

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, 2003

/ 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)

915 SECAUCUS ROAD
SECAUCUS, NEW JERSEY 07094
(Address of Principal Executive Offices) (Zip Code)

(201) 558-2400
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No /

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

Yes No /

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, 2003: 26,713,899 shares.

THE CHILDREN'S PLACE RETAIL STORES, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE PERIOD ENDED NOVEMBER 1, 2003

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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

THE CHILDREN'S PLACE RETAIL STORES, INC.
AND SUBSIDIARIESCONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS	NOVEMBER 1, 2003 ----- (UNAUDITED)	FEBRUARY 1, 2003 ----- (UNAUDITED)	NOVEMBER 2, 2002 ----- (UNAUDITED)
Current assets:			
Cash and cash equivalents	\$ 44,182	\$ 36,645	\$ 14,446
Accounts receivable	12,747	13,571	17,047
Inventories	95,893	75,417	84,343
Prepaid expenses and other current assets	20,772	19,277	20,297
Deferred income taxes	293	293	4,552
Total current assets	----- 173,887	----- 145,203	----- 140,685
Property and equipment, net	149,354	155,000	161,537
Other assets	9,200	9,125	6,129
Total assets	----- \$ 332,441 =====	----- \$ 309,328 =====	----- \$ 308,351 =====
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 34,152	\$ 30,805	\$ 32,500
Income taxes payable	2,986	198	504
Accrued expenses, interest and other current liabilities	41,022	34,926	36,443
Total current liabilities	----- 78,160	----- 65,929	----- 69,447
Other long-term liabilities	15,815	14,391	13,405
Total liabilities	----- 93,975 -----	----- 80,320 -----	----- 82,852 -----
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Common stock, \$0.10 par value; 100,000,000 shares authorized; 26,664,294 shares, 26,569,864 shares and 26,557,279 shares issued and outstanding, at November 1, 2003, February 1, 2003 and November 2, 2002, respectively	2,666	2,657	2,656
Additional paid-in capital	99,747	98,765	97,913
Accumulated other comprehensive income (loss)	938	253	(114)
Retained earnings	135,115	127,333	125,044
Total stockholders' equity	----- 238,466	----- 229,008	----- 225,499
Total liabilities and stockholders' equity	----- \$ 332,441 =====	----- \$ 309,328 =====	----- \$ 308,351 =====

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

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

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	NOVEMBER 1, 2003	NOVEMBER 2, 2002	NOVEMBER 1, 2003	NOVEMBER 2, 2002
	-----	-----	-----	-----
Net sales	\$ 223,277	\$ 173,403	\$ 563,369	\$ 474,745
Cost of sales	131,987	111,663	351,719	297,492
	-----	-----	-----	-----
Gross profit	91,290	61,740	211,650	177,253
Selling, general and administrative expenses	62,083	49,949	169,462	140,919
Depreciation and amortization	10,154	9,300	29,557	26,011
	-----	-----	-----	-----
Operating income	19,053	2,491	12,631	10,323
Interest expense (income) net	17	(118)	(128)	(483)
	-----	-----	-----	-----
Income before income taxes	19,036	2,609	12,759	10,806
Provision for income taxes	7,424	1,005	4,977	4,161
	-----	-----	-----	-----
Net income	\$ 11,612	\$ 1,604	\$ 7,782	\$ 6,645
	=====	=====	=====	=====
Basic net income per common share	\$ 0.44	\$ 0.06	\$ 0.29	\$ 0.25
Basic weighted average common shares outstanding .	26,640	26,523	26,620	26,481
Diluted net income per common share	\$ 0.43	\$ 0.06	\$ 0.29	\$ 0.25
Diluted weighted average common shares outstanding	27,153	26,756	26,961	27,064

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

THIRTY-NINE WEEKS ENDED
NOVEMBER 1, 2003 NOVEMBER 2, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,782	\$ 6,645
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,557	26,011
Deferred financing fee amortization	45	41
Loss on disposals of property and equipment	314	401
Deferred taxes	(64)	(688)
Deferred rent	1,788	2,416
Changes in operating assets and liabilities:		
Accounts receivable	1,158	(5,152)
Inventories	(19,610)	(25,248)
Prepaid expenses and other current assets	(1,394)	(8,300)
Other assets	58	(3)
Accounts payable	3,062	10,323
Accrued expenses, interest and other current liabilities	9,579	1,469
Total adjustments	24,493	1,270
Net cash provided by operating activities	32,275	7,915
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases and lease acquisition	(25,642)	(40,490)
Net cash used in investing activities	(25,642)	(40,490)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of stock options and employee stock purchases	991	1,932
Deferred financing costs	(175)	0
Borrowings under revolving credit facility	62,337	30,933
Repayments under revolving credit facility	(62,337)	(30,933)
Net cash provided by financing activities	816	1,932
Effect of exchange rate changes on cash	88	(102)
Net increase (decrease) in cash and cash equivalents ...	7,537	(30,745)
Cash and cash equivalents, beginning of period	36,645	45,191
Cash and cash equivalents, end of period	\$ 44,182	\$ 14,446
	=====	=====
OTHER CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 237	\$ 115
Cash paid during the period for income taxes	1,337	14,749

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Certain information and footnote disclosures required by GAAP for complete financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited financial statements contain all material adjustments, consisting of normal recurring accruals, necessary to present fairly the Company's financial position, results of operations and cash flow for the periods indicated, and have been prepared in a manner consistent with the audited financial statements as of February 1, 2003. These financial statements should be read in conjunction with the audited financial statements and footnotes for the fiscal year ended February 1, 2003 included in the Company's Annual Report on Form 10-K for the year ended February 1, 2003 filed with the Securities and Exchange Commission. Due to the seasonal nature of the Company's business, the results of operations for the thirty-nine weeks ended November 1, 2003 and November 2, 2002 are not necessarily indicative of operating results for a full fiscal year.

2. NET INCOME PER COMMON SHARE

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	NOVEMBER 1, 2003	NOVEMBER 2, 2002	NOVEMBER 1, 2003	NOVEMBER 2, 2002
	-----	-----	-----	-----
Net income (in thousands)	\$ 11,612	\$ 1,604	\$ 7,782	\$ 6,645
	=====	=====	=====	=====
Basic shares	26,640,052	26,523,025	26,619,629	26,480,926
Dilutive effect of stock options	513,155	232,487	341,688	583,476
	-----	-----	-----	-----
Dilutive shares	27,153,207	26,755,512	26,961,317	27,064,402
	=====	=====	=====	=====
Antidilutive options	747,497	1,472,581	1,052,252	690,843

Antidilutive options consist of the weighted average of stock options for the respective periods ended November 1, 2003 and November 2, 2002 that had an exercise price greater than the average market price during the period. Such options are therefore excluded from the computation of diluted shares.

3. STOCK BASED COMPENSATION

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure" ("SFAS 148"). SFAS 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure provisions of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 does not require companies to account for their employee stock-based awards using the fair value method. However, the disclosure provisions are required for all companies with stock-based employee compensation, regardless of whether they utilize the fair value method of accounting described in SFAS 123 or the intrinsic value method described in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). The Company accounts for its stock option plans and its employee stock purchase plan under the intrinsic value method described in APB 25. Accordingly, no compensation expense has been recognized for stock-based compensation, since the options granted were at prices that equaled or exceeded their estimated fair market value at the date of grant. If compensation expense for the Company's stock options and employee stock purchases issued during the thirteen weeks and thirty-nine weeks ended November 1, 2003 and November 2, 2002 had been determined based on the fair value method of accounting, in accordance with SFAS 123, the Company's net income would have been

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

3. STOCK BASED COMPENSATION (CONTINUED)

adjusted to the pro forma amounts indicated below for the thirteen weeks and thirty-nine weeks ended November 1, 2003 and November 2, 2002, respectively:

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	NOVEMBER 1, 2003	NOVEMBER 2, 2002	NOVEMBER 1, 2003	NOVEMBER 2, 2002
Net income - (in thousands)				
As reported	\$ 11,612	\$ 1,604	\$ 7,782	\$ 6,645
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	1,107	1,038	3,230	3,053
Pro forma	\$ 10,505	\$ 566	\$ 4,552	\$ 3,592
Earnings per share -				
Basic - as reported	\$ 0.44	\$ 0.06	\$ 0.29	\$ 0.25
Basic - pro forma	\$ 0.39	\$ 0.02	\$ 0.17	\$ 0.14
Diluted - as reported	\$ 0.43	\$ 0.06	\$ 0.29	\$ 0.25
Diluted - pro forma	\$ 0.39	\$ 0.02	\$ 0.17	\$ 0.13

4. COMPREHENSIVE INCOME

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	NOVEMBER 1, 2003	NOVEMBER 2, 2002	NOVEMBER 1, 2003	NOVEMBER 2, 2002
Net income	\$11,612	\$ 1,604	\$ 7,782	\$ 6,645
Translation adjustments.	334	167	685	(102)
Comprehensive income ...	\$11,946	\$ 1,771	\$ 8,467	\$ 6,543

5. CREDIT FACILITIES

In April 2003, the Company amended, restated and extended its principal working capital facility for a term of three years to April 2006 with one year renewal options. Previously, Foothill Capital Corporation had assigned its rights under this facility to Wells Fargo Retail Finance LLC ("Wells Fargo"). The amended and restated working capital facility with Wells Fargo (the "Wells Fargo Credit Facility") currently provides for borrowings up to \$85 million (including a sublimit for letters of credit of \$80 million). The Wells Fargo Credit Facility also contains provisions to increase borrowings up to \$120 million (including a sublimit for letters of credit of \$100 million), subject to sufficient collateralization and the syndication of the incremental line of borrowing. The amount that may be borrowed under the Wells Fargo Credit Facility depends on the Company's levels of inventory and accounts receivable. Amounts outstanding under the facility bear interest at a floating rate equal to the prime rate or, at the Company's option, a LIBOR rate plus a pre-determined spread. The LIBOR spread is 1.50% to 3.00%, depending on the Company's level of availability from time to time. The Wells Fargo Credit Facility contains covenants, including, among others, certain limitations on the Company's annual capital expenditures, and maintenance of certain levels of excess collateral, as well as a prohibition on the payment of dividends. As of November 1, 2003, the Company was in compliance with all of its covenants under the Wells Fargo Credit Facility. Credit extended under the Wells Fargo Credit Facility is secured by a first priority security interest in all the assets of the Company, except for its assets in Canada.

As of November 1, 2003, we had no borrowings under our Wells Fargo Credit Facility and had outstanding letters of credit of \$45.5 million. Availability under the Wells Fargo Credit Facility was \$39.5 million. The maximum outstanding letter of credit usage under our working capital facility during the thirty-nine weeks ended November 1, 2003 was \$54.0 million. As of November 1, 2003, we were in compliance with all of our covenants under the Wells Fargo Credit Facility.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. CREDIT FACILITIES (CONTINUED)

To support our Canadian operations, we have also entered into a \$7.5 million facility with Toronto Dominion Bank that is secured by a standby letter of credit. Our Canadian credit facility is currently collateralized to provide for \$1.8 million in borrowings. As of November 1, 2003, we had no borrowings under our Canadian facility and had no outstanding letters of credit. The maximum outstanding usage under our Canadian credit facility was \$1.8 million during the thirty-nine weeks ended November 1, 2003.

6. INSURANCE PROCEEDS

During the thirty-nine weeks ended November 1, 2003, the Company received approximately \$1.5 million in a partial settlement of its business interruption claim for its World Trade Center store. During the thirty-nine weeks ended November 2, 2002, the Company received approximately \$1.4 million in insurance proceeds, which included approximately \$1.1 million for the settlement of a property claim for one of our distribution centers. These proceeds reduced selling, general and administrative expenses on the Company's consolidated statement of income.

7. LITIGATION

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

8. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. The adoption of SFAS 149 is not expected to have a material impact on the financial position or results of operations as the Company does not engage in derivative activity.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150"). SFAS 150 establishes standards for how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity. Pursuant to SFAS 150, such freestanding financial instruments (i.e., those entered into separately from an entity's other financial instruments or equity transactions or that are legally detachable and separately exercisable) must be classified as liabilities or, in some cases, assets. In addition, SFAS 150 requires that financial instruments containing obligations to repurchase the issuing entity's equity shares and, under certain circumstances, obligations that are settled by delivery of the issuer's shares be classified as liabilities. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 is not expected to have a material impact on the Company's results of operations, financial position or cash flows, as the Company does not have financial instruments that have the characteristics of both liabilities and equity.

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of federal securities laws, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, the discussions of the Company's operating and growth strategy. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, those set forth under the caption "Risk Factors" in the Business section of the Company's Annual Report on Form 10-K for the year ended February 1, 2003. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could prove to be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with the Company's unaudited financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the annual audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended February 1, 2003, filed with the Securities and Exchange Commission.

CRITICAL ACCOUNTING POLICIES

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

Revenue Recognition - Sales are recognized upon purchase by customers at our retail stores or when shipped from our distribution center if the product was purchased via the internet, net of anticipated returns. Actual merchandise return rates have historically been within our expectations and the allowance established. However, in the unlikely event that the actual rate of sales returns by customers increased significantly, our operational results could be adversely affected. Our policy with respect to gift cards is to record revenue as the gift cards are redeemed for merchandise. Prior to their redemption, gift cards are recorded as a liability. Revenue is deferred for our private label credit card promotions that provide a future discount on purchases once a minimum customer purchase threshold is satisfied.

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

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

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

Stock Options - We record no compensation expense on our financial statements for stock-based compensation, since we grant stock options at prices that equal or exceed fair market value at the date of the grant. If the Company elects or is required to adopt fair value accounting for its stock-based compensation, the related compensation charge will adversely impact net income. In addition, increases to our stock price would result in more diluted shares outstanding and reduce our diluted net income per common share.

RESULTS OF OPERATIONS

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	NOVEMBER 1, 2003	NOVEMBER 2, 2002	NOVEMBER 1, 2003	NOVEMBER 2, 2002
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	59.1	64.4	62.4	62.7
Gross profit	40.9	35.6	37.6	37.3
Selling, general and administrative expenses	27.8	28.8	30.1	29.7
Depreciation and amortization	4.6	5.4	5.2	5.4
Operating income	8.5	1.4	2.3	2.2
Interest expense (income) net	--	(0.1)	--	(0.1)
Income before income taxes	8.5	1.5	2.3	2.3
Provision for income taxes	3.3	0.6	0.9	0.9
Net income	5.2%	0.9%	1.4%	1.4%
Number of stores, end of period	689	629	689	629

THIRTEEN WEEKS ENDED NOVEMBER 1, 2003 (THE "THIRD QUARTER 2003") COMPARED TO THIRTEEN WEEKS ENDED NOVEMBER 2, 2002 (THE "THIRD QUARTER 2002")

Net sales increased by \$49.9 million, or 29%, to \$223.3 million during the Third Quarter 2003 from \$173.4 million during the Third Quarter 2002. During the Third Quarter 2003, we opened 11 new stores and closed 1 store. Net sales for the 11 new stores, as well as other stores that did not qualify as comparable stores, increased our net sales by \$28.9 million. Our comparable store sales increased 14% and contributed \$21.0 million of our net sales increase in the Third Quarter 2003. Comparable store sales decreased 21% during the Third Quarter 2002.

During the Third Quarter 2003, our comparable store sales increase reflected the impact of strategic initiatives we commenced in fiscal 2002 to improve our sales performance. These initiatives included a more focused product offering with a greater concentration of basic merchandise, as well as improved garment quality and the reduction of our prices to an everyday value pricing strategy. During the Third Quarter 2003, our comparable store sales increase was primarily the result of increases in the number of comparable store sales transactions, partially offset by a lower average dollar transaction size.

