(e) and 2(f) shall not constitute delivery within the meaning of Section 1(b).

(g) The Employer is solely responsible for the administration of the Plan and execution and filing with any governmental authority of other person of all reports or other documents required in connection with the Plan, and Merrill Lynch shall have no reporting or tax withholding obligation in connection with any aspect of the Plan. The foregoing, however, shall in no way limit any reporting and withholding obligations which Merrill Lynch may have under applicable law with respect to brokerage accounts generally.

(h) Merrill Lynch shall have no responsibility to monitor compliance by the Employer with the terms and conditions of the Plan or any law applicable thereto.

(i) Except as in Section 3 (c), each report and statement issued by Merrill Lynch shall be deemed correct unless Merrill Lynch receives written notice of any incorrectness, incompleteness or inaccuracy in the report or statement within 30 days after the sending thereof to the person to whom the report or statement is to be sent in accordance with the agreement.

(j) Except for the internal newsletters or other documents not dedicated solely to describing the Plan and Merrill Lynch services under this Agreement, The Employer shall obtain the prior written consent of Merrill Lynch to any reference to Merrill Lynch or to services to be furnished by Merrill Lynch in any communication or document pertaining to the Plan not prepared by Merrill Lynch; provided that Merrill Lynch shall have no responsibility or liability for the content of any such communication or document.

(k) The Employer shall pay all sales or use taxes or any taxes in lieu thereof with respect to the services of Merrill Lynch under the Agreement.

(l) The Employer shall notify Merrill Lynch as soon as possible in advance of any stock, Split, stock dividend or similar event which may affect the Stock, and of any bankruptcy, insolvency, moratorium or other proceeding in respect of the Employer affecting the enforcement of creditor's rights. Likewise, Merrill Lynch will notify the Employer of any bankruptcy, insolvency, moratorium or other proceeding with respect to Merrill Lynch affecting the enforcement of creditor's rights. Notwithstanding any other provision of the Agreement to the contrary, Merrill Lynch will have no obligation to perform any services under this Agreement subsequent to the commencement of any bankruptcy, insolvency, moratorium or other proceeding in respect to the Employer affecting the enforcement of creditors' rights unless Merrill Lynch receives assurance satisfactory to it that it will receive full payment for such services.

Section 3. Responsibility for Errors and Indemnification

(a) The Employer will promptly notify Merrill Lynch of any errors or omissions in information supplied by the Employer to Merrill Lynch. In such an event, or in the event that Merrill Lynch executes an allocation of shares of Stock pursuant to Section 1(b) prior to satisfaction of all of the conditions specified in clauses (i), (ii) and (iii) of the Section and subsequently discovers an error or omission in information supplied to it by the Employer, Merrill Lynch's

sole obligation shall be to us reasonable best efforts to correct any resulting errors in its own records or in any reports it has prepared for the Employer or any participant, and such services shall be treated as an additional service pursuant to Section 9.

(b) The Employer will defend, indemnify and hold harmless Merrill Lynch and its parent company and each of their directors, officers and employees, and any affiliate or subcontractor to which Merrill Lynch has delegated (as permitted by Section 12 of this Agreement), any of its duties hereunder, from and against all claims, liabilities, losses, damages or expenses, including attorney's fees and reasonable costs of investigating, preparing or defending any related litigation, asserted by the Employer or any Participant, or any other person, (i) arising out of any failure of the Employer to supply time and accurate information or funds needed to enable Merrill Lynch to discharge its duties under the Agreement, (ii) arising out of any untrue statement or alleged untrue statement of material fact contained in the registration statement covering Stock or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statement therein, in light of the circumstances under which it was made, not misleading, or, if applicable, the Plan, (iii) arising out of any violation or alleged violation of any "blue sky" or state securities law, or (iv) arising out of any other cause other than Merrill Lynch's gross negligence or willful misconduct. The Employer further agrees to indemnify and hold harmless Merrill Lynch for any fines, taxes and penalties imposed by the IRS, state or other taxing authority, or for any other claims or costs arising from or relating to inaccurate or omitted tax-related information.

(c) Merrill Lynch will at its own expense, correct, or cause the correction of, any errors in its records and in any reports prepared by it which are attributable to errors of its employees.

(d) In case of errors or loss of data caused by power failure, mechanical difficulties with information storage and retrieval systems, or other events not attributable to its own gross negligence or willful misconduct or to the gross negligence or willful misconduct of its agents or subcontractors, Merrill Lynch's sole obligation will be, at its own expense, to use its reasonable efforts to reconstruct any records maintained by Merrill Lynch and to amend any reports prepared by it which have been affected by such event. Performance by Merrill Lynch and the Employer of their obligations hereunder is subject to appropriate adjustment and extension of time in the event of strike, fir, war, insurrection, riot, electrical failure or any other event that would constitute force majeure under New York law, or in the

event of a circumstance beyond Merrill Lynch's or the Employer's control.