During the four weeks ended November 29, 2003, we experienced a 14% comparable store sales increase, as compared to an 18% comparable store sales decline in the four weeks ended November 30, 2002. We believe our November comparable store sales increase was favorably impacted by the implementation of our strategic initiatives, as discussed above.

Gross profit increased by \$29.6 million to \$91.3 million during the Third Quarter 2003 from \$61.7 million during the Third Quarter 2002. As a percentage of net sales, gross profit increased to 40.9% during the Third Quarter 2003 from 35.6% during the Third Quarter 2002. The increase in gross profit, as a percentage of net sales, was principally due to lower markdowns and the leveraging of occupancy costs over a larger sales base, partially offset by a lower initial markup due to our strategic decision to lower prices.

Selling, general and administrative expenses increased \$12.2 million to \$62.1 million during the Third Quarter 2003 from \$49.9 million during the Third Quarter 2002. Selling, general and administrative expenses decreased to 27.8% of net sales during the Third Quarter 2003 from 28.8% of net sales during the Third Quarter 2002. Selling, general and administrative expenses decreased, as a percentage of net sales, due to the leveraging of our corporate and store payroll and lower pre-opening costs. During the Third Quarter 2003, we recorded lower pre-opening costs as a result of opening 11 new stores, as compared to 30 new stores opened in the Third Quarter 2002. These decreases, as a percentage of net sales, were partially offset by increased marketing costs to promote brand awareness of The Children's Place.

Depreciation and amortization amounted to \$10.2 million, or 4.6% of net sales, during the Third Quarter 2003, as compared to \$9.3 million, or 5.4% of net sales, during the Third Quarter 2002. The increase in depreciation and amortization primarily was a result of increases to our store base. Depreciation and amortization decreased, as a percentage of net sales, as a result of the leveraging over a larger sales base.

Our provision for income taxes increased to \$7.4 million in the Third Quarter 2003 from a \$1.0 million provision in the Third Quarter 2002 as a result of our increased profitability. Our effective tax rate was 39.0% and 38.5% during the Third Quarter 2003 and the Third Quarter 2002, respectively.

Our net income in the Third Quarter 2003 increased to \$11.6 million from \$1.6 million during the Third Quarter 2002, due to the factors discussed above.

THIRTY-NINE WEEKS ENDED NOVEMBER 1, 2003 COMPARED TO THIRTY-NINE WEEKS ENDED NOVEMBER 2, 2002

Net sales increased \$88.7 million, or 19%, to \$563.4 million during the thirty-nine weeks ended November 1, 2003 from \$474.7 million during the thirty-nine weeks ended November 2, 2002. During the thirty-nine weeks ended November 1, 2003, we opened 49 stores and closed 3 stores. Net sales for the 49 stores opened during the thirty-nine weeks ended November 1, 2003, as well as other stores that did not qualify as comparable stores, contributed \$83.9 million of the net sales increase. Our comparable store sales increased 1% during the thirty-nine weeks ended November 1, 2003, which increased our net sales by \$4.8 million. Comparable store sales declined 15% during the thirty-nine weeks ended November 2, 2002. During the thirty-nine weeks ended November 1, 2003, our comparable store sales increase primarily was the result of increases in the number of comparable store sales transactions, partially offset by decreases in our average dollar transaction size.

Gross profit increased by \$34.4 million during the thirty-nine weeks ended November 1, 2003 to \$211.7 million from \$177.3 million during the thirty-nine weeks ended November 2, 2002. As a percentage of net sales, gross profit increased to 37.6% during the thirty-nine weeks ended November 1, 2003 from 37.3% during the thirty-nine weeks ended November 2, 2002. The increase in gross profit, as a percentage of net sales, was principally due to lower markdowns, partially offset by lower initial markups associated with our strategic decision to lower prices.

Selling, general and administrative expenses increased \$28.6 million to \$169.5 million during the thirty-nine weeks ended November 1, 2003 from \$140.9 million during the thirty-nine weeks ended November 2, 2002. Selling, general and administrative expenses were 30.1% of net sales during the thirty-nine weeks ended November 1, 2003 as compared with 29.7% of net sales during the thirty-nine weeks ended November 2, 2002. As a percentage of net sales, selling, general and administrative expenses increased due to higher store payroll and higher marketing costs, partially offset by lower pre-opening costs and the leveraging of corporate administrative payroll. Store payroll, as a percentage of net sales, was unfavorably impacted by an increase in store payroll hours to improve customer service.

Depreciation and amortization amounted to \$29.6 million, or 5.2% of net sales, during the thirty-nine weeks ended November 1, 2003, as compared to \$26.0 million, or 5.4% of net sales, during the thirty-nine weeks ended November 2, 2002. The increase in depreciation and amortization primarily was a result of a larger store base. Depreciation and amortization decreased, as a percentage of net sales, as a result of the leveraging over a larger sales base.

Our provision for income taxes for the thirty-nine weeks ended November 1, 2003 and the thirty-nine weeks ended November 2, 2002 was \$5.0 million and \$4.2 million, respectively. Our effective tax rate was 39.0% and 38.5% during the thirty-nine weeks ended November 1, 2003 and the thirty-nine weeks ended November 2, 2002, respectively.

Due to the factors discussed above, we recorded net income of \$7.8 million during the thirty-nine weeks ended November 1, 2003 as compared to net income of \$6.6 million during the thirty-nine weeks ended November 2, 2002.

LIQUIDITY AND CAPITAL RESOURCES

DEBT SERVICE/LIQUIDITY

Our primary uses of cash are financing new store openings and providing for working capital, which principally represents the purchase of inventory. Our working capital needs follow a seasonal pattern, peaking during the second and third quarters when inventory is purchased for the back to school and holiday seasons. We have been able to meet our cash needs principally by using cash on hand, cash flows from operations and seasonal borrowings under our working capital facilities. As of November 1, 2003, we had no long-term debt obligations or short-term borrowings.

In April 2003, we amended, restated and extended our principal working capital facility for a term of three years to April 2006 with one year renewal options. Previously, Foothill Capital Corporation had assigned its rights under this facility to Wells Fargo Retail Finance LLC ("Wells Fargo"). The amended and restated working capital facility with Wells Fargo (the "Wells Fargo Credit Facility") currently provides for borrowings up to \$85 million (including a sublimit for letters of credit of \$80 million). The Wells Fargo Credit Facility also contains provisions to increase borrowings up to \$120 million (including a sublimit for letters of credit of \$100 million), subject to sufficient collateralization and the syndication of the incremental line of borrowing. The amount that may be borrowed under the Wells Fargo Credit Facility depends on our levels of inventory and accounts receivable. Amounts outstanding under the facility bear interest at a floating rate equal to the prime rate or, at our option, a LIBOR rate plus a pre-determined spread. The LIBOR spread is 1.50% to 3.00%, depending on our level of availability from time to time. The Wells Fargo Credit Facility contains covenants, including, among others, certain limitations on our annual capital expenditures, and maintenance of certain levels of excess collateral, as well as a prohibition on the payment of dividends. Credit extended under the Wells Fargo Credit Facility is secured by a first priority security interest in all our assets, except for our assets in Canada.

As of November 1, 2003, we had no borrowings under our Wells Fargo Credit Facility and had outstanding letters of credit of \$45.5 million. Availability under the Wells Fargo Credit Facility was \$39.5 million. The maximum outstanding letter of credit usage under our working capital facility during the thirty-nine weeks ended November 1, 2003 was \$54.0 million. As of November 1, 2003, we were in compliance with all of our covenants under the Wells Fargo Credit Facility.

To support our Canadian operations, we have also entered into a \$7.5 million facility with Toronto Dominion Bank that is secured by a standby letter of credit. Our Canadian credit facility is currently collateralized to provide for \$1.8 million in borrowings. As of November 1, 2003, we had no borrowings under our Canadian facility and had no outstanding letters of credit. The maximum outstanding usage under our Canadian credit facility was \$1.8 million during the thirty-nine weeks ended November 1, 2003.

CASH FLOWS/CAPITAL EXPENDITURES

During the thirty-nine weeks ended November 1, 2003 and the thirty-nine weeks ended November 2, 2002, operating activities provided \$32.3 million and \$7.9 million in cash flow, respectively. During the thirty-nine weeks ended November 1, 2003, cash flows provided by operating activities increased primarily as a result of more efficient utilization of our current assets and higher operating earnings as compared to the thirty-nine weeks ended November 2, 2002.

Cash flows used in investing activities were \$25.6 million and \$40.5 million in the thirty-nine weeks ended November 1, 2003 and the thirty-nine weeks ended November 2, 2002, respectively. Cash flows used in investing activities primarily represented capital expenditures for new store openings and remodelings. The reduction in cash flows used in investing activities reflects the opening of 49 stores in the thirty-nine weeks ended November 1, 2003, as compared to 110 stores in the thirty-nine weeks ended November 2, 2002. During the thirty-nine weeks ended November 1, 2003, we completed 11 store remodels, as compared with seven store remodels during the thirty-nine weeks ended November 2, 2002. Capital expenditures also include hardware and software to support our information systems initiatives, along with ongoing store, office and distribution equipment needs. We anticipate that total capital expenditures during fiscal 2003 will be approximately \$30 million. We plan to fund these capital expenditures primarily with cash on hand and cash flows from operations.

In October 2003, we entered into a 10 year lease, with two five-year renewal option periods, for an approximately 95,000 square foot distribution center in Mississauga, Ontario to replace our existing Canadian distribution center, which is about 30,000 square feet. The new facility is being built by our current landlord, who has agreed to release us from our obligations under the existing lease once the new facility is available for use, which we anticipate will be in the second quarter of fiscal 2004. Annual rent for this facility approximates \$0.4 per million. We expect to make a cash outlay of approximately \$3.0 million to equip this facility, which will include automated warehouse handling equipment. We expect the cash outlay will approximate \$1.8 million in fiscal 2003, with the remainder during the first half of fiscal 2004.

Cash flows provided by financing activities were \$0.8 million during the thirty-nine weeks ended November 1, 2003 as compared to \$1.9 million provided by financing activities in the thirty-nine weeks ended November 2, 2002. During the thirty-nine weeks ended November 1, 2003, cash flows provided by financing activities reflected funds received from the exercise of employee stock options and employee stock purchases, partially offset by deferred financing fees. During the thirty-nine weeks ended November 2, 2002, cash flow provided by financing activities reflected funds received from the exercise of employee stock options and employee stock purchases.

During the thirty-nine weeks ended November 1 2003, we opened 49 stores and closed 3 stores. As of November 13, 2003, we have opened 53 stores and have completed our store openings for fiscal 2003. We plan to end fiscal 2003 with 691 stores after closing an additional 2 stores in the fourth quarter of fiscal 2003. We believe that cash on hand, cash generated from operations and funds available under our working capital facilities will be sufficient to fund our capital and other cash flow requirements for at least the next 12 months. In addition, we will consider additional sources of financing to fund our long-term growth, as necessary.

Our ability to meet our capital requirements will depend on our ability

to generate cash from operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

None.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
10.2	Lease Agreement as of August 12, 2003 between Orlando Corporation and The Children's Place (Canada), LP. Together with, Indemnity Agreement as of August 12, 2003 between the Company and Orlando Corporation. Together with, Surrender of Lease as of August 12, 2003 between the Company and Orlando Corporation and Orion Properties Ltd.
31	Section 302 Certifications
32	Section 906 Certifications

(B) REPORTS ON FORM 8-K

July 2003 Sales Release, dated August 7, 2003.
Second Quarter 2003 Earnings Release, dated August 14, 2003.
October 2003 Sales Release, dated November 6, 2003.
Third Quarter 2003 Earnings Release, dated November 13, 2003.

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 8, 2003

By: /s/ Ezra Dabah

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

Date: December 8, 2003

By: /s/ Seth L. Udasin

Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 10.2

LEASE AGREEMENT AS OF AUGUST 12, 2003 BETWEEN ORLANDO CORPORATION
AND THE CHILDREN'S PLACE (CANADA), LP. TOGETHER WITH, INDEMNITY
AGREEMENT AS OF AUGUST 12, 2003 BETWEEN THE COMPANY AND ORLANDO
CORPORATION. TOGETHER WITH, SURRENDER OF LEASE AS OF AUGUST 12, 2003
BETWEEN THE COMPANY AND ORLANDO CORPORATION AND ORION PROPERTIES LTD.

DATED: August 12, 2003

B E T W E E N:

ORLANDO CORPORATION

- and -

THE CHILDREN'S PLACE (CANADA), LP

LEASE

Regarding 6040 Cantay Road
Mississauga, Ontario

ORLANDO CORPORATION

INDUSTRIAL LEASE

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THIS INDENTURE dated the 12th day of August, 2003,

BETWEEN:

ORLANDO CORPORATION
(Hereinafter called the "LANDLORD"),

OF THE FIRST PART;

-- and --

THE CHILDREN'S PLACE (CANADA), LP
BY TCP INVESTMENT CANADA II CORP., GENERAL PARTNER
(Hereinafter called the "TENANT"),

OF THE SECOND PART;

ARTICLE I - DEMISE AND TERM

PREMISES

1.01 WITNESSETH that in consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Tenant to be paid, observed and performed, the Landlord does demise and lease unto the Tenant and the Tenant leases from the Landlord, the Leased Premises.

TERM

1.02 To have and to hold the Leased Premises for and during the term of ten (10) years commencing on the Commencement Date.

The Commencement Date shall be thirty (30) days following the date that the Landlord notifies the Tenant that the Landlord's Work as set out in Schedule "D" of this Lease is substantially complete, as certified by the Landlord's Architect. The date of substantial completion is currently estimated to be on or about March 1, 2004.

EARLY ACCESS

1.03 Provided that: (i) the Tenant has delivered to the Landlord this Lease duly executed in form acceptable to the Landlord; and (ii) the Tenant has delivered to the Landlord the deposit as set out in Section 2.05 of this Lease, the Tenant shall be entitled to have early access ("Early Access") to the Leased Premises for the period which is thirty (30) days following the date that the Landlord notifies the Tenant that the Landlord's Work is substantially complete (the "Early Access Period") in order for the Tenant to set up its distribution equipment and racking in the Leased Premises. Upon taking such Early Access of all or any part of the Leased Premises, the Tenant shall observe and perform all of the Tenant's covenants and obligations set out in this Lease except that Basic Rent and Additional Rent shall not be payable by the Tenant during the Early Access Period.

OPTIONS TO EXTEND

1.04 If the Tenant is not then in default under this Lease and has not been in material default beyond applicable notice and cure periods and further provided that the Tenant has not been late in the payment of Rent hereunder on more than two occasions in any twelve consecutive month period, then the Tenant shall have two (2) options to extend this Lease for further terms of five (5) years each upon the same terms and conditions contained in this Lease except:

- (a) There shall be no Landlord's Work, Early Access, cap on Capital Tax (Section 3.01 (d), cap on Exterior Maintenance/Repair Work (Section 5.06 (a), or cap on Landlord's Insurance (Section 8.02);
- (b) There shall be no further option to extend the Lease after the second option to extend; and
- (c) The Basic Rent payable by the Tenant during the first extended term shall be calculated at the annual rate of \$7.84 per square foot of the area of the Building and during the second extended term shall be calculated at the annual rate of \$9.40 per square foot of the area of the Building.

In order to exercise either extension option, the Tenant shall be required to give unconditional written notice to the Landlord not less than six (6) months before the expiry of the initial Term of the Lease or the first extended term, as the case may be, failing which, all then unexercised options to extend will become null and void.

ACCEPTANCE OF PREMISES

1.05 The Tenant shall examine the Leased Premises before taking possession thereof and such taking of possession shall be conclusive evidence as against the Tenant that at the time thereof the Leased Premises were in good order and satisfactory condition and that all promises, representations and undertakings by or binding upon the Landlord with respect to any alteration, remodeling or decorating of or installation of fixtures in the Leased Premises, have been fully satisfied and performed by the Landlord. The Tenant acknowledges that the existing leasehold improvements, if any, are acceptable and that the Tenant is taking possession of the Leased Premises as is, subject to the completion of the Landlord's Work set forth in Schedule "D" of this Lease. Notwithstanding anything contained herein to the contrary, the Landlord and Tenant shall inspect the Leased Premises at the time the Tenant is given occupancy thereof and the parties shall jointly prepare a so-called punchlist of incomplete or defective items in the Landlord's Work. Thereafter, the Landlord shall promptly complete such incomplete items and remedy such defective items. The Landlord shall also be responsible for correcting defects in the Landlord's Work not caused by the Tenant and of which it is notified in writing within one (1) year after delivery of the Leased Premises to the Tenant. The Landlord shall cooperate with the Tenant in pursuing all construction guarantees relating to the construction of the Leased Premises and the Landlord shall assign to the Tenant the benefit of those construction guarantees relating to the items which the Tenant is required to repair and maintain pursuant to this Lease.

QUIET ENJOYMENT

1.06 If the Tenant pays the Rent hereby reserved and observes and performs the covenants on its part contained in this Lease, then the Tenant may peaceably possess and enjoy the Leased Premises for the Term hereby granted without disturbance from the Landlord or any other party lawfully claiming by, from or under the Landlord.

ARTICLE II - RENT

INTENT OF LEASE

2.01 The Tenant acknowledges that it is intended and agreed that this is a completely carefree net lease for the Landlord and that the Landlord is not responsible during the Term or any renewal thereof for any taxes, impositions, costs, charges, expenses or outlays of any nature or kind relating to the Leased Premises, save only as specifically set out in this Lease, and that the Tenant shall be responsible for and shall promptly pay all such taxes, costs, impositions, charges, expenses and outlays.

BASIC RENT

2.02 Yielding and paying therefor yearly and every year during the Term unto the Landlord as Basic Rent for the Leased Premises in lawful money of Canada:

- (a) during the first five (5) years of the Term (the "First Rental Period") the sum of \$531,873.73 per annum to be paid in advance, in equal consecutive monthly installments of \$44,322.81 on the first day of each and every month during the First Rental Period to the Landlord, the first of such payments to be made on the Commencement Date; and
- (b) during the last five (5) years of the Term (the "Second Rental Period") the sum of \$623,543.17 per annum to be paid in advance, in equal consecutive monthly instalments of \$51,961.93 on the first day of each and every month of the Second Rental Period to the Landlord, the first of such payments to be made on the commencement of the Second Rental Period.

If the Term commences on any day other than the first or ends on any day other than the last day of a month, then Basic Rent for the fractions of a month at the commencement and at the end of the Term shall be adjusted pro rata on a per diem basis.

CALCULATION OF BASIC RENT

2.03 The Basic Rent is calculated on the basis of the Rentable Area of the Building being 95,489 square feet multiplied by: (a) \$5.57 per square foot per annum during the First Rental Period; and (b) \$6.53 per square foot per annum during the Second Rental Period. Prior to the Commencement Date, the Landlord shall cause the floor area of the Leased Premises to be measured by its Architect. The certificate of the Landlord's Architect regarding the measurement of the Rentable Area of the Leased Premises shall be conclusive and binding upon the parties absent manifest error. If the floor area of the Leased Premises, as so measured, is more or less than the number of square feet attributed to the Leased Premises by the provisions of this Lease then the Basic Rent payable hereunder based upon the actual floor area of the Leased Premises shall be adjusted in proportion to the square footage of the Leased Premises as so measured, except that if the size of the Leased Premises exceeds 103% of the square footage set forth in this Lease. Basic Rent shall be computed as if the size of the Leased Premises contains 103% of the square footage set forth in this Lease. In the event the Architect's certificate indicates the Rentable Area of the Leased Premises to be other than 95,489 square feet, the Basic Rent shall be adjusted accordingly.

ADDITIONAL RENT

2.04 The Tenant shall pay Additional Rent due and owing to the Landlord within ten (10) days of written demand therefor or otherwise hereinafter expressly set out and all other Additional Rent on the due date thereof.

DEPOSIT

2.05 The Landlord acknowledges receipt of \$38,180.68 which shall be held by the Landlord together with an existing deposit of \$13,781.25 held under the existing lease for 6291 Ordan Drive, Mississauga, Ontario dated the 21st day of August, 2000 (the "Existing Lease"). If, prior to the Commencement Date, the Landlord reduces such security under the terms of the Existing Lease then the Tenant covenants and agrees to pay to the Landlord forthwith the amount of such reduction and the amount of \$51,961.93 (excluding GST) shall be held by the Landlord as security for the full and faithful performance by the Tenant of all the agreements, terms, covenants and conditions herein set forth and applied against expenses or other costs or damages incurred by the Landlord and to be payable as liquidated damages and not as penalty, upon forfeiture, default or early termination, without prejudice to any further claims by the Landlord for damages and/or any remedy for recovery thereof. In the event the Tenant observes and performs the terms and conditions on its part under this Lease, such monies shall be applied without interest on account of Basic Rent for the last month of the Term.

PAYMENTS TO LANDLORD

2.06 All payments to be made by the Tenant to the Landlord under this Lease shall be made at the address hereinafter designated or, at such other place or places as the Landlord may designate in writing, or to such agent of the Landlord as the Landlord may from time to time direct.

OVERDUE RENT

2.07 The Tenant shall pay the Landlord interest on all overdue Rent not paid on the day appointed for payment thereof or within any applicable notice period pursuant to Section 10.01(a) of this Lease, if any, all such interest to be calculated from the date upon which the amount is first due hereunder or from the expiry of any applicable notice period, if the Tenant is entitled to a notice period pursuant to Section 10.01(a), until actual payment thereof and at a rate being the lesser of three percent (3%) per annum in excess of the minimum lending rate charged to prime commercial borrowers by the Landlord's bank from time to time or the rate permitted by law (the "Lease Interest Rate"). However, in the event the Tenant is late in the payment of Rent two or more times in any twelve (12) consecutive month period then the foregoing interest shall be calculated at the aforementioned rate on all overdue Rent calculated from the date upon which such amount is first due hereunder until actual payment thereof.

SET-OFF

2.08 All Rent payable by the Tenant to the Landlord shall be paid without any deduction, set-off or abatement whatsoever except as expressly hereinafter provided.

REVIEW OF TENANT'S FINANCIAL STATEMENTS

2.09 If the Tenant is late in the payment of any Rent (or any part thereof) in any two (2) consecutive months or more than twice in any twenty-four (24) month period, then the Tenant shall, at its own cost and expense, forthwith provide the Landlord upon demand with audited current financial statements to the extent they are not publicly available so as to adequately enable it to determine to its satisfaction the financial status of the Tenant.

PRE-AUTHORIZED BANK DEBIT

2.10 (INTENTIONALLY DELETED)

ARTICLE III - TAXES

TAXES PAYABLE BY TENANT

3.01 The Tenant shall pay:

- (a) the Taxes charged on the Leased Premises, as determined pursuant to Section 3.02 or Section 3.04, as the case may be, which the Landlord estimates to be \$1.63 per square foot of Rentable Area of the Leased Premises per annum in the first Year of the Term (based on 2002 tax rates for similar buildings);
- (b) all taxes, rates, duties, assessments and other charges that are levied, rated, charged or assessed against or in respect of all improvements, equipment and facilities and goods of the Tenant on or in the Leased Premises or any part thereof;

- (c) every tax and license fee which is levied, rated, charged or assessed against or in respect of every business carried on in the Leased Premises or in respect of the use or occupancy thereof or any part of the Lands or the Building by the Tenant and every subtenant or licensee of the Tenant or against the Landlord on account of its interest in the Leased Premises, and whether in any case, any such taxes, rates, duties, assessments or license fees are rated, charged or assessed by any federal, provincial, municipal, school or other body during the Term;
- (d) Capital Tax (provided that Capital Tax shall not exceed the rate of \$0.10 per square foot of Rentable Area of the Leased Premises during the first Year of the Term); and
- (e) the full amount of any taxes in the nature of a business transfer tax, value added tax, sales tax or any other tax levied, rated, charged or assessed in respect of the Rent payable by the Tenant under this Lease or in respect of the rental of space under this Lease, whether characterized as a goods and services tax, sales tax, value added tax, business transfer tax or otherwise.

PAYMENT OF TAXES

- 3.02 (a) Subject to Section 3.04 of this Lease, the Tenant shall pay the Taxes payable pursuant to paragraph (a) of Section 3.01 to the lawful taxing authority when due or, if directed in writing by the Landlord, the Tenant shall pay said Taxes to the Landlord within ten (10) days' written demand therefor, or the Landlord shall be entitled at any time or times in any Year, upon at least fifteen (15) days' written notice to the Tenant to require the Tenant to pay to the Landlord said Taxes for such Year in equal monthly installments. Such monthly amount shall be determined by dividing the Taxes by the number of months for the period from January 1st in each Year of the Term until the due date of the final installment of Taxes as established by the applicable taxing authority from time to time in each Year ("Installment Period") and shall be paid by the Tenant to the Landlord, monthly as Additional Rent, on the date of payment of monthly rental payments during the Installment Period. The Landlord shall be entitled not more than two (2) times during such Year, upon at least fifteen (15) days' written notice to the Tenant, to reasonably revise its estimate of the amount of increase of such Taxes and the said monthly installment shall be revised accordingly. All amounts received under this provision in any Year on account of the estimated amount of such Taxes shall be applied in reduction of the actual amount of such Taxes for such Year. If the amount received is less than the actual Taxes, the Tenant shall pay any deficiency to the Landlord as Additional Rent within fifteen (15) days following receipt by the Tenant of notice of the amount of such deficiency. If the amount received is greater than the actual Taxes, the Landlord shall either refund the excess to the Tenant as soon as possible after the end of the Year in respect of which such payments were made or, at the Landlord's option, shall apply such excess against any amounts owing or becoming due to the Landlord by the Tenant. If the Tenant pays Taxes to the lawful taxing authority, then the Tenant shall deliver to the Landlord within fifteen (15) days after the date on which such Taxes are payable and due, official receipts evidencing payment of same;
- (b) Taxes payable pursuant to paragraphs (b) and (c) of Sections 3.01 shall be paid by the Tenant to the lawful taxing authority when due;
- (c) Taxes payable pursuant to paragraphs (d) and (e) of Sections 3.01 shall be paid to the Landlord within ten (10) days' written demand therefor or at such time or times as the Landlord from time to time determines by notice in writing to the Tenant.

APPEAL OF ASSESSMENT

3.03 The Tenant shall not contest the amount or legality of the Taxes referred to in this Section or make application for the reduction of such Taxes or of any assessment upon which such Taxes are based without the prior written consent of the Landlord, which consent shall not be unreasonably withheld or delayed. The Tenant shall diligently prosecute any contest of Taxes for which it has received the Landlord's written consent. During such proceedings to contest any such Taxes, the Tenant shall pay to the Landlord or the taxing authority, as the case may be, all Taxes in accordance with the terms of this Lease pending the determination of such contest. The Tenant shall immediately on the determination of such contest pay to the appropriate taxing authorities or the Landlord, as the case may be, such additional amount as may be required to satisfy such Taxes in full.

SEPARATE ASSESSMENT

- 3.04 (a) If there is no separate assessment for Taxes with respect to the Leased Premises, or if there is a separate assessment, but such separate assessment, together with all other separate assessments relating to the Leased Premises and such other lands and/or buildings included in such assessment roll ("Complex"), do not aggregate the total assessment for the Taxes for the Complex, then until such time as there is a separate assessment for Taxes with respect to the Leased Premises which, together with all other such separate assessments, aggregate the total assessment for Taxes for the Complex, and the Landlord has issued a direction to pay Taxes pursuant to paragraph (b) of this Section 3.04, the Tenant shall pay to the Landlord in accordance with Section 3.02 (a) as Additional Rent its Proportionate Share of the Taxes for the Complex, adjusting the occupied tax rate for the Tenant's specific use of the Leased Premises, provided that the Landlord, at its option, may apportion the total assessment for Taxes for the Complex amongst the leaseable premises of the Complex, including the Leased Premises, based on generally accepted real estate appraisal practices. If there is no separate assessment for Taxes as herein provided and the Complex is not fully assessed as a commercial or industrial property for determination of Taxes in any Year, then the Landlord shall adjust the Taxes to an amount that would have been determined if the Complex were fully assessed as an occupied commercial or industrial property. If the Leased Premises are at any time during the Term assessed for the support of Separate Schools or if the Taxes are increased by reason of any installations made in or upon or any alterations made in or to the Leased Premises by the Tenant or by the Landlord on behalf of the Tenant, the Tenant shall pay the amount of such increase forthwith to the Landlord upon receipt of notice thereof. For the purpose of this subparagraph 3.04 (a), "Proportionate Share" means that fraction having as its numerator the area of the Building and having as its denominator the Rentable Area of all Buildings in the Complex.
- (b) If there is a separate assessment for Taxes with respect to the Leased Premises, (which separate assessment shall be deemed to include the valuation of the Leased Premises as determined, from time to time, by the assessor for realty taxation purposes of the Complex, as evidenced by such documentation (including, without limitation, the assessor's valuation and/or working papers) that may be available to the Landlord, from time to time) and if such separate assessment together with all other separate assessments for the Complex aggregate the total assessment for Taxes for the Complex, and if the Landlord so directs the Tenant shall pay as Additional Rent the amount calculated by multiplying the assessment for the Leased Premises by the applicable tax rate pertaining to the Tenant's use of the Leased Premises on an occupied basis, which amount shall, for the purposes of this Article III only and notwithstanding anything else herein contained, be the Tenant's "Proportionate Share" of Taxes for the Complex.

ARTICLE IV - HEATING AND UTILITIES

UTILITY CHARGES

4.01 The Tenant shall pay to the suppliers thereof on the due dates, all charges for electric current and all other utilities supplied to or used in connection with the Leased Premises. In no event shall the Landlord be liable for any injury to the Tenant, its servants, gents, employees, customers or invitees or to any property of the Tenant or to any property of any other person, firm or corporation on or about the Leased Premises caused by an interruption or failure in the supply of any such utilities to the Leased Premises.

HEATING

4.02 The Tenant shall maintain the temperature in the Leased Premises at a reasonable level to avoid damage occurring in or to the Leased Premises.

SERVICE CONTRACTS

4.03 The Tenant covenants and agrees to take out a standard servicing contract with a capable and reputable company for the service and maintenance of the heating units and furnaces and air conditioning equipment serving the Leased Premises, such contract to include the monthly cleaning of exchangers and replacement of filters, and to keep such contract in force at its own cost throughout the Term and any renewal thereof. The Tenant agrees to provide the Landlord with a copy of such servicing contract.