Section 4. Survival

The provisions of Sections 3,5,8,13,14 and 20 shall survive the termination of this Agreement.

Section 5. Proprietary Information

The Employer agrees that all computer programs, software, forms, plans and procedures developed by Merrill Lynch to perform the services required under the Agreement are trade secrets or other property of Merrill Lynch. In addition, Merrill Lynch reserves the right to include the Employer's name on a client list as an active plan sponsor of the Employee Stock Purchase Plan Service.

Section 6. Confidentiality of Records

(a) Merrill Lynch will treat confidentially by not disclosing to unaffiliated persons all records of, or other information in its possession regarding the Plan, subject to Section 8, and will not, without written authority from the Employer, disclose to such unaffiliated persons during the term of the Agreement or thereafter any such records or information except (i) in connection with the proper operation of the Agreement and the Plan, (ii) incident to an assignment, subcontract or service contract or relationship permitted by Section 12 of the Agreement, (iii) in connection with a proxy solicitation, audit or regulatory examination, (iv) as may otherwise be legally required, or (v) as directed by the Employer to transfer existing records and accounts to a successor administrator. The transfer of records to a successor administrator or additional reporting after the termination of this Agreement will be treated as an additional service pursuant to Section 9 of the Agreement.

(b) During the term of the Agreement all records of the Plan in the possession of Merrill Lynch will, subject to Section 8, be open to inspection and audit at reasonable times by the Employer.

Section 7. Status of Parties

The relationship of the parties to each other in the execution and performance of the Agreement shall be that of independent contractors. Nothing in the Agreement or with respect to the obligations or services of Merrill Lynch in connection with the Agreement shall constitute Merrill Lynch a fiduciary of the Employer, the Plan, any Participant or any other person.

Section 8. Accounts

(a) Each Account established for a participant may be used by that Participant for transactions in such securities designated by the Employer, and that are allowable for investment under the Merrill Lynch Account (or any successor program or account). The relationship between Merrill Lynch and each participant with respect to the Account and transactions therein shall be governed by a separate agreement of terms and conditions between them (an "Account Agreement"), which constitutes part of the Enrollment Materials. Each Account Agreement, unless previously terminated, shall survive the termination of this Agreement, and each Account Agreement and the fees and commissions applied thereunder may be amended from time to time in accordance with the terms thereof without notice to or consent from the Employer.

(b) Merrill Lynch may notify any participants, including those participants who have terminated employment with the Employer or inactive Participants (those persons who have suspended payroll deductions for a consecutive (12) month period), of their account closing options. On a regular basis, Merrill Lynch will forward a report to the Employer listing inactive accounts. At that time, the Employer may decide to pay the maintenance fee to retain the accounts on the plan base or allow Merrill Lynch to contact these Participants for the purpose of notification of the following options: i) sale of the Participant's holdings of Stock and other securities, if any, subject to applicable transaction and handling fees and closure of their account; ii) receipt of a Stock certificate, and certificates for other securities in their account, if any, subject to a certificate fee and closure of their account; or iii) conversion of their Plan Account to a Merrill Lynch account, subject to minimum balance requirements and applicable account maintenance, transaction and handling fees. The above rights of Merrill Lynch shall be in addition to any other rights and privileges included but not limited to the right to charge its prevailing account maintenance fees for security registration, mailing and other related brokerage or administrative services accorded to Merrill Lynch under the terms and conditions of the Account Agreement governing the Participants' Accounts at Merrill Lynch.

(c) The records maintained by Merrill Lynch in respect of each Account in accordance with the Account Agreement will be confidential and will not, without written authority from the Participant involved, be disclosed to the Employer except to the extent otherwise specifically set forth in the Agreement, as required by operation of law or to transfer existing records and accounts to a successor administrator.

Section 9. Additional Services

In addition to each of those categories of work specified in this Agreement as an additional service pursuant to this Section 9, the parties may agree from time to time that Merrill Lynch shall perform other additional services for the Employer in connection with the Plan. Charges for additional services shall be in accordance with Merrill Lynch's then current fees for such services.

Section 10. Merrill Lynch Compensation

(a) The Employer will pay Merrill Lynch the fees indicated on the accompanying Schedule B for the services involved and any fees for additional services pursuant to Section 9 within 30 days of the date of receipt of Merrill Lynch's invoice for the fees specified thereon. Merrill Lynch shall be entitled to charge the Employer interest at the rate which is 2 percent above the prevailing "Prime Rate" charged during such time by Citibank, N.A. on the outstanding balance of all fees payable hereunder that are not paid by the Employer within 30 days after the date of receipt of Merrill Lynch's invoice therefor. The fees and commissions provided for herein are in addition to, and not in substitution for, Merrill Lynch's usual fees for mailings of proxy statements, annual reports, meeting notices, etc., services rendered as a nominee for customers and other services performed by Merrill Lynch for which it normally charges a separate fee. Merrill Lynch retains their right to change any fees listed on Schedule B from time to time on 30 days' prior written notice to the Employer.

(b) The Employer shall not be required to pay transaction fees incurred in connection with the transactions executed upon the instructions of Participants (other than transactions entered into in connection with the processing of a Payroll File) or in connection with the reinvestment of dividends (unless the Employer had assumed that obligation as specified on Schedule B, in which case the fee payable in connection therewith shall be billed to the Employer separately from the other fees provided for herein), which transaction fees shall otherwise be for the accounts of the Participants involved.

(c) The Employer understands and agrees that the service fee schedule described in Schedule B will be modified each year to reflect any increase in the Consumer Price Index on the anniversary date of each yearly renewal of the Agreement.

Section 11. Term

This Agreement shall remain in effect for a period of one year subsequent to the execution date. This Agreement will automatically renew for an additional one year period thereafter, unless either party gives written notice to the other not less than 90 days prior to the expiration of such one year period of its election not to renew the Agreement.

Section 12. Assignments/Subcontracts

Neither party may assign this Agreement or any right or obligation hereunder in whole or in part without the written consent of the other party, except that (i) Merrill Lynch may assign any or all of its rights and duties hereunder to any corporation directly or indirectly owned by Merrill Lynch Co., Inc. and (ii) Merrill Lynch may in any case employ independent subcontractors or other agents to perform all or any part of the services otherwise to be performed by Merrill Lynch itself under this Agreement. Merrill Lynch may also contract or establish relationships with third parties for the provision of services to Merrill Lynch which are useful to Merrill Lynch in connection with its servicing Accounts.

Section 13. Waiver of Jury Trial

Each of Merrill Lynch and the Employer (in its own behalf and, to the extent permitted by applicable law, on behalf of its shareholders) waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort, or otherwise) related to or arising out of the engagement of Merrill Lynch pursuant to, or the performance by Merrill Lynch of the services contemplated by, this Agreement.

Section 14. Representation and Warranties

(a) The Employer hereby represents and warrants that (i) it has full power, authority and capacity to execute and deliver this Agreement and perform its obligations hereunder on behalf of itself and on behalf of any subsidiary participating in the plan, and that this Agreement constitutes a legal, valid and binding obligation of the Employer, enforceable against the Employer in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally, (ii) stock delivered to Merrill Lynch in connection with the Plan (if any), and all interests in the Plan (if required), will be the subject of an effective registration statement under the Securities Act of 1933, as amended, and will be registered or qualified under

the securities laws of each state in which such registration or qualification is necessary and the Employer will keep such registration statements and qualifications in effect during such period of time as is required by applicable law, and (iii) that it is not a broker dealer registered under the Exchange Act and is not a member of the National Association of Securities Dealers, Inc.

(b) Merrill Lynch hereby represents and warrants that it has full power, authority and capacity to execute and deliver this Agreement and performs its obligations hereunder, and that this Agreement constitutes a legal, valid and binding obligation of Merrill Lynch, enforceable against Merrill Lynch in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditor's rights generally.

Section 15. Notices

Any notice or instructions to be given to the Employer or Merrill Lynch under this Agreement shall be in writing or on such other medium as may be agreed to by the Employer and Merrill Lynch, and delivered by hand, or sent by certified mail, postage prepaid, return receipt requested, or by courier or overnight delivery service to the address listed below, or to such other address as may be designated in a written notice transmitted in accordance with this Section 15.

If to Merrill Lynch by overnight, hand or courier delivery:

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Group Employee Services
265 Davidson Avenue - 2nd Floor
Somerset, New Jersey 08873
United States of America
Attn: Employee Stock Purchase Plan Manager

If to Merrill Lynch by first class or certified mail:
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Group Employee Services
P.O. Box 30430
New Brunswick, New Jersey 08989-0430
United States of America
Attn: Employee Stock Purchase Plan Manager

If to the Employer:
The address of the employer set forth on Schedule A

Any report or statement to be sent to a Participant by Merrill Lynch under this Agreement shall be sent by first class mail, postage prepaid, to the most recent address of such Participant as shown on Merrill Lynch's records maintained for the purposes of this Agreement.