ARTICLE V - MAINTENANCE AND REPAIR

MAINTENANCE, REPAIRS AND REPLACEMENTS

5.01 Subject only to Section 5.05 hereof, the Tenant shall at its own cost repair, replace, maintain and keep the Leased Premises and every part thereof, including without limitation the Leasehold Improvements and the heating, ventilating and air conditioning equipment serving the Building, fixtures and furnishings (whether or not installed or furnished by the Tenant), in good and substantial repair and condition as a prudent owner would do, damage by fire and any other perils against which the Landlord is required under this Lease to insure excepted. The Tenant shall also keep the driveways, walkways, and parking areas free and clear of snow and ice that the Tenant (including, without limitation, the portion of the mutual driveway lying between the Lands that serve the Leased Premises and the adjacent building). The Tenant agrees that upon not less than twenty-four (24) hours notice (except in the case of emergency when no notice shall be required) the Landlord may enter and view the state of repair and condition and that the Tenant shall repair in accordance with notice in writing from the Landlord; provided always that if the Tenant shall not within fifteen (15) days' of such notice, commence and proceed diligently with the execution of the repairs and works mentioned in such notice, it shall be lawful for the Landlord to enter upon the Leased Premises and execute such repairs and works at the expense of the Tenant, and in any and every such case the Tenant covenants with the Landlord to pay to the Landlord forthwith as Additional Rent all sums which the Landlord may have expended in doing such maintenance and making such repairs and/or replacements together with fifteen percent (15%) of such costs as a management and supervisory fee; provided further that the doing of such maintenance or the making of any such repairs or replacements by the Landlord shall not relieve the Tenant from its obligation to maintain, repair and replace.

VIEW AND REPAIR

5.02 (INTENTIONALLY DELETED)

ALTERATIONS

5.03 The Tenant shall not, without the prior written approval of the Landlord, make any installations, alterations, additions, partitions, repairs or improvements in or to the Leased Premises, including, without limitation, doing anything which might affect the structural portions of the Leased Premises or the electrical, lighting, heating, ventilating, air-conditioning, sprinkler, fire protection, roofing or other systems therein. The Tenant's request for approval shall be in writing and accompanied by an adequate description of the contemplated work, the final working drawings and specifications therefor; the Landlord's costs of having its architects, engineers or others examine such drawings and specifications shall be payable by the Tenant upon demand as Additional Rent; the Landlord may require that any or all such work be done by the Landlord's contractors or workmen or by contractors or workmen engaged by the Tenant but first approved by the Landlord. All such work shall be subject to inspection by and the reasonable supervision of the Landlord and shall be performed in accordance with all Applicable Laws and any reasonable conditions (including but not limited to a reasonable supervision fee of the Landlord to be paid by the Tenant) and regulations imposed by the Landlord, and shall be completed in a good and workmanlike manner and with reasonable diligence in accordance with the approvals given by the Landlord. Any connections of apparatus to the base electrical, plumbing, heating, ventilating or air-conditioning systems shall be deemed to be an alteration within the meaning of this Section. The Tenant shall, at its own cost and before commencement of any work, obtain all necessary building or other permits and keep same in force. Once consent of the Landlord has been obtained in connection with any such work, the Tenant shall not make any modifications thereto (including, without limitation changes required in order to obtain a building permit) unless and until it has submitted revised drawings and specifications to the Landlord and obtained the Landlord's further written approval of the proposed changes. The Tenant shall not apply for any applicable permits or approvals unless the Tenant provides to the Landlord a copy of the approval or permit application, as the case may be, together with all supporting documentation or drawings attached thereto and obtains the Landlord's authorization in writing to submit such application to the relevant authority. Notwithstanding anything to the contrary set forth in this Section 5.03, the Tenant may, without the Landlord's consent but with prior notice to the Landlord, make alterations to the interior of the Leased Premises which do not alter, modify or in any other manner whatsoever affect the structural portions of the Leased Premises or the roof of the Building and the exterior of the Leased Premises or the structural integrity of the Building of which the Leased Premises shall form a part, or the plumbing, electrical, heating, ventilating, air-conditioning, or mechanical systems or installations in the Leased Premises, provided that any such single alteration does not involve a cost in excess of \$50,000.00 and does not require a building permit.

REMOVAL OF FIXTURES AND IMPROVEMENTS

5.04 Leasehold Improvements shall immediately become the property of the Landlord upon affixation or installation without compensation therefor to the Tenant but the Landlord is under no obligation to repair, maintain or insure Leasehold Improvements. Leasehold Improvements shall not be removed from the Leased Premises either during or at the expiration or earlier termination of the Term, except that the Tenant shall, at the end of the Term remove such Leasehold Improvements installed or constructed by or on behalf of the Tenant as the Landlord may require to be removed and restore the Leased Premises provided that the Tenant shall not be required to remove any Leasehold Improvements or other alterations made to the Leased Premises after the completion of the Landlord's

Work which the Landlord and in respect of which the Landlord, at the time of giving its approval, has exempted from this removal and restoration requirement. The Tenant may, during the Term, remove its trade fixtures provided that such trade fixtures are immediately replaced by trade fixtures of equal or better value. The Tenant shall at the expiration or earlier termination of the Term remove its trade fixtures. Any removal of Leasehold Improvements and/or the Tenant's trade fixtures shall be done at the Tenant's sole cost and expense and the Tenant shall forthwith repair at its own cost any damage caused to the Leased Premises or any part thereof by the installation or removal of Leasehold Improvements and/or trade fixtures. If the Tenant does not remove its trade fixtures at the expiration or earlier termination of the Term, then the trade fixtures shall, at the option of the Landlord, become the property of the Landlord and may be removed from the Leased Premises and/or sold or otherwise disposed of by the Landlord in such manner as it deems advisable. For greater certainty, the Tenant's trade fixtures shall not include any heating, ventilating or air-conditioning equipment or other building services or floor covering affixed to the floor of the Leased Premises. The obligations of the Tenant set forth in this Section shall survive the expiry or other termination of the Term.

CONSTRUCTION LIENS

5.05 The Tenant covenants to pay promptly all its contractors and material men and do any and all things necessary to minimize the possibility of a lien attaching to the Leased Premises or to any part of the Building or the Lands and, should any such lien be made or filed, the Tenant shall take the necessary steps (including posting security with the appropriate court if necessary) discharge the same forthwith (after notice thereof is given to the Tenant), but in any event not later than ten (10) days after notice, at the Tenant's expense. In the event the Tenant shall fail to cause any such lien to be discharged as aforesaid, then, in addition to any other right or remedy of the Landlord, the Landlord may, but it shall not be so obligated, vacate from title or discharge same by paying into Court the amount necessary to vacate the lien or by paying directly to any such lien claimant the amount of the claim, and the amount so paid by the Landlord and all costs and expenses including but not limited to solicitor's fees (on a solicitor and client basis), incurred for the discharge of such lien shall be due and payable by the Tenant to the Landlord as Additional Rent on demand. In the event that any lien claimant in respect of work performed on behalf of the Tenant commences an action in which the Landlord is named as a party defendant and service of the statement of claim is effected upon the Landlord, the Tenant shall indemnify the Landlord for all of its legal costs.

LANDLORD TO MAINTAIN AND REPAIR

- 5.06 (a) The Landlord shall perform at the Tenant's cost and expense, the maintenance and repair work listed in Schedule "C" hereto (the "Exterior Maintenance/Repair Work"). The Tenant shall, forthwith upon demand, pay to the Landlord the costs and expenses incurred by the Landlord from time to time in connection with the Exterior Maintenance/Repair Work, plus a management fee of fifteen percent (15%) of such costs and expenses; provided that such cost, including the management fee, shall not exceed the rate of \$0.25 per square foot of Rentable Area of the Leased Premises for the first Year of the Term.
- (b) The Tenant shall perform the snow removal work on the Leased Premises at its sole cost and expense and as such the Exterior Maintenance/Repair Work shall not include any requirement on the part of the Landlord to perform such snow removal work.
- (c) The Landlord shall repair and/or replace, if necessary, at its own expense, the footings, foundations, bearing walls, structural steel and metal roof deck (excluding without limitation the roof membrane) of the Building unless such repairs or replacements are caused by or arise from the negligent or willful acts or omissions of the Tenant, its officers, employees, agents, contractors or those for whom in law the Tenant is responsible, in which case the Tenant shall bear the cost of such repairs and/or replacement together with the Landlord's management fee of fifteen percent (15%) of such costs and expenses.

REPAIRS ON TERMINATION

- 5.07 At the expiration or sooner termination of the Term the Tenant shall, at its own expense:
- (a) deliver up possession of the Leased Premises to the Landlord together with all Leasehold Improvements which the Tenant is required or permitted to leave therein or thereon in the same condition in which the Tenant is required under this Lease to repair and maintain the Leased Premises, free and clear of all encumbrances and in a clean and tidy condition and free of all rubbish and to deliver to the Landlord all keys and security devices;
- (b) remove from the Leased Premises, at the option of and to the satisfaction of the Landlord, all machine bases, cabling (electrical or otherwise), piping (pneumatic, water or otherwise) and wiring (electrical, computer or otherwise) installed by or on behalf of the Tenant;
- (c) remove any and all materials which may be deemed by any applicable legislation as contaminated or hazardous (and which have been brought onto the Leased Premises by or on behalf of the Tenant or which are a result of the Tenant's use or occupation of the Leased Premises), and clean up any and all resultant contamination in compliance with all Applicable Laws and regulations; and
- (d) remove from the Leased Premises at the option of the Landlord, in compliance with all Applicable Laws and regulations, any and all storage and/or holding tanks (whether above or below ground) installed by or on behalf of the Tenant and all pits and trenches created by or on behalf of the Tenant.

The covenants contained in this Section shall survive the expiry or other termination of the Term and if the Tenant should breach any of the foregoing provisions of this Section then, without prejudice to or limitation of any of the rights or remedies of the Landlord hereunder or at law and in addition to paying any costs or expenses incurred by the Landlord, plus fifteen percent (15%) of such amounts, the Tenant shall continue to pay Rent for so long as it

may reasonably take to complete with diligence the required repairs, removal, restoration or clean-up at the rate applicable for the immediately preceding rental period.

ARTICLE VI - ASSIGNING AND SUBLETTING

ASSIGNING OR SUBLETTING

6.01 (a) The Tenant shall not assign this Lease or sublet or franchise, license, grant concessions in, or otherwise part with or share possession of the Leased Premises, or any part thereof, (each of the foregoing hereinafter referred to as a "Transfer") without the prior written consent of the Landlord; at the time the Tenant requests such consent the Tenant shall deliver to the Landlord such information in writing (the "required information") as the Landlord may reasonably require, including, without limitation, a copy of the proposed offer or agreement, if any, to Transfer and the name, address and nature of business and evidence as to the financial strength of the proposed assignee or subtenant or other user (any of the foregoing hereinafter referred to as a "Transferee"); upon receipt of such request and all required information, the Landlord shall have the right, exercisable within fourteen (14) days after such receipt, to terminate this Lease if the request relates to all of the Leased Premises or, if the request relates to a portion of the Leased Premises only, the Landlord shall have the right to terminate this Lease with respect to such portion and the Rent payable by the Tenant under this Lease shall abate in the proportion that the area of the portion of the Leased Premises for which this Lease is terminated bears to the area of the Leased Premises. Notwithstanding the foregoing, if the Landlord exercises its right to terminate this Lease, in whole or in part, as aforesaid, the Tenant shall have the right to revoke the Transfer request and nullify the Landlord's termination right upon notice give to the Landlord within ten (10) business days following the exercise of the Landlord's termination right. If the Landlord exercises such right and the Tenant does not revoke the Transfer request, the Tenant shall surrender possession of the Leased Premises or such portion thereof, as the case may be, not less than sixty (60) days and not more than ninety (90) days following the Landlord's notice of exercise of its right hereunder in accordance with all the provisions of this Lease relating to the surrender of the Leased Premises at the expiration of the Term and all Rent and other charges shall be deemed to be adjusted accordingly and the Lease shall be deemed to be amended accordingly, as of the date of actual surrender. If the Landlord does not exercise such right, then the Landlord's prior written consent shall not be unreasonably withheld or delayed.

Notwithstanding anything else herein contained, in no event shall any Transfer of this Lease release or relieve the Tenant in any regard whatsoever from any of its obligations or liabilities under or in respect of this Lease including any renewal or extension thereof.

PROVIDED however, and it is made a condition to any Transfer requiring the Landlord's consent that:

- (i) The proposed Transferee of this Lease shall agree in writing with the Landlord to assume and perform all of the terms, covenants, conditions and agreements by this Lease imposed upon the Tenant herein in a form to be reasonably approved by the Landlord (which form shall also be executed by the Tenant) and shall obtain any required occupancy approval from the local building and fire departments and provide evidence thereof to the Landlord prior to taking occupancy of the Leased Premises;
- (ii) Except in the case of an assignment of this Lease, the Transferee shall also waive any rights which it may have at common law in respect of relief from forfeiture and any rights it may have pursuant to Sections 21 and 39 (2) of the Commercial Tenancies Act (Ontario), as amended from time to time;
- (iii) The Tenant shall pay the Landlord all reasonable legal fees in connection with the Transfer;
- (iv) The consent of the Landlord is not a waiver of the requirement of the Landlord's consent for subsequent Transfers;
- (v) The acceptance by the Landlord of Rent from a Transferee without the Landlord's consent shall not constitute a waiver of the requirement of such consent nor shall it constitute an acceptance of such party as the Tenant;
- (vi) The Landlord may, at its option, cancel (i) any options to renew the Lease or extend the Term provided that in the case of an assignment of this Lease consented to by the Landlord, the Landlord may not cancel such option; and/or (ii) any rights of first refusal or first opportunity on additional space;

(vii) The Leased Premises, at the time of the Transfer, shall comply in all respects with the standard of repair and maintenance required of the Tenant pursuant to this Lease and the Lease shall otherwise be in good standing;

- (viii) If the Transfer of the Leased Premises does not take place within one hundred and twenty (120) days of the giving of consent by the Landlord (or such longer period as may be agreed upon by the parties) the consent shall, at the Landlord's option, expire and become null and void; and
 - (ix) If, following any assignment of this Lease, it is disaffirmed, disclaimed or terminated by any trustee in bankruptcy of a Transferee, the original Tenant named in this Lease will be deemed on notice from the Landlord given within sixty (60) days from the date of such disaffirmation, disclaimer or termination to have entered into a Lease with the Landlord containing the same terms and conditions as in this Lease.
- (b) If a Transfer occurs without the consent of the Landlord when required, the Landlord may collect Rent from the party in whose favour the Transfer was made and apply the net amount collected to the Rent herein reserved but no such Transfer will be considered a waiver of this covenant or the acceptance of the party in whose favour the Transfer was made as a tenant hereunder.
 - (c) The Landlord shall not be liable for any claims or actions by or for any damages, liabilities, losses or expenses of the Tenant arising out of the Landlord unreasonably withholding its consent to any Transfer and the Tenant's only recourse shall be to bring an application for a declaration that the Landlord shall grant its consent to such Transfer.
 - (d) Notwithstanding anything to the contrary contained in this Lease, the Tenant shall have the right, without consent but on prior written notice to the Landlord, to effect a Transfer to an affiliate of the partners that comprise The Children's Place (Canada), LP as at the date of this Lease (as that term is defined in the Business Corporations Act (Ontario)) (herein called a "Permitted Transferee") provided that such Transferee signs and delivers to the Landlord prior to the date of such Transfer, a form of lease assumption agreement reasonably satisfactory to the Landlord in accordance with the provisions of this Lease. In no event shall such Transfer of the Lease release or relieve the Tenant from any of its obligations or liabilities under or in respect this Lease.