Section 16. Successors

This Agreement shall be binding upon, and inure to the benefit of, the Employer and Merrill Lynch and their respective successors and permitted assigns.

Section 17. Amendment

This Agreement will not be modified or amended except by an instrument in writing signed by the Employer and Merrill Lynch.

Section 18. Waiver

No term or condition of this Agreement shall be deemed to have been waived, nor shall there be an estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such shall operate only as the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

Section 19. Severability

The invalidity or unenforceability of any provision of the Agreement shall not affect the other provisions, and this Agreement is to be construed in all respects to the extent possible to fulfill the purposes of this Agreement as if such invalid or unenforceable provision was omitted.

Section 20. Governing Law

THIS AGREEMENT SHALL BE CONSIDERED AS EXECUTED AND DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THAT STATE.

Section 21. Counterparts

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

Section 22. Entire Agreement

This Agreement (including Schedule A and Schedule B hereto) constitutes the entire agreement between the parties with respect to the matters dealt with herein, and supersedes all previous agreements and documents with respect to such matters.

AUTHORIZATION

IN WITNESS WHEREOF, the Employer and Merrill Lynch have each caused this Agreement to be executed in its corporate name by the duly authorized officers, all as of the date first above written.

EMPLOYER'S NAME

Attest: /s/ Seth Udasin -----	By: /s/ Steven Balasiano -----
Print Name: Seth Udasin	Print Name: Steven Balasiano
Title: Chief Financial Officer	Title: Vice President

MERRILL LYNCH, PIERCE, FENNER
SMITH INCORPORATED

Attest: /s/ Juliet Parsons-Betzel -----	By: /s/ Kurt A. Breme -----
Print Name: Juliet Parsons-Betzel	Print Name: Kurt A. Breme
Title: Assistant Vice President	Title: Vice President

SCHEDULE A

Data Sheet for Merrill Lynch
Employee Stock Purchase Plan Servicing Agreement

1. Name of Employer: The Children's Place Retail Stores, Inc.
2. Name of Subsidiaries or Affiliates of the Employer
Participating in the Plan: None
3. Name of Plan: The Children's Place Retail Stores, Inc. Employee Stock
Purchase Plan.
4. Stock to be Allocated: 360,000 shares of common stock par value .10
5. Exchange/Market on which Stock is Traded: NASDAQ
6. Source of Stock (check one): Treasury
New Issue
7. Single Source for all Information, Payments and Documents
to Employer:

Company Name: The Children's Place
Address: 1 Dodge Drive
West Caldwell, NJ 07006
Attention: Laurel Anderson
Title: Manager of Human Resources
Telephone Number: (973) 227-8900 X 2219
Fax Number: (973) 808-6491

10/8/97

8. Employer Discount Percentage: 15%
9. a. Schedule for Delivery of Money and/or Stock and Payroll Files to Merrill Lynch under the Plan (check one):
- | | |
|-------------|-------------------------------------|
| Monthly | <input checked="" type="checkbox"/> |
| Quarterly | <input type="checkbox"/> |
| Semi-Annual | <input type="checkbox"/> |
| Other | <input type="checkbox"/> |
- b. First month in which delivery is to be made: January 1998
10. Medium in which Payroll Files Furnished (check one):
- | | |
|------------------------------|-------------------------------------|
| Magnetic Tape | <input checked="" type="checkbox"/> |
| PC Transmission | <input type="checkbox"/> |
| Cartridge | <input type="checkbox"/> |
| Electronic Data Transmission | <input type="checkbox"/> |
11. Shares to be delivered by (check one):
- | | |
|-----------------------------------|-------------------------------------|
| Delivery of physical certificates | <input type="checkbox"/> |
| DTC transfer | <input checked="" type="checkbox"/> |
12. Other Additions or Modifications to Agreement:

SCHEDULE B

Service Fees

1. Service Fee:

Annual Per Participant Fee

\$25.00

The number of participants is the number of Participants referenced in the Payroll File with respect to which the Service Fee is to be determined.

The Per Participant Fee is determined by multiplying (a) the number of Participants referenced in the Payroll File being processed by (b) a prorata portion of the indicated per Participant Dollar amount specified above. The proration is determined on the basis of the number of Payroll Files scheduled to be delivered on an annual basis under the schedule for delivery specified in Schedule A to the Agreement (e.g., if Schedule A to the Agreement provides for semi-annual delivery of Payroll Files, the Per Participant Fee Payable with respect to each Payroll File delivered is one-half of the indicated dollar amount).