CHANGE OF CONTROL

6.02 If the Tenant is a private corporation and any part or all of the corporate shares shall be transferred by sale, assignment, amalgamation, bequest, inheritance, operation of law or other disposition or dispositions so as to result in a change in the control of the corporation, such change of control shall be considered a Transfer of this Lease and shall be subject to the provisions of Section 6.01 hereof. The Tenant shall make available to the Landlord upon its request for inspection and copying, all books and records of the Tenant, any assignee or subtenant and their respective shareholders which, alone or with other data, may show the applicability or inapplicability of this Section. So long as the Tenant is The Children's Place (Canada), LP or its permitted Transferee, a change in the effective voting control of the Tenant effected by a transfer of shares of the Tenant in a recognized stock exchange in Canada or the United States of America shall not require the consent of the Landlord; however, the Tenant shall provide notice thereof to the Landlord.

SUBLET OF PART OF PREMISES

6.03 Notwithstanding anything else to the contrary provided in this Lease and/or any act or rule of law or regulation now or hereafter in force to the contrary, the Landlord may in its sole and unfettered discretion refuse to give its consent to any Transfer by the Tenant of less than the whole of the Leased Premises resulting in more than three (3) separate premises therein.

EXCESS RENT

6.04 In the event that the Basic Rent payable under any Transfer is in excess of the Basic Rent reserved hereunder or is in excess of the proportionate Basic Rent reserved in the event of a sublease of part of the Leased Premises, whether the excess be in the form of cash, goods or services from the Transferee or anyone acting on its behalf, the Tenant shall pay fifty percent (50%) of such excess to the Landlord immediately upon receipt thereof, after the Tenant shall have deducted any brokerage fees or other expenses incurred related to such Transfer; in the event that such excess is represented by goods or services rendered to the Tenant or its nominee, the value of those goods or services shall be determined by the Landlord and Tenant and fifty percent (50%) of that value shall be paid in cash to the Landlord immediately upon such determination. Notwithstanding anything to the contrary set forth herein, the Tenant shall not be required to make any payment described in this Section 6.04 in connection with a transfer to a Permitted Transferee.

MORTGAGE OF LEASEHOLD

6.05 The Tenant shall not mortgage, pledge, hypothecate or otherwise encumber

all or any portion of the Tenant's interest in this Lease or the Leasehold Improvements and shall not permit any lender to register any security interest against title to the Lands.

ADVERTISING PREMISES

6.06 The Tenant shall not advertise or allow the Leased Premises or a portion thereof to be advertised as being available for assignment, sublease or otherwise without the prior written approval of the Landlord as to the form, size, content and location of such advertisement, which approval shall not be unreasonably withheld, provided that (i) no such advertising shall contain any reference to the Rent for the Leased Premises and (ii) any such advertising shall be on a standard ground-mounted real estate sign.

DISPOSITION BY LANDLORD

6.07 If the Landlord sells or leases the Leased Premises or any part thereof, or assigns this Lease, and to the extent that the covenants and obligations of the Landlord under this Lease are assumed by the purchaser, lessee or assignee, the Landlord, without further written agreement, will be discharged and relieved of liability under the said covenants and obligations.

ARTICLE VII - USE

USE OF LEASED PREMISES

- 7.01 (a) Subject to paragraph (b) of this Section, the Tenant shall not use the Leased Premises nor allow the Leased Premises to be used for any purpose other than warehousing and distribution of non hazardous and environmentally friendly products and ancillary office use related thereto, but only to the extent (i) in compliance with the provisions of this Lease and (ii) permitted by all Applicable Laws, by-laws and other governmental regulations from time to time in force.
- (b) The Tenant covenants to not use or permit the Leased Premises to be used for any retail sales whatsoever.

OBSERVANCE OF LAW

7.02 The Tenant shall comply promptly with and conform to the requirements of all applicable statutes, by-laws, laws, regulations, ordinances and orders from time to time or at any time in force during the Term and any renewal thereof and affecting the condition, maintenance, repair, use or occupation of the Leased Premises (or equipment therein) and with every applicable regulation, order and requirement of the Insurance Advisory Organization or any body having similar functions or of any liability or fire insurance company by which the Landlord and the Tenant or either of them may be insured at any time during the Term or renewal thereof, and, in the event of the default of the Tenant under the provisions of this Section, the Landlord may itself comply with any such requirements as aforesaid and the Tenant will forthwith pay all costs and expenses incurred by the Landlord plus a management fee of fifteen percent (15%) of such costs and expenses in this regard and the Tenant agrees that all such costs and expenses shall be recoverable by the Landlord as if the same were Additional Rent reserved and in arrears under this Lease.

WASTE AND NUISANCE

- 7.03 (a) The Tenant shall not do, suffer or permit any waste, damage, disfiguration or injury to the Leased Premises or the fixtures and equipment thereof and shall not use or permit to be used any part of the Leased Premises for any dangerous, noxious or offensive trade or business nor cause or permit any fire alarm to be falsely triggered (and in the case of any alarm response charge levied by the local fire department the cost thereof, plus the Landlord's fifteen percent (15%) management fee, shall be paid by the Tenant to the Landlord on demand), nor use the Leased Premises in any manner which, in the opinion of the Landlord acting reasonably, is detrimental to the Building, nor keep, sell, use, handle or dispose of any goods or things which may be objectionable nor cause or maintain any nuisance in, at or on the Leased Premises nor cause any annoyance, nuisance or disturbance to the occupiers or owners of any adjoining lands and/or premises and shall keep the Leased Premises free of hazardous waste and contamination.
- (b) The Tenant covenants and agrees to utilize the Leased Premises and operate its business in a manner so that no part of the Leased Premises or surrounding lands are used to generate, manufacture, refine, treat, transport, store, handle, dispose of, transfer, produce or process any Hazardous Substances, except in strict compliance with all applicable federal, provincial and municipal statutes, by-laws and regulations, including without limitation, environmental, land use and occupational and health and safety laws, regulations, requirements, permits, statutes, by-laws and regulations. Furthermore, and without limiting the foregoing, the Tenant covenants and agrees with the Landlord not to install any underground storage tanks at the Leased Premises. Further the Tenant hereby covenants and agrees to indemnify and save harmless the Landlord and those for whom the Landlord is in law responsible from any and all losses, costs, claims, damages, liabilities, expenses or injuries caused or contributed to by any Hazardous Substances which are at any time located, handled, placed, stored or incorporated in any part of the Leased Premises. The Tenant hereby agrees that the Landlord or its authorized representatives shall have the

right at the Landlord's expense, to conduct such environmental site reviews and Investigations (herein "Audit") as it may deem necessary for the purposes of ensuring compliance with this Section 7.03 provided that if such Audit discloses that the Tenant is in violation of this Section 7.03, such Audit shall be at the Tenant's expense, payable as Additional Rent within fifteen (15) days of receipt of an invoice therefore. The Tenant's obligations pursuant to this Section 7.03 shall survive the expiration or earlier termination of the Term.

SIGNS

7.04 The Tenant covenants and agrees not to affix or display or cause to be affixed or displayed any sign or signs on any part of the Building visible from its exterior (including, without limitation, the window signage), without the prior written approval of the Landlord, which approval shall not be unreasonably withheld or delayed, and subject to applicable municipal and other governmental regulations. The Tenant shall at its own cost remove all such signage at the expiration of the Term, or other sooner termination thereof, and forthwith repair all damage which may be caused or occasioned by such affixing and/or removal and this covenant shall survive the expiry or other termination of the Term. Subject to the foregoing, the Tenant shall be entitled to place one building mounted corporate sign on the exterior of the Leased Premises in a location to be agreed upon by the Landlord and Tenant as well as on any pylon, monument, directional or peripheral sign on the Leased Premises denoting its occupancy therein, all at the Tenant's sole cost and expense; provided, however, it shall be the Landlord's responsibility to provide the electrical wiring to the exterior building mounted corporate sign location.

OUTSIDE STORAGE

7.05 The Tenant shall not store any goods or matter of any kind outside the Building without the express written consent of the Landlord first had and obtained. Notwithstanding anything to the contrary set forth herein, the Tenant shall be permitted to have trailers parked in the chain-link fenced-in area adjacent to shipping/receiving area being provided by the Landlord in accordance with Schedule "D".

OVERLOADING FLOORS

7.06 The Tenant covenants that it will not bring upon the Leased Premises or any part thereof any machinery, equipment, article or thing that, by reason of its weight, size, configuration, operation or otherwise, might damage the Leased Premises and will not at any time overload or damage the floors of the Leased Premises. The Tenant shall remove any such machinery, equipment (including but not limited to mobile equipment such as a forklift), article or thing within five (5) days' written notice thereof and if any damage is caused to the Leased Premises by any machinery, equipment, article or thing or by overloading, the Tenant shall forthwith repair such damage at its own expense to the satisfaction of the Landlord.

PARKING

7.07 The Tenant shall have the right to park not more than eighty (80) cars belonging to its employees, servants, agents, contractors and invitees in those areas on the Lands designated by the Landlord from time to time as parking areas for the Leased Premises and shall not park nor permit its employees, servants, agents, contractors or invitees to park in any other areas whatsoever. The Tenant shall not park nor permit to be parked any vehicles (cars, trucks, trailers, or otherwise) anywhere on the Lands at any time other than at such areas so designated by the Landlord. The Landlord acknowledges that the Tenant will have trailers parked in the chain-link fenced-in area for truck/trailer parking adjacent to shipping/receiving area being provided by the Landlord in accordance with Schedule "D".

ARTICLE VIII - INSURANCE AND INDEMNITY

TENANT'S INSURANCE

8.01 The Tenant shall, at its expense, obtain and maintain in force throughout the Term and any period when it is in possession of the Leased Premises, in the name of the Tenant with the Landlord and the Landlord's mortgagee (if any) as additional insureds, the following insurance:

- (a) Public Liability insurance, written on a comprehensive basis, with coverage against third-party claims for bodily injury, including death, and property damage (including but not limited to personal injury liability, blanket contractual liability, products liability, employers liability, owners & contractors protective liability, and tenant's legal liability for the full replacement cost of the Leased Premises) with such coverage to include the activities and operations conducted by the Tenant, or for which the Tenant is legally liable, and any other person performing work on behalf of the Tenant and those for whom the Tenant is in law responsible, in amounts required by the Landlord and any mortgagee of the Building or any part thereof from time to time but in no event less than Five Million Dollars (\$5,000,000.00) per occurrence; and
- (b) All risks insurance covering all property owned by the Tenant, or installed by or on behalf of the Tenant, located within the Leased Premises and all other property for which the Tenant is responsible pursuant to this Lease and/or which has been installed by or on behalf of the Tenant (including without limitation chattels, equipment, machinery, furniture, inventory, fixtures, property of others in your care, custody or control, and all Leasehold Improvements) in an amount equal to the full (100%) replacement value thereof; and

- (c) If the Tenant modifies the Leased Premises to install its own boilers, pressure vessels or air-conditioning equipment, the Tenant shall obtain comprehensive boiler and machinery insurance on a blanket repair and replacement basis with limits for each accident in an amount of at least the replacement cost of all leasehold improvements and of all boilers, pressure vessels, air conditioning equipment and miscellaneous electrical apparatus or mechanical equipment owned or operated by the Tenant or by others (except for the Landlord) on behalf of the Tenant in the Leased Premises, or relating to or serving the Leased Premises; and
- (d) Business interruption insurance in an amount that will reimburse the Tenant for direct or indirect loss of earnings attributable to all perils insured against under Section 8.01 (b) and (c) herein, and other perils commonly insured against by prudent tenants, or attributable to prevention of access to the Leased Premises as a result of those perils; and
- (e)
 - (i) Environmental Impairment Liability insurance ("EIL" insurance) for claims arising from the use of or operations at the Leased Premises, including coverage for sudden and accidental and gradual pollution conditions, and including incidents arising out of the storage, disposal, release or escape of any Hazardous Substances into or upon the Leased Premises, land, sediments, soils, groundwater, atmosphere, or any watercourse or body of water, and for all third-party claims for bodily injury or property damage as well as the cost of clean-up and/or remediation of any contamination or environmental hazard in, upon or around the Leased Premises, Lands and adjoining lands, which insurance shall be issued for a limit of no less than Five Million Dollars (\$5,000,000.00) per claim; and
 - (ii) In the case of the Tenant in use and occupation of the Leased Premises being The Children's Place (Canada), LP, the Landlord acknowledges that as of the Commencement Date the Tenant is not required to obtain "gradual pollution" insurance unless the Landlord, in its discretion, determines at any time thereafter that the Leased Premises contains Hazardous Substances for which the Tenant is responsible or the use permitted under this Lease is modified or changed, with or without the Landlord's consent, at which time the Tenant shall comply with the original requirement for "EIL" insurance set out in Section 8.01 (e) (i) above covering both sudden and accidental and gradual pollution exposures. In the event the Tenant is not required to obtain "gradual pollution" insurance pursuant to this Section 8.01 (e) (ii), the Tenant shall obtain Limited Pollution liability insurance covering claims for bodily injury or property damage resulting from a sudden and accidental discharge, emission, dispersal, seepage, leakage, migration, release or escape of Pollutants in or upon land, the atmosphere, drainage or sewage system, watercourse or any body of water, upon or around the Leased Premises, lands and adjoining lands, and/or caused by the heat, smoke or fumes from a fire which becomes uncontrollable or breaks out from where it was intended to be, as well as the cost of clean-up and/or remediation of any contamination or environmental hazard arising from the use of or operations at the Leased Premises, with a limit of no less than Five Million Dollars (\$5,000,000.00) per claim. In all other instances "EIL" insurance in accordance with Section 8.01 (e) (i) shall be obtained by the Tenant including, without limitation, upon any assignment of this Lease or sublease of all or part of the Leased Premises. (f) Standard owners form automobile insurance providing third-party liability insurance with Two Million Dollars (\$2,000,000.00) inclusive limits, and accident benefits insurance, covering all licensed vehicles owned or operated by or on behalf of the Tenant; and
- (g) Such other forms of insurance as may be reasonably required by the Landlord and its mortgagee from time to time.

All policies shall: (i) contain a cross liability and/or severability of interest clause; (ii) be primary and non-contributing to any other insurance available to the Landlord and/or its mortgagee(s); (iii) not be invalidated with respect to the interests of the Landlord and its mortgagee(s) by reason of any breach or violation of warranties, representations, declarations or conditions contained in the policies; and (iv) contain an undertaking by the insurers to notify the Landlord and its mortgagee(s) in writing not less than sixty (60) days prior to any material change, cancellation or termination thereof and shall be subject only to such deductibles and exclusions as are reasonable and customary to businesses similar to that of the Tenant. All policies written pursuant to paragraph (b), (c) or (d) of this Section shall contain a waiver of

any subrogation rights which the Tenant's insurers may have against the Landlord and its mortgagees. Any policy written pursuant to paragraph (e) of this Section shall include a contractual liability clause and coverage for liability arising from the escape of Hazardous Substances (whether sudden or accidental or gradual) from any storage tanks, whether above ground or below ground, if any such storage tanks are present at the Leased Premises. The Tenant shall promptly furnish, upon request from the Landlord, verification of compliance with the provisions of this Section.