The Service Fee is payable with respect to each Payroll File processed by Merrill Lynch under the Plan. If the aggregate Fee calculated as described above for a Payroll File processed by Merrill Lynch during any calendar year is less than \$5,000.00 the Employer will be billed, and will pay the difference between \$5,000.00 and the amount of Fee so calculated.

The Service Fee schedule will be modified each year on the execution date of this Agreement upon the annual plan renewal to reflect any increase in the Consumer Price Index.

2. Fees for reinvestment of dividends paid on company stock.

- a. Not applicable, the company does not currently pay dividends. Should the company declare a dividend in the future and checked Section 2 item (a) of Schedule B, Merrill Lynch will automatically supply Section 2 item (b) of Schedule B unless noted otherwise, below.

If currently paying a dividend or intend to pay a dividend, please check one:

- b. To be paid in all events by Participants at the applicable rate.
- c. To be paid by the Employer at the rates set forth below with respect to Accounts shown on Merrill Lynch's records. Designate which classification of account holders you will assume responsibility for dividend reinvestment fees.

(check one)

Active Plan Participants (Employees currently participating in the Plan.)

Active and Inactive Plan Participants (Employees currently participating in the Plan and those not participating but are shown on Merrill Lynch's records as Plan Accounts.)

Average Cash Dividend Payable to Accounts -----	Fee as Percentage of Aggregate Dividend Amount (All Accounts) -----
\$ 0.01 - 100.00	4.0 %
100.01 - 500.00	2.0 %
more than \$500.00	1.5 %

* If the fee payable at the 2% rate is less than the product of \$4.00 and the number of accounts with respect to which the Employer has assumed this obligation, the fee payable by the Employer is equal to that product.

To determine the Average Cash Dividend Payable to Accounts, determine the sum of the cash dividend payable to accounts with respect to which the employer has assumed this obligation and divide that sum by the number of such accounts.

- 3. The Employer (check one) has / has not agreed to pay the fee for Monthly Confirmations (\$1.00 per confirmation)
- 4. The Employer (check one) has / has not agreed to pay the Fee Transfer Delivery of Certificates \$15.00 per certificate)
- 5. The Employer (check one) has / has not chosen to receive a Key Officer Report and must contact Merrill Lynch with a list of appropriate officers.

There is a fee of \$25.00 per entry correction made to the Payroll File as requested by the Employer after a plan purchase has been executed.

EXHIBIT 11.1
THE CHILDREN'S PLACE RETAIL STORES, INC.
CALCULATION OF EARNINGS PER SHARE

(Dollars in thousands, except for per share data)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	November 1, 1997	November 2, 1996	November 1, 1997	November 2, 1996
Income before extraordinary item	\$ 3,497	\$ 5,312	\$ 2,765	\$ 3,850
Extraordinary item	1,743	--	1,743	--
Net income	\$ 1,754	\$ 5,312	\$ 1,022	\$ 3,850
Pro forma weighted average shares outstanding (1)	24,439,310	23,804,185	24,015,894	23,804,185
Pro forma income per common share:				
Pro forma income before extraordinary item	\$ 0.14	\$ 0.22	\$ 0.11	\$ 0.16
Extraordinary item	(0.07)	--	(0.07)	--
Pro forma net income per common share	\$ 0.07	\$ 0.22	\$ 0.04	\$ 0.16

(1) For the thirteen and thirty-nine weeks ended November 2, 1996 and November 1, 1997, pro forma net income per common share is calculated by dividing net income by the pro forma weighted average common shares and common share equivalents outstanding as if (i) the Stock Split, Series B Conversion, and Reclassification (as discussed in Note 2-Initial Public Offering), (ii) the 1996 Private Placement of Common Stock (as discussed in Note 3-Private Placement in the financial statements in the Prospectus), (iii) the cancellation of outstanding preferred shares which were surrendered for no consideration on June 28, 1996, and (iv) the granting of management options in conjunction with the 1996 Private Placement occurred on the first day of the periods presented. Common share equivalents include the Noteholder Warrant and the Legg Mason Warrant, (as discussed in Note 3-1996 Private Placement in the Prospectus), and management options to purchase common stock, calculated using the treasury stock method in accordance with APB Opinion No. 15, "Earnings per Share," ("APB No. 15"). Prior to the Offering, the Offering price was utilized for the treasury stock calculations due to the lack of a public market. Subsequent to the Offering, the average market price was utilized in accordance with APB No. 15. Pro forma fully diluted net income per common share is equal to the amount presented.

EXHIBIT 11.1
THE CHILDREN'S PLACE RETAIL STORES, INC.
CALCULATION OF EARNINGS PER SHARE
CALCULATION OF WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

	# of Shares Outstanding	# of Months	Weighted Average
Thirteen Weeks ended November 2, 1996			
Outstanding common stock.....	12,760,800	3	12,760,800
Series B conversion to common stock.....	7,659,889	3	7,659,889
Legg Mason Warrant (a).....	604,240	3	604,240
Noteholder Warrant (b).....	1,611,305	3	1,611,305
1996 Management Options (c).....	1,167,951	3	1,167,951
			23,804,185
Thirty-nine Weeks ended November 1, 1996			
Outstanding common stock.....	12,760,800	9	12,760,800
Series B conversion to common stock.....	7,659,889	9	7,659,889
Legg Mason Warrant (a).....	604,240	9	604,240
Noteholder Warrant (b).....	1,611,305	9	1,611,305
1996 Management Options (c).....	1,167,951	9	1,167,951
			23,804,185

Options or Warrants outstanding prior to the initial public offering	# of Shares under Option or Warrant	Exercise Price	Initial Public Offering Price	Common Share Equivalents

(a) Legg Mason Warrant	747,096	\$2.677	\$14.00	604,240
(b) Noteholder Warrant.....	1,992,252	2.677	14.00	1,611,305
(c) 1996 Management Option.....	1,444,080	2.677	14.00	1,167,951

EXHIBIT 11.1
THE CHILDREN'S PLACE RETAIL STORES, INC.
CALCULATION OF EARNINGS PER SHARE
CALCULATION OF WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

Thirteen Weeks ended November 1, 1997	# of Shares Outstanding	# of Months	Weighted Average
-----	-----	-----	-----
Outstanding common stock.....	12,760,800	2	8,507,200
Series B conversion to common stock..	7,659,889	2	5,106,593
Legg Mason Warrant (a).....	604,240	2	402,827
Noteholder Warrant (b).....	1,611,305	2	1,074,203
1996 Management Option (c).....	1,167,951	2	778,634
	-----		-----
			15,869,457
Outstanding common stock (g).....	24,622,103	1	8,207,368
1996 Management Option (d).....	1,087,456	1	362,485
1997 Management Option (e).....	--	1	--
Options issued to a 10% owner (f)....	--	1	--
	-----		-----
			8,569,853
			24,439,310
			=====

Thirty-nine Weeks ended November 2, 1997	# of Shares Outstanding	# of Months	Weighted Average
-----	-----	-----	-----
Outstanding common stock.....	12,760,800	8	11,342,933
Series B conversion to common stock....	7,659,889	8	6,808,790
Legg Mason Warrant (a).....	604,240	8	537,103
Noteholder Warrant (b).....	1,611,305	8	1,432,271
1996 Management Options (c).....	1,167,951	8	1,038,179
	-----		-----
			21,159,276
Outstanding common stock (g).....	24,622,103	1	2,735,789
1996 Management Option (d).....	1,087,456	1	120,829
1997 Management Option (e).....	--	1	--
Options issued to a 10% owner (f).....	--	1	--
	-----		-----
			2,856,618
			24,015,894
			=====

Options or Warrants outstanding prior to the initial public offering	# of Shares under Option or Warrant	Exercise Price	Initial Public Offering Price	Common Share Equivalents
-----	-----	-----	-----	-----
(a) Legg Mason Warrant	747,096	\$2.677	\$14.00	604,240
(b) Noteholder Warrant.....	1,992,252	2.677	14.00	1,611,305
(c) 1996 Management Option.....	1,444,080	2.677	14.00	1,167,951

Options or Warrants outstanding subsequent to the initial public offering	# of Shares under Option or Warrant	Exercise Price	Average Market Price	Common Share Equivalents
-----	-----	-----	-----	-----
(d) 1996 Management Option	1,444,080	\$2.677	\$10.84	1,087,456
(e) 1997 Management Option.....	451,600	14.00	10.84	--
(f) 1997 Options issued to a 10% owner..	99,660	15.40	10.84	--

(g) Outstanding stock includes the 12,760,800 outstanding shares prior to the initial public offering, the conversion of 7,659,889 shares of Series B Common Stock into Common Stock, the initial public offering of 4,000,000 shares of Common Stock, and 201,414 shares of Common Stock issued upon the exercise of one-third of the Legg Mason Warrant.