The Tenant agrees to furnish upon request from the Landlord verification of compliance with the provisions of this Section 8.01. The Tenant may self insure the coverage provided for under Section 8.01(b) if the Tenant's Net Worth as verified by a current audited balance sheet discloses that the Tenant's Net Worth exceeds Fifty Million Dollars (\$50,000,000.00) provided that in such case the Tenant shall be deemed to have received insurance proceeds in the event of any loss to the extent of such loss. Notwithstanding anything to the contrary contained in this Lease, the Tenant's obligation to carry the insurance required herein may be satisfied by a blanket policy of insurance maintained by the Tenant provided that (i) the amount of such blanket policy is reasonable in relation to the number of locations covered; (ii) the coverage afforded will not be reduced or diminished by reason thereof; (iii) the Leased Premises under this Lease are specifically referenced in the Tenant's policy; and (iv) all other requirements of this Section are met. "Net Worth" shall mean the shareholders equity in the Tenant (being the amount of its total assets in excess of the amount of its total liabilities) less its goodwill and other intangible assets as set forth in its current audited balance sheet.

LANDLORD'S INSURANCE

8.02 The Landlord shall, throughout the Term, keep at the sole cost and expense of the Tenant, the Building and appurtenances thereto, insured to the following extent:

- (a) against such loss or damage as are customarily insured against under a policy of insurance commonly known as a Multi-Peril or All-Risk policy;
- (b) blanket broad boiler and pressure vessel insurance including repair or replacement;
- (c) loss of rental income insurance with respect to fire and other usual perils for which such insurance is customarily issued for a period (as selected by the Landlord) of not less than six (6) months and not more than twelve (12) months for the Basic Rent and other sums payable as Additional Rent under this Lease; and
- (d) other casualties as are customarily insured against under insurance contracts normally entered into from time to time during the Term by owners of buildings in the area of a character similar to the Leased Premises in such amounts as in the reasonable opinion of the Landlord is necessary to protect the Landlord against loss or damage.

Notwithstanding anything contained in this Lease, including but not limited to the covenant of the Landlord to take out the aforesaid insurance or the contribution of the Tenant to the cost of such insurance, nothing in this Lease shall confer any insurable interest upon the Tenant in respect of such insurance and the Tenant acknowledges that it has no right to receive the proceeds or any part thereof from such insurance policies. All policies written pursuant to paragraphs (a), (b) and (c) of this Section shall contain a waiver of any subrogation rights which the Landlord's insurers may have against the Tenant or, if such waiver is not available from the Landlord's insurer, the Landlord shall arrange to add the Tenant as an additional insured on such coverage. The Landlord, on an annual basis, shall provide the Tenant with certificates endorsing the foregoing coverage. Insurance costs under this Section shall not exceed the rate of \$0.05 per square foot of Rentable Area of the Leased Premises per annum for the first Year of the Term.

LIMIT OF LANDLORD'S LIABILITY

- 8.03 (a) The Landlord shall not be responsible in any way for any injury to any person (including but not limited to death) or for any loss of or damage to any property belonging to the Tenant or to other occupants of the Leased Premises or to their respective employees, agents, invitees, licensees or other persons from time to time attending at the Leased Premises while such person or property is in or about the Leased Premises, including without limiting the foregoing, any loss of or damage to any property caused by theft or breakage, or by steam, water, rain or snow or for any loss or damage caused by or attributable to the condition or arrangements of any electrical or other wiring or for any damage caused by smoke or for any other loss whatsoever with respect to the Leased Premises, goods placed therein or any business carried on therein.
- (b) In the event that the Leased Premises [or the Complex] or any part or parts thereof are closed, inaccessible or unusable by reason of damage, necessary repair or by virtue of any other cause or condition whatsoever, whether within or beyond the Landlord's control, the Landlord shall not be liable or responsible in any way for any loss of business or any other damage to or loss, direct, indirect, consequential or otherwise sustained or suffered by the Tenant nor shall the Tenant be entitled to any abatement of Rent, except, in the case of damage to the Leased Premises and as expressly provided in Article IX hereof.

LIMIT OF TENANT'S LIABILITY

- 8.04 The Tenant shall not be liable to the Landlord for any direct injury,

loss or damage required to be insured by the Landlord pursuant to Section 8.02 to the extent of the proceeds actually recovered by the Landlord or which would have been recovered had the Landlord complied with its insurance obligations hereunder, and which is in excess of \$50,000.00 per occurrence, whether or not such injury loss or damage is caused by the Tenant, or its officers, directors or employees, provided that the Tenant promptly advises the Landlord of the occurrence of such injury loss or damage, and the Tenant shall be and is hereby released in respect of the same, it being understood and agreed that the Landlord shall not be required to look to its insurance under Section 8.02 hereof for losses of \$50,000.00 or less and in such case the Tenant shall be responsible for the cost thereof.

INDEMNITY

8.05 (INTENTIONALLY DELETED)

ARTICLE IX - DAMAGE AND DESTRUCTION

ABATEMENT OF RENT

9.01 If the Building or any portion thereof is damaged or destroyed by fire or by other casualty against which the Landlord is required to insure under this Lease, Rent shall abate in proportion to the area of that portion of the Building which, in the reasonable opinion of the Landlord's insurer, is thereby rendered unfit for the purposes of the Tenant bears to the area of the entire Building (but only to the extent to which the Landlord actually receives proceeds under its loss of rental income insurance or which would have been received if the Landlord had complied with its obligations under paragraph (c) of Section 8.02) until the Building is repaired and rebuilt as certified by the Landlord's Architect and the Landlord agrees that it will, with reasonable diligence, repair and rebuild the Building, subject to Section 9.02. The Landlord's obligation to rebuild and restore the Building shall not include the obligation to rebuild, restore, replace or repair any chattel, fixture, Leasehold Improvements, or any other thing that is the property of the Tenant and/or for which the Tenant is to maintain insurance under paragraph (b) and (c) of Section 8.01 (in this Section collectively called "Tenant's Improvements"); the Building shall be deemed repaired and rebuilt when the Landlord's Architect certifies that the Building has been substantially repaired and rebuilt to the state where the Tenant could occupy it for the purpose of rebuilding, restoring, replacing or repairing the Tenant's Improvements. The issuance of the certificate of the Landlord's Architect shall not relieve the Landlord of its obligation to complete the repairing and rebuilding as aforesaid, but the Tenant shall forthwith after issuance of such certificate proceed to rebuild, restore, replace and repair the Tenant's Improvements, and the provisions of Section 5.03 shall apply to such work, mutatis mutandis.

TERMINATION

9.02 Notwithstanding the provisions of Section 9.01 hereof, if:

- (a) the Building or any portion thereof is damaged or destroyed by any cause whatsoever and cannot in the reasonable opinion of the Landlord be rebuilt or made fit for the purposes of the Tenant as aforesaid within one hundred and eighty (180) days from the date of such damage or destruction; or
- (b) the Building is damaged or destroyed by an uninsured peril,

the Landlord may, at its option, terminate this Lease by giving to the Tenant, within sixty (60) days' after the date of such damage or destruction, notice of termination and thereupon Rent shall be apportioned and paid to the date of such damage or destruction and the Tenant shall immediately deliver up possession of the Leased Premises to the Landlord. If the Landlord does not elect to terminate the Lease it shall repair and rebuild the Building in accordance with the provisions of Section 9.01 hereof.

ARTICLE X - DEFAULT

EVENTS OF DEFAULT

10.01 An "Event of Default" shall occur whenever:

- (a) the Tenant fails to pay the Rent hereby reserved or any part thereof within ten (10) days after Tenant's receipt of written notice thereof given by the Landlord to the Tenant. (Notwithstanding the foregoing, it is understood and agreed that if the Tenant is a party other than The Children's Place (Canada), LP or a Permitted Transferee specified in Section 6.01 of this Lease and the Landlord is required to give written notice twice in any 12 consecutive month period during the Term to that other party, then the Landlord shall not be required to thereafter give notice and an Event of Default shall occur if the other party fails to pay Rent, or any part thereof, on the day appointed for payment thereof whether lawfully demanded or not);
- (b) the Tenant shall have breached or failed to comply with any of its covenants and agreements contained in this Lease (save for non-payment of Rent) and shall have failed to remedy such breach or non-compliance within fifteen (15) days (or such longer period as may reasonably be required, having regard to the nature of the default) after written notice thereof given by the Landlord to the Tenant;

- (c) the Tenant shall make any assignment for the benefit of creditors or become bankrupt or insolvent or take the benefit of any Act now or hereinafter in force for bankrupt or insolvent debtors;
- (d) the Tenant is a corporation and any order shall be made for the winding-up of the Tenant or other termination of the corporate existence of the Tenant;
- (e) the Tenant makes or attempts to make a bulk sale of assets not in the ordinary course of the Tenant's business;
- (f) a trustee, receiver, interim receiver, receiver and manager, custodian or liquidator is appointed for the business, property, affairs or revenue of the Tenant and such appointed individual is not removed within ten (10) days;
- (g) this Lease or any of the Tenant's assets on the Leased Premises are taken or seized under writ of execution, an assignment, pledge, charge, debenture or other security instrument;
- (h) the Tenant abandons or attempts to abandon the Leased Premises;
- (i) the Tenant makes or applies to the relevant authority for a permit or approval for, any installation, alteration, addition, modification or improvement to the Leased Premises without the prior written approval or authorization of the Landlord as required under Section 5.03 hereof;
- (j) the Leased Premises shall be used by any person other than the Tenant or the Tenant's permitted assignees or for any purpose other than as set out in Section 7.01;
- (k) any insurance policy on the Building or any part thereof shall be cancelled or shall be threatened by the insurer to be cancelled or the coverage thereunder reduced in any way by the insurer by reason of the use or occupation of the Leased Premises or any part thereof by the Tenant and the Tenant shall have failed to remedy the condition giving rise to such cancellation, threatened cancellation or reduction of coverage within forty-eight (48) hours' written notice given by the Landlord to the Tenant;
- (l) the Tenant sells or disposes of the goods, chattels or equipment in the Leased Premises or removes, commences or threatens to remove them from the Leased Premises so that in the opinion of the Landlord there would not, in the event of such sale, disposal or removal, be sufficient goods on the Leased Premises subject to distress which would satisfy all Rent due or accruing hereunder for a period of six (6) months;
- (m) the Tenant shall at any time during the Term or renewal thereof use the Leased Premises, whether within the use permitted by Section 7.01 or not, in a manner which imposes upon the Landlord any obligation to modify, extend, alter or replace any part of the Leased Premises or any of the machinery, equipment or other facilities used in connection with the Leased Premises, which obligation is not fulfilled by the Tenant at its own cost in a timely manner; or
- (n) the Leased Premises are vacant for any period in excess of fifteen (15) days other than during repairs or renovations.

Notwithstanding the Bankruptcy and Insolvency Act (Canada) or otherwise, upon the occurrence of an Event of Default, the then current month's Rent and next ensuing three (3) months' Rent shall immediately become due and be paid by the Tenant to the Landlord as accelerated Rent and the Landlord may immediately distrain for the same together with any Rent arrears then unpaid.

RIGHT OF RE-ENTRY

10.02

- (a) Upon the occurrence of an Event of Default, the Landlord may at any time thereafter, upon notice to the Tenant, re-enter the Leased Premises or any part thereof in the name of the whole and terminate this Lease and all the rights of the Tenant thereunder.
- (b) If and whenever the Landlord exercises its option to re-enter the Leased Premises and terminate this Lease pursuant to paragraph (a) of this Section:
 - (i) the Tenant shall immediately vacate the Leased Premises and the Landlord may remove or cause to be removed from the Leased Premises the Tenant and/or any other occupant or occupants thereof and remove all property therefrom and sell or dispose of such property as the Landlord considers appropriate without liability for loss or damage and without prejudice to the rights of the Landlord to recover

arrears of Rent or damages incurred by the Landlord;

- (ii) the Landlord shall be immediately entitled to the payment of Rent up to the date of termination together with all expenses incurred by the Landlord in respect of such termination.

RELETTING

10.03 At any time when the Landlord is entitled to re-enter the Leased Premises or terminate this Lease, the Landlord may without notice to the Tenant and without terminating the Lease enter upon and take custody of the Leased Premises in the name of and as agent of the Tenant, together with all the Tenant's improvements, fixtures and furnishings, and sublet the Leased Premises in the name of and as the agent of the Tenant on whatever terms the Landlord may deem appropriate but no such action by the Landlord shall waive any of the obligations of the Tenant or limit the subsequent exercise of any of the Landlord's remedies for default. If the Landlord shall sublet the Leased Premises as aforesaid, the Landlord shall be entitled to receive all sublease rent and apply the same in its discretion to any indebtedness of the Tenant to the Landlord under this Lease and/or to the payment of any costs and expenses of reletting, and the Landlord shall be liable to account to the Tenant only for the excess, if any, of monies actually received by it. If the sublease rent is less than is necessary to pay and discharge all the then existing and continuing obligations of the Tenant hereunder, the Tenant shall pay such deficiency to the Landlord upon demand from time to time. Notwithstanding any such re-entry and subletting without termination, the Landlord may at any time thereafter terminate this Lease by reason of the previous or any other default under the Lease and the provisions of Section 10.02 shall apply.

DISTRESS

10.04 (INTENTIONALLY DELETED)

RIGHT OF LANDLORD TO CURE DEFAULTS

10.05 After the provision of any notice and/or applicable cure period as may be provided for in this Lease, if any, if the Tenant fails to perform or cause to be performed any of the covenants or obligations of the Tenant herein, the Landlord shall have the right (but shall not be so obligated) to perform or cause to be performed and to do or cause to be done such things as may be necessary or incidental thereto (including without limiting the foregoing, the right to make repairs, installations, erections and expend monies), and all payments, expenses, charges, fees and disbursements incurred or paid by or on behalf of the Landlord in respect thereof shall be paid by the Tenant to the Landlord within ten (10) days' written demand therefor together with all reasonable legal and administrative costs of the Landlord in respect thereof.

REMEDIES NOT EXCLUSIVE

10.06 Mention in this Lease of any particular remedy or remedies in respect of any default or threatened default by the Tenant in the performance of its obligations shall not preclude the Landlord from exercising, or limit the extent of, any other remedy in respect thereof, whether at law, in equity or pursuant to any express provision hereof. No remedy shall be interpreted as exclusive or dependent upon any other remedy, and the Landlord may from time to time exercise any one or more of such remedies independently or in combination.

NON-WAIVER

10.07 No condoning, excusing or overlooking by the Landlord or the Tenant of any default, breach or non-observance by the other party at any time or times in respect of any covenant, proviso or condition herein contained shall operate as a waiver of the Landlord's or the Tenant's rights hereunder in respect of any continuing or subsequent default, breach or non-observance, or so as to defeat or affect in any way the rights of the Landlord or the Tenant herein in respect of any such continuing or subsequent default or breach, and no waiver shall be inferred from or implied by anything done or omitted by the Landlord or the Tenant, save only an express waiver by the Landlord or the Tenant in writing.

RECOVERY OF ADJUSTMENTS

10.08 The Landlord shall have (in addition to any other right or remedy of the Landlord) the same rights and remedies in the event of default by the Tenant in payment of any amount payable by the Tenant hereunder as the Landlord would have in the case of default in payment of Rent.

ARTICLE XI - SUBORDINATION AND ACKNOWLEDGEMENTS

MORTGAGES

11.01 At the option of the Landlord or the applicable mortgagee, chargee or trustee (as the case may be), this Lease shall be subject and subordinate to any and all mortgages, charges and deeds of trust (and instruments supplemental thereto), which may now or at any time hereafter affect the Leased Premises in whole or in part, or the Lands, or the Building whether or not any such mortgage, charge or deed of trust affects only the Leased Premises or the Lands or the Building or affects other premises as well. The Tenant acknowledges and agrees that any such mortgagee, chargee or trustee may unilaterally postpone and subordinate its mortgage, charge or deed of trust to this Lease and any renewals, modifications, consolidations, replacements or extensions thereof to the intent that this Lease and all right, title and interest of the Tenant in the Leased Premises shall be prior to the rights of such mortgagee, chargee or trustee as fully as if such Lease had been executed and registered before the registration of the mortgage, charge or deed of trust, as applicable. On request at any time and from time to time of the Landlord or of the mortgagee, chargee or trustee under any such mortgage, charge or deed of trust, the Tenant shall promptly, at no cost to the Landlord or mortgagee, chargee or trustee, but provided that the holder of any such mortgage, charge or deed of trust agrees in writing with the Tenant not to disturb the Tenant's use and occupation of the Leased Premises so long as the Tenant is not in default under this Lease beyond applicable notice and cure periods:

- (a) attorn to such mortgagee, chargee or trustee and become its tenant of the Leased Premises or the tenant of the Leased Premises of any purchaser from such mortgagee, chargee or trustee in the event of an exercise of any permitted power of sale contained in any such mortgage, charge or deed of trust for the then unexpired residue of the Term on the terms herein contained; and/or
- (b) postpone and subordinate this Lease to such mortgage, charge or deed of trust to the intent that this Lease and all right, title and interest of the Tenant in the Leased Premises shall be subject to the rights of such mortgagee, chargee or trustee as fully as if such mortgage, charge or deed of trust had been executed and registered and the money thereby secured had been advanced before the execution of this Lease (and notwithstanding any authority or consent of such mortgagee, or trustee, express or implied, to the making of this Lease).

Any such attornment or postponement and subordination shall extend to all renewals, modifications, consolidations, replacements and extension of any such mortgage, charge or deed of trust and every instrument supplemental or ancillary thereto or in implementation thereof. The Tenant shall forthwith execute any instruments of attornment or postponement and subordination which may be so requested to give effect to this Section. The Tenant shall, if required, also confirm to the Landlord's mortgagee: (i) that no prepayments of rent (except as provided in this Lease) and no material amendments of this Lease shall be binding on such mortgagee unless the mortgagee consents thereto; (ii) that the mortgagee shall not be liable for any default of the Landlord under this Lease arising prior to the mortgagee becoming a mortgagee in possession of the Leased Premises or succeeding to the Landlord's interest in this Lease; (iii) that the mortgagee shall be responsible for landlord obligations only so long as the mortgagee realizes on its security by entering into ownership, possession or control of the Leased Premises; and (iv) that the Tenant will deliver such mortgagee, simultaneously with delivery to the Landlord, a copy of any notice to the Landlord alleging default by the Landlord of its obligations under this Lease; provided however, in no event shall the Tenant be required to provide such confirmation more than two (2) times in any twelve (12) month period without charge to the Landlord.

CERTIFICATES

11.02 The Tenant shall, within not more than ten (10) days' written request therefor, execute and return to the Landlord or its mortgagee as required by the Landlord from time to time and without cost to the Landlord or its mortgagee, a statement in writing certifying that this Lease is unmodified and in full force and effect (or if modified, stating the modifications and that the Lease is in full force and effect as modified), the amount of the annual Basic Rent then being paid hereunder, the dates to which the same, by installment or otherwise, and other charges hereunder have been paid, whether or not there is any existing default on the part of the Landlord of which the Tenant has notice, and any other information reasonably required; provided however, in no event shall the Tenant be required to provide such confirmation more than two (2) times in any twelve (12) month period without charge to the Landlord.

ARTICLE XII - ACCESS BY LANDLORD

ENTRY BY LANDLORD

12.01 (INTENTIONALLY DELETED)

EXHIBITING LEASED PREMISES

12.02 The Tenant shall permit the Landlord or its agents to exhibit the Leased Premises to prospective tenants during the last six (6) months of the Term thereof during normal business hours upon at least 24 hours advance notice. Notwithstanding the foregoing, in the event the Tenant does not exercise any option that is available to it to renew or extend the Term, the Landlord may (during business hours after at least twenty-four (24) hours notice) exhibit the

Leased Premises at any time after the earlier of the date the Tenant notifies the Landlord that it will not be exercising such option or, in the absence of such notice, the last day on which the Tenant may exercise such option.

ARTICLE XIII - MISCELLANEOUS

NOTICE

- 13.01 (a) Any notice, request, statement or other writing pursuant to this Lease shall be deemed to have been given if mailed by registered prepaid post or by facsimile transmission as follows:

In the case of the Landlord, to:

ORLANDO CORPORATION
6205 Airport Road
5th Floor
Mississauga, Ontario
L4V 1E3

Attention: President

Facsimile #: (905) 677-2824

In the case of the Tenant, to:

THE CHILDREN'S PLACE (CANADA), L.P.
c/o The Children's Place Retail Stores, Inc.
915 Secaucus Road
Secaucus, NJ 07094

Attention: Vice President of Real Estate

Facsimile #: (201) 558-2832

With a copy to:

THE CHILDREN'S PLACE (CANADA), L.P.
c/o The Children's Place Retail Stores, Inc.
915 Secaucus Road
Secaucus, NJ 07094

Attention: General Counsel's office

Facsimile #: (201) 558-2840

and such notice shall be deemed to have been received by the Landlord or the Tenant (as applicable) on the third business day after the date on which it shall have been so mailed (provided that in the event that there is an interruption of postal service, the aforesaid period shall be extended for a period equivalent to the period of such interruption) or on the day of facsimile transmission if made before 5:00 p.m. Eastern Time on a business day, otherwise on the business day next following, as evidenced by a written confirmation of such facsimile transmission.

- (b) Notice shall also be sufficiently given if and when the same shall be delivered, in the case of notice to the Landlord, to an executive officer of the Landlord, and in the case of notice to the Tenant to him personally or to an executive officer of the Tenant located at the address provided for notice herein if the Tenant is a corporation. Such notice, if delivered, shall be conclusively deemed to have been given and received at the time of such delivery. If in this Lease two or more persons are named as Tenant, such notice shall also be sufficiently given if and when the same shall be delivered personally to any one of such persons. Provided that either party may, by notice to the other, from time to time designate another address in Canada or the U.S.A. to which notices mailed more than ten (10) days thereafter shall be addressed.

REGISTRATION

13.02 The Tenant covenants and agrees with the Landlord that the Tenant will not register or record this Lease or any part thereof against the title to the Lands or any part thereof except by way of notice which shall be subject to the prior written approval of the Landlord not to be unreasonably withheld or delayed and which shall only describe the parties, the Leased Premises, and the Term and any options to renew or extend (as applicable). The Tenant covenants to execute and return to the Landlord such notice, prepared by the Landlord in registrable form setting out the aforesaid details, within ten (10) days' written request therefor. The Landlord, on its own behalf, may also register notice of this Lease, or a short form thereof, against title to the Lands and the Tenant hereby appoints the Landlord as its agent for the purpose of preparing and submitting any Land Transfer Tax affidavit required in connection with such registration.

PLANNING ACT

13.03 Where applicable, this Lease shall be subject to the condition that it is effective only if the Planning Act (Ontario) is complied with. Pending such compliance, the Term and any renewal periods shall be deemed to be for a total period of one (1) day less than the maximum lease term permitted by law without such compliance.

OBLIGATIONS AS COVENANTS

13.04 Each obligation or agreement of the Landlord or the Tenant expressed in this Lease, even though not expressed as a covenant, is considered to be a covenant for all purposes.

SEVERABILITY

13.05 Any provision of this Lease that is determined to be illegal or unenforceable at law shall be considered separate and severable from the remaining provisions which shall remain in force and be binding upon the Landlord and the Tenant.

OVERHOLDING

13.06 If the Tenant shall continue to occupy all or part of the Leased Premises after the expiration of the Term with the consent of the Landlord, and without any further written agreement, the Tenant shall be a monthly tenant at one hundred and twenty-five percent (125%) of the monthly Basic Rent payable during the last year of this Lease and otherwise on the terms and conditions herein set out except as to length of tenancy.

UNAVOIDABLE DELAYS

13.07 Whenever and to the extent the Landlord is unable to fulfill or shall be delayed or restricted in the fulfillment of any obligation hereunder by reason of being unable to obtain the material, goods, equipment, service, utility or labour required to enable it to fulfill such obligation or by reason of any statute, law, regulation, by-law or order or by reason of any other cause beyond its reasonable control, whether of the same nature as the foregoing or not, the Landlord shall be relieved from the fulfillment of such obligation for so long as such cause continues and the Tenant shall not be entitled to compensation for any inconvenience, nuisance or discomfort thereby occasioned. There shall be no deduction from the Rent or other monies payable under this Lease by reason of any such failure or cause.

EVIDENCE OF PAYMENTS

13.08 The Tenant shall produce to the Landlord upon request, satisfactory evidence of due payment by the Tenant of all payments required to be made by the Tenant under this Lease.

LIEN

13.09 (INTENTIONALLY DELETED)

TIME OF ESSENCE

13.10 Time shall be of the essence of this Lease and every part thereof.

LAW

13.11 This Lease shall be governed by and construed in accordance with the laws of the Province of Ontario.

CAPTIONS/HEADINGS

13.12 The captions appearing in the margin of this Lease and in the headings to the Articles of this Lease have been inserted as a matter of convenience of reference only and do not in any way whatsoever define, limit or enlarge the scope or meaning of this Lease or any part thereof.

JOINT AND SEVERAL LIABILITY

13.13 If the Tenant shall be comprised of more than one (1) party, the liability of each such party under this Lease shall be joint and several.

TENANT PARTNERSHIP

13.14 If the Tenant shall be a partnership, each person who shall be a member of such partnership or successor thereof shall be and continue to be jointly and severally liable for the performance and observance of all covenants, obligations and agreements of the Tenant under this Lease even if such person ceases to be a member of such partnership or successor thereof.

ENVIRONMENTAL ASSESSMENTS

13.15 The Landlord or its agent shall have the right to enter upon the Leased Premises and conduct environmental assessment audits from time to time during the Term or any renewal thereof.

ENVIRONMENTAL MATTERS

13.16 The Landlord agrees that the Leased Premises, not taking into account the Tenant's use, shall be in compliance with all Applicable Laws as at the date they are delivered to the Tenant. The Landlord also warrants that to the best of its knowledge there has been no extra hazardous use of the Leased Premises, nor installation of any asbestos. The Landlord covenants and agrees, at its own expense, to be responsible for and to complete the removal, remediation or clean-up, in accordance with all Applicable Laws of: (i) any and all Hazardous Substances existing at or prior to the Early Access Period, or that migrate onto the Leased Premises (including both surface and subsurface migration) from adjoining lands, that in either case exceed the Ministry of Environment guidelines as set out in the publication entitled Guideline for Remediation at Contaminated Sites in Ontario for industrial/commercial property where it is reasonably demonstrated that such contamination is injurious or detrimental to the health of the Tenant's employees or the Tenant's use or occupation of the Leased Premises; and (ii) any Hazardous Substances in or at the Leased Premises caused by the Landlord or the Landlord's Employees or contractors.

EASEMENTS

13.17 The Tenant acknowledges that the Lands are subject to such rights-of-way and other easements as are designated, if any, in Schedule "A" hereto. The Tenant agrees to postpone this Lease, upon demand by the Landlord to:

- (a) such further easements in favour of adjoining lands for purposes of ingress and egress as may be requested by the Landlord from time to time; and
- (b) easements regarding utilities or sewers as may be required from time to time.

ENTIRE AGREEMENT

13.18 The Tenant acknowledges that there have been no representations made by the Landlord which are not set out in the Lease. The Tenant further acknowledges that the Lease constitutes the entire agreement between the Landlord and Tenant and may not be modified except as herein explicitly provided or by subsequent agreement in writing duly signed by the Landlord and the Tenant.

EFFECT OF LEASE

13.19 This Indenture and everything herein contained shall extend to and bind and may be taken advantage of by the respective heirs, executors, administrators, successors and assigns, as the case may be, of each of the parties hereto, subject to the granting of consent by the Landlord as provided herein to any assignment or sublease, and where there is more than one tenant or there is a female party or a corporation, the provisions hereof shall be read with all grammatical changes thereby rendered necessary and all covenants shall be deemed joint and several.

IN WITNESS WHEREOF the parties hereto have duly executed this Lease.

LANDLORD: ORLANDO CORPORATION

Per: /s/ Doug Kilner

Authorized Signing Officer
Name: Doug Kilner
Position: President

Per: /s/ William O'Rourke

Authorized Signing Officer
Name: William O'Rourke
Position: SVP, Finance

WE HAVE AUTHORITY TO BIND THE CORPORATION.

TENANT: THE CHILDREN'S PLACE (CANADA), LP
BY TCP INVESTMENT CANADA II CORP., GENERAL PARTNER

Per: /s/ Mario Ciampi

Authorized Signing Officer
Name: Mario Ciampi
Position: SVP

Per: /s/ Steven Balasiano

Authorized Signing Officer
Name: Steven Balasiano
Position: Vice President

I/WE HAVE AUTHORITY TO BIND THE CORPORATION

SCHEDULE "A"

DESCRIPTION OF LANDS

P.I.N. 13214-0025 (LT)

PCL BLOCK 11-1, SEC 43M1023; PT BLK 11, PL 43M1023, PART 13, 18 TO 25, 43R20960;
S/T LT1028851, LT1558169, LT1558170 MISSISSAUGA

SUBJECT TO EASEMENTS TO CREATE A MUTUAL DRIVEWAY SERVICING THE LEASED PREMISES
AND THE ADJACENT LANDS FOR BRITANNIA ROAD WEST.

SCHEDULE "A-1"

SITE PLAN

SCHEDULE "B"

DEFINITIONS

For the purposes of this Lease:

- (a) "ADDITIONAL RENT" means all amounts payable by the Tenant under the provisions of this Lease, whether payable to the Landlord or otherwise, over and above Basic Rent.
- (b) "APPLICABLE LAWS" means any statutes, laws, by-laws, regulations, ordinances, and requirements of governmental and other public authorities having jurisdiction over or in respect of the Leased Premises or Building, or any portion thereof, and all amendments thereto at any time and from time to time, and including but not limited to the Environmental Protection Act, R.S.O.1990, c.E.19, as amended, and the Canadian Environmental Protection Act, R.S.C. 1985.
- (c) "BASIC RENT" means those amounts set out as Basic Rent in Section 2.02 of this Lease.
- (d) "BUILDING" means the building erected on the Lands and municipally known as 6040 Cantay Road in the City of Mississauga, in the Regional Municipality of Peel.
- (e) "CAPITAL TAX" means the amount imputed by the Landlord in respect of capital or place of business taxes, excises, rates, duties and assessments presently or hereafter levied, imposed, rated, charged or assessed from time to time upon the Landlord and/or the owners of the Leased Premises by any government or other applicable taxing authority, based upon, in whole or in part, a reference to or on account of the capital employed or invested by the Landlord and/or the owners of the Lands, the Building and improvements thereto, or on account of its or their ownership thereof. Capital Tax shall be calculated (i) as if the Leased Premises were the only property of the Landlord but without reference to exempted amounts, (ii) on the basis of the Landlord's determination of the amount of capital attributable thereto, and (iii) by multiplying the amount of capital by the applicable tax rate imposed without any discounts, adjustments or reductions.
- (f) "HAZARDOUS SUBSTANCES" means, without limitation, any and all hazardous substances, hazardous waste, dangerous goods, toxic waste, toxic substance, contaminants, pollutants or related materials, including without limitation, heavy oil, pesticides, flammables, explosives, radioactive materials, asbestoses, urea formaldehyde foam insulation, radon gas, PCB, any products of waste, or any other contaminants, pollutants, substances or products declared to be hazardous or toxic under the Applicable Laws.
- (g) "LANDLORD'S ARCHITECT" means a qualified architect, engineer or Ontario Land Surveyor from time to time chosen by the Landlord.
- (h) "LANDS" means the parcel of land hatched on the Site Plan attached as Schedule "A-1", being part of the lands described in Schedule "A" hereto.
- (i) "LEASE" means this Lease and any schedules annexed hereto and any amendments from time to time made to this Lease in accordance with the provisions herein set out.
- (j) "LEASED PREMISES" means the Lands and the Building.
- (k) "LEASEHOLD IMPROVEMENTS" means all fixtures (save for trade fixtures), installations, additions, improvements and alterations made, erected or installed in or on the Leased Premises by or on behalf of the Tenant.
- (l) "PROPORTIONATE SHARE" means that fraction having as its numerator the Rentable Area of the Building and having as its denominator the Rentable Area of all buildings in the Complex as defined in Section 3.04 of this Lease.
- (m) "RENT" means Basic Rent and Additional Rent.