EXHIBIT 11.1
THE CHILDREN'S PLACE RETAIL STORES, INC.
CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE

(Dollars in thousands, except for per share data)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	November 1, 1997	November 2, 1996	November 1, 1997	November 2, 1996
Income before extraordinary item	\$ 3,497	\$ 5,312	\$ 2,765	\$ 3,850
Extraordinary item	1,743	--	1,743	--
Net income	\$ 1,754	\$ 5,312	\$ 1,022	\$ 3,850
Pro forma basic weighted average shares outstanding (1)	21,821,160	20,420,689	20,887,513	20,420,689
Pro forma basic income per common share:				
Income before extraordinary item	\$ 0.16	\$ 0.26	\$ 0.13	\$ 0.19
Extraordinary item	(0.08)	--	(0.08)	--
Net income per common share	\$ 0.08	\$ 0.26	\$ 0.05	\$ 0.19
Diluted average shares outstanding: (2) ..	24,439,310	23,804,185	24,015,894	23,804,185
Pro forma diluted income per common share:				
Income before extraordinary item	\$ 0.14	\$ 0.22	\$ 0.11	\$ 0.16
Extraordinary item	(0.07)	--	(0.07)	--
Net income per common share	\$ 0.07	\$ 0.22	\$ 0.04	\$ 0.16

(1) Pro forma basic net income per common share was calculated by dividing net income by the pro forma weighted average common shares outstanding as if (i) the Stock Split, Series B Conversion and Reclassification (as discussed in Note 2-Initial Public Offering), (ii) the 1996 Private Placement of Common Stock (as discussed in Note 3-Private Placement in the financial statements in the Prospectus), and (iii) the cancellation of outstanding preferred shares which were surrendered for no consideration on June 28, 1996 occurred on the first day of the periods presented.

(2) Pro forma diluted net income per common share was calculated by dividing net income by the pro forma weighted average common shares outstanding as if (i) the Stock Split, Series B Conversion and Reclassification (as discussed in Note 2-Initial Public Offering), (ii) the 1996 Private Placement of Common Stock (as discussed in Note 3-Private Placement in the Prospectus), and (iii) the cancellation of the outstanding preferred shares which were surrendered for no consideration of June 28, 1996 occurred on the first day of the periods presented. Common share equivalents for the thirteen and thirty-nine weeks ended November 2, 1996 include the Noteholder Warrant and the Legg Mason Warrant, (as discussed in Note 3-Private Placement in the Prospectus), and management options to purchase to purchase common stock, calculated using the treasury stock method. Prior to the Offering, the Offering price was utilized for the treasury stock calculations due to the lack of a public market. Subsequent to the Offering, the average market price was utilized in accordance with FAS No. 128.

EXHIBIT 11.1
 THE CHILDREN'S PLACE RETAIL STORES, INC.
 CALCULATION OF BASIC EARNINGS PER SHARE
 CALCULATION OF BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

Thirteen Weeks ended November 2, 1996	# of Shares Outstanding	# of Months	Weighted Average
Outstanding common stock.....	12,760,800	3	12,760,800
Series B conversion to common stock.....	7,659,889	3	7,659,889
			----- 20,420,689 =====

Thirty-Nine weeks ended November 2, 1996	# of Shares Outstanding	# of Months	Weighted Average
Outstanding common stock.....	12,760,800	9	12,760,800
Series B conversion to common stock.....	7,659,889	9	7,659,889
			----- 20,420,689 =====

Thirteen Weeks ended November 1, 1997	# of Shares Outstanding	# of Months	Weighted Average
Outstanding common stock.....	12,760,800	2	8,507,200
Series B conversion to common stock.....	7,659,889	2	5,106,593
Outstanding common stock (a).....	24,622,103	1	8,207,368
			----- 21,821,160 =====

Thirty-Nine Weeks ended November 1, 1997	# of Shares Outstanding	# of Months	Weighted Average
Outstanding common stock.....	12,760,800	8	11,342,933
Series B conversion to common stock.....	7,659,889	8	6,808,790
			----- 18,151,724
Outstanding common stock (a).....	24,622,103	1	2,735,789
			----- 20,887,513 =====

(a) Outstanding stock includes the 12,760,800 outstanding shares prior to the initial public offering, conversion of 7,659,889 shares of Series B Common Stock into Common Stock, the initial public offering of 4,000,000 shares of Common Stock, and 201,414 shares of Common Stock issued upon the exercise of one-third of the Legg Mason Warrant.

EXHIBIT 11.1
THE CHILDREN'S PLACE RETAIL STORES, INC.
CALCULATION OF DILUTED EARNINGS PER SHARE
CALCULATION OF DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

Thirteen Weeks ended November 2, 1996	# of Shares Outstanding	# of Months	Weighted Average
-----	-----	-----	-----
Outstanding common stock.....	12,760,800	3	12,760,800
Series B conversion to common stock..	7,659,889	3	7,659,889
Legg Mason Warrant (a).....	604,240	3	604,240
Nomura (Noteholder) Warrant (b).....	1,611,305	3	1,611,305
1996 Management Option (c).....	1,167,951	3	1,167,951
	-----		23,804,185
			=====

Thirty-nine Weeks ended November 2, 1996	# of Shares Outstanding	# of Months	Weighted Average
-----	-----	-----	-----
Outstanding common stock.....	12,760,800	9	12,760,800
Series B conversion to common stock..	7,659,889	9	7,659,889
Legg Mason Warrant (a).....	604,240	9	604,240
Nomura (Noteholder) Warrant (b).....	1,611,305	9	1,611,305
1996 Management Options (c).....	1,167,951	9	1,167,951
	-----		23,804,185
			=====

Options or Warrants outstanding prior to the initial public offering	# of Shares under Option or Warrant	Exercise Price	Initial Public Offering Price	Common Share Equivalents
-----	-----	-----	-----	-----
(a) Legg Mason Warrant	747,096	\$2.677	\$14.00	604,240
(b) Noteholder Warrant.....	1,992,252	2.677	14.00	1,611,305
(c) 1996 Management Option.....	1,444,080	2.677	14.00	1,167,951

EXHIBIT 11.1
THE CHILDREN'S PLACE RETAIL STORES, INC.
CALCULATION OF EARNINGS PER SHARE
CALCULATION OF DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

Thirteen Weeks ended November 1, 1997	# of Shares Outstanding	# of Months	Weighted Average
-----	-----	-----	-----
Outstanding common stock.....	12,760,800	2	8,507,200
Series B conversion to common stock..	7,659,889	2	5,106,593
Legg Mason Warrant (a).....	604,240	2	402,827
Noteholder Warrant (b).....	1,611,305	2	1,074,203
1996 Management Option (c).....	1,167,951	2	778,634
	-----		-----
			15,869,457
Outstanding common stock (g).....	24,622,103	1	8,207,368
1996 Management Option (d).....	1,087,456	1	362,485
1997 Management Option (e).....	--	1	--
Options issued to a 10% owner (f)....	--	1	--
	-----		-----
			8,569,853
			24,439,310
			=====

Thirty-nine Weeks ended November 1, 1997	# of Shares Outstanding	# of Months	Weighted Average
-----	-----	-----	-----
Outstanding common stock.....	12,760,800	8	11,342,933
Series B conversion to common stock....	7,659,889	8	6,808,790
Legg Mason Warrant (a).....	604,240	8	537,103
Noteholder Warrant (b).....	1,611,305	8	1,432,271
1996 Management Options (c).....	1,167,951	8	1,038,179
	-----		-----
			21,159,276
Outstanding common stock (g).....	24,622,103	1	2,735,789
1996 Management Option (d).....	1,087,456	1	120,829
1997 Management Option (e).....	--	1	--
Options issued to a 10% owner (f).....	--	1	--
	-----		-----
			2,856,618
			24,015,894
			=====

Options or Warrants outstanding prior to the initial public offering	# of Shares under Option or Warrant	Exercise Price	Initial Public Offering Price	Common Share Equivalents
-----	-----	-----	-----	-----
(a) Legg Mason Warrant	747,096	\$2.677	\$14.00	604,240
(b) Noteholder Warrant.....	1,992,252	2.677	14.00	1,611,305
(c) 1996 Management Option.....	1,444,080	2.677	14.00	1,167,951

Options or Warrants outstanding subsequent to the initial public offering	# of Shares under Option or Warrant	Exercise Price	Initial Public Offering Price	Common Share Equivalents
-----	-----	-----	-----	-----
(d) 1996 Management Option	1,444,080	\$2.677	\$10.84	1,087,456
(e) 1997 Management Option.....	451,600	14.00	10.84	--
(f) 1997 Options issued to a 10% owner..	99,660	15.40	10.84	--

(g) Outstanding stock includes the 12,760,800 outstanding shares prior to the initial public offering, the conversion of 7,659,889 shares of Series B Common Stock into Common Stock, the initial public offering of 4,000,000 shares of Common Stock, and 201,414 shares of Common Stock issued upon the exercise of one-third of the Legg Mason Warrant.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE CHILDREN'S PLACE RETAIL STORES, INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS		
	JAN-31-1998	
	FEB-02-1997	
	NOV-01-1997	789
		0
		2,225
		0
		26,965
	40,198	47,622
		16,197
		86,621
	31,133	0
	0	0
		0
		2,462
86,621		50,344
		54,489
	54,489	33,081
		13,151
		18
		0
	708	
	5,930	
		2,433
3,497		0
	1,743	0
		1,754
		0.07
		0.07