- (n) "RENTABLE AREA OF THE BUILDING" means the area of the Building measured in accordance with the SIOR standard of measurement for industrial buildings.
- (o) "TAXES" means all taxes, rates, duties, levies and assessments whatsoever (imposed by any and all taxing authorities having jurisdiction) levied, charged or assessed upon the Lands and Building or upon any part or parts thereof and all improvements now or hereafter erected or placed on the Lands, or charged against the Landlord on account thereof, including but not limited to local improvement charges (but excluding profit and excess profit taxes and taxes assessed upon the income of the Landlord). In addition to the foregoing, Taxes shall include any and all taxes, charges, levies or assessments which may in the future be levied, charged or assessed in lieu thereof or in addition thereto. Taxes shall also include all costs and expenses incurred by the Landlord in obtaining or attempting to obtain a reduction or prevent an increase in the amount thereof and the cost of all consultants, solicitors and accountants retained by the Landlord with respect thereto. Taxes shall also include a management fee of up to five percent (5%) per annum of the foregoing amounts incurred for the Landlord's services in administering, determining and appealing the Taxes, as may be applicable.
- (p) "TERM" means that period of time set out in Section 1.02 of this Lease (and any and all extensions or renewals thereof, as may be applicable).
- (q) "TRANSFER" has the meaning ascribed thereto in paragraph (a) of Section 6.01 of this Lease.
- (r) "TRANSFeree" has the meaning ascribed thereto in paragraph (a) of Section 6.01 of this Lease.
- (s) "YEAR" means each calendar year, the whole or part of which is included within the Term. (q)

SCHEDULE "C"

EXTERIOR MAINTENANCE/REPAIR WORK

Building Repairs - General nature.	Minor caulking, clean-up and repairs of a general
Roof Repairs:	Maintain and repair roof as required to keep the roof in a well-maintained condition.
Painting:	Paint outside doors and frames, bollards, roof flashing and rooftop units as required.
Electrical Repairs:	Maintain and repair outside lights, replace ballasts and lamps as required.
Paved Areas:	Maintain and repair all asphalt and paved areas (including but not limited to pavement surface, curbs, sidewalks, catchbasins and concrete drolley pads).
Parking Lot Sweeping:	Sweep entire parking lot.
Parking Lot Striping:	Line paint parking areas.
Landscaping:	Fertilizing, weed spraying, lawn cutting, till and edge all beds and tree pits, pruning all shrubs as required, spraying of insects on trees and shrubs. Pruning and root feeding all trees and replacing dead plant material as required.
Lawn Sprinklers:	Start-up and winterize irrigation system, replace sprinkler heads as required and maintain system.
Spring Clean-Up:	General spring clean-up of debris accumulated over the winter months.
Window Cleaning:	Clean exterior windows six (6) times per year

SCHEDULE "D"

LANDLORD'S WORK

The Landlord shall, at its own expense, provide the following work to the Leased Premises prior to the Commencement Date. Such work shall be completed in a good and workmanlike manner, subject to delays by causes beyond the Landlord's reasonable control.

The Leased Premises will comprise exterior materials of architectural precast panels to the office, with tinted thermopane, sealed float glass units in colored aluminum frames. The warehouse area will have insulated, prefinished metal panels.

Heights	Nominally 10'-0" to the suspended acoustic ceiling in the office area and 30'-0" to the underside of the structural steel in the warehouse.
Office Area Finishes	Suspended T-bar ceiling with 2'-0" x 4'-0" acoustic tile, lay-in. All interior partitions to be 10'-0" high. Steel stud and drywall, 2" fiberglass sound attenuation batts between metal studs in the partitions designated as insulated. Doors to be 3'-0" x 7'-0" in hollow metal frames, including hardware. Landlord to provide glass vestibule at main entrance to the office area. Male/female washrooms are provided within this space for the office area and a separate set of washrooms for the warehouse employees, in accordance with a mutually agreed upon partitioning layout and local codes. Landlord to provide electric, wiring to the office area with voice and data outlets / connection points at locations designated by the Tenant. Flooring and millwork for the office and washrooms area to be installed by Tenant.
Lunchroom	To accommodate twenty-five (25) employees, complete with counters by the Tenant, provision for a refrigerator, microwave, hot/cold running water and electrical for vending equipment as mutually agreed.
HVAC	Supply all labor, equipment, and materials that are required for the complete installation and testing of the new heating, ventilating and air-conditioning systems to the office. Heating and air-conditioning by means of a constant volume system. Supply and install heating to the warehouse area by means of gas-fired unit heaters, suspended from joists.
Electrical	Main electrical service to be 600 amps, 347/600V, 3 phase, 4 wire. The following general illumination is provided: Office - 65 FC by commercial fluorescent fixtures, Warehouse - 30 FC by metal halide HID lighting, 400-watt fixtures, one fixture per 550 s.f. of warehouse area.
Concrete Floors	The floor slab to the office area, to be four-inch (4") concrete with one layer of reinforcing mesh, finished and cured. The floor slab to the warehouse area to be seven-inch (7") concrete reinforced with 25 kg/m3 steel fibers reinforcing. Traprock floor hardener shall be applied at the rate of 60 lbs./100 sq. ft. premixed. No provision is made for pads, pits or bases. Bay sizes to be 36'-0" x 45'-0". Landlord to provide Defined Traffic F min 40 floor flatness tolerance to 22,680 s. f. of contiguous warehouse space where designated by the Tenant.
Fire Protection	Landlord to supply and install a standard wet-type sprinkler system to light hazard requirements in the office. Landlord to supply and install an E.S.F.R. sprinkler system in the warehouse.
Overhead	Doors Supply and install fourteen (14) 8'-0" X 10'-0" insulated metal, manually operated overhead doors at shipping and receiving area, each complete with door seal, rubber bumpers, and 35,000 lb. manually operated dock leveler. Supply and install one (1) 12'-0" X 10'-0" insulated metal, electrically operated overhead doors with four (4) steel pipe protection bollards.
Exterior	Landscaping and sodding provided for entire site, with asphalt-paved driveways and parking areas. Landlord to provide chain-link fenced-in area for truck/trailer parking adjacent to shipping/receiving area.

Items Not Included

The following items have not been included: Winter construction charges, other floor loadings or finishes, garbage protecting equipment, furniture, signs, security or other alarm systems, computer rooms, process electrical or mechanical, task lighting, additional lighting to suit racking layout, cooling to the production area, painting structural steel or deck, truck restraints, canopy over truck area, pit for scale, flammable/hazardous material storage room, process drains and interceptors, carousels, and G.S.T.

INDEMNITY AGREEMENT

THIS AGREEMENT is dated the 12th day of August, 2003

B E T W E E N:

ORLANDO CORPORATION
(hereinafter called the "LANDLORD")

OF THE FIRST PART;

- and -

THE CHILDREN'S PLACE RETAIL STORES, INC.
(hereinafter called the "INDEMNIFIER")

OF THE SECOND PART;

IN ORDER TO induce the Landlord to enter into the Lease dated the 12th day of August, 2003 between Orlando Corporation (as Landlord) and The Children's Place (Canada), LP (the "Tenant") by TCP Investment Canada II Corp., General Partner regarding the property municipally known as 6040 Cantay Road, in the City of Mississauga, Province of Ontario (the "Lease") and more particularly described therein, and other good and valuable consideration (the receipt and sufficiency of which consideration is hereby acknowledged) the Indemnifier hereby makes the following Indemnity and agreement (the "Indemnity") with and in favour of the Landlord:

1. The Indemnifier shall at all times, perform and observe all covenants, provisoes, conditions and agreements on the part of the Tenant to be performed or observed under the Lease including but not limited to the payment of Rent and all other amounts from time to time payable under the Lease.
2. The Indemnifier shall indemnify the Landlord with respect to all loss to and damage that may be suffered by the Landlord in consequence of any default by the Tenant in the performance and/or observance of all of the Tenant's obligations and covenants under the Lease.
3. The Indemnifier's obligation pursuant to this Indemnity is that of a principal obligor and not a mere guarantor or surety and the Indemnifier shall be jointly and severally bound with the Tenant to the Landlord for the due performance of all of the Tenant's obligations under the Lease
4. If any default shall be made by the Tenant in the performance of any of its obligations under the Lease, the Landlord shall not be bound or required to proceed against the Tenant or any other obligated person or to have recourse to or exhaust any security from time to time held by it for the performance of such obligation or to pursue any other remedy whatsoever which may be available to it, before proceeding against the Indemnifier.
5. The obligations of the Indemnifier under this Indemnity shall in no way be released, discharged or reduced and the rights of the Landlord under this Indemnity shall in no way be prejudiced or impaired by any neglect, delay or forbearance of the Landlord in demanding, requiring or enforcing performance by the Tenant of any of its obligations under the Lease or by the Indemnifier of any of its obligations under this Indemnity or by granting any extensions of time for performance or by waiving any performance (except as to a particular performance which has been expressly waived in writing by the Landlord) or by permitting or consenting to any assignment or subletting referred to in the Lease or by the dissolution of the Tenant or any other event or occurrence which would have the effect in law of terminating the existence or obligations of the Tenant prior to the expiration of the term of the Lease (except by the voluntary acceptance by the Landlord of a surrender of the Lease) or by any agreements or other dealings between the Landlord and the Tenant having the effect of amending or altering the Lease or the obligations of the Tenant thereunder or by any want of notice by the Landlord to the Indemnifier of any default of the Tenant or by any other matter, thing, act or omission of the Landlord whatsoever.

6. Without limiting the generality of the foregoing, the liability of the Indemnifier under this Indemnity shall not be (and shall be deemed to not have been) waived, released, discharged, impaired or affected by reason of the release or discharge of the Tenant in any receivership, bankruptcy, winding-up or other creditors' proceedings or the repudiation, rejection, disaffirmance or disclaimer of the Lease in any proceeding including, without limitation, any proceeding under the Bankruptcy and Insolvency Act (Canada) and shall continue with respect to the periods prior thereto, thereunder and thereafter, for and with respect to the Term as if the Lease had not been disaffirmed or disclaimed.
7. The obligations of the Indemnifier pursuant to this Indemnity shall extend to the Term of the Lease and to any overholding by the Tenant thereafter and to any renewal or extension of the Term of the Lease which results from the exercise by the Tenant of any right or option contained in the Lease.
8. The Indemnifier shall only be released by payment in full of all monies that the Landlord would have received pursuant to the Lease, if the Lease had continued throughout the Term thereof unless the Lease shall have been terminated by the Landlord for any reason other than an Event of Default occurring under the Lease or the Landlord shall have voluntarily accepted a surrender of the Lease. Notwithstanding the foregoing, the Landlord agrees that following receipt of a written request accompanied by the Tenant's current audited financial statements, it will fully release the Indemnifier from its obligations hereunder should the Landlord be satisfied on the basis of such financial statements (and such other financial information and records as the Landlord may reasonably require) that the tangible net worth of The Children's Place (Canada), LP exceeds (\$Cdn.) Twenty Million (\$20,000,000.00) Dollars. For the purpose of determining whether such threshold has been met, tangible net worth shall be deemed to be the amount of the limited partnership's total assets in excess of the amount of its total liabilities, less its goodwill and other intangible assets; and any such release, in order to be effective, shall be in writing signed by the Landlord.
9. This Indemnity shall be governed by and construed in accordance with the laws of the Province of Ontario.
10. The Indemnifier shall submit to the jurisdiction of the governing laws of the Lease and any action or proceedings brought by the Landlord to enforce its rights pursuant to this Indemnity.
11. Any notice, request, demand or other writing pursuant to this Indemnity shall be sufficiently given if delivered by hand and left at the recipient's address, or transmitted by telecopier, addressed as follows:

In the case of notice to the Landlord to:

Orlando Corporation
5th Floor
6205 Airport Road
Mississauga, Ontario
L4V 1E3

Attention: President

Facsimile No: (905) 677-2824

And in the case of notice to the Indemnifier to:

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

Attention: Vice President, Real Estate

Facsimile No: (201) 558-2832

With a copy to the General Counsel

Facsimile No: (201) 558-2840

Either the Landlord or the Indemnifier may from time to time by notice given in accordance with the provisions of this Section, change its address or other details pertaining to such address set out above, and from and after the date, such notice is deemed to have been received as hereinafter provided, the address or other details set out above pertaining to the party giving such notice shall be deemed amended in accordance with such notice.

Any notice given as aforesaid and delivered by hand or facsimile shall be deemed to have been received on the date of delivery or transmission as the case may be.

12. The expressions "Event of Default", "Landlord", "Tenant", "Term" and "Rent" and other terms or expressions where used in this Indemnity, respectively, have the same meaning as in the Lease.
13. The Indemnifier hereby acknowledges receipt of an executed copy of the Lease and this Indemnity.
14. Wherever in this Indemnity reference is made to either the Landlord or the Tenant, the reference is deemed to apply also to the respective heirs, executors, administrators, successors and assigns and permitted assigns, respectively, of the Landlord and the Tenant, as the case may be, named in the Lease. Any assignment by the Landlord of any of its interest in the Lease operates automatically as an assignment to such assignee of the benefit of this Indemnity.

IN WITNESS WHEREOF the Landlord and the Indemnifier have signed this Indemnity.

LANDLORD:

ORLANDO CORPORATION

Per: /s/ Doug Kilner

Name: Doug Kilner
Title: President

Per: /s/ William O'Rourke

Name: William O'Rourke
Title: SVP, Finance

We have the Authority to Bind the Corporation

INDEMNIFIER:

THE CHILDREN'S PLACE RETAIL STORES, INC.

Per: /s/ Mark Rose

Name: Mark Rose
Title: Vice President

Per: /s/ Susan Schiller

Name: Susan Schiller
Title: Vice President

I/We have the Authority to Bind the Corporation

SURRENDER OF LEASE

THIS AGREEMENT dated of the 12th day of August, 2003

B E T W E E N:

ORLANDO CORPORATION, AND
ORION PROPERTIES LTD.
(hereinafter called the "Landlord")

OF THE FIRST PART

- and -

THE CHILDREN'S PLACE (CANADA), LP
BY TCP INVESTMENT CANADA II CORP., GENERAL PARTNER
(hereinafter called the "Tenant")

OF THE SECOND PART

WHEREAS:

- (a) By a lease dated the 21st day of August, 2000 between the Landlord and HMV Canada Inc. (herein "HMV"), as tenant (the "Lease"), the Landlord did demise and lease unto HMV, for a term of five (5) years commencing on the 1st day of October, 2000 and ending on the 30th day of September, 2005 (the "Term"), the premises municipally known as 6291 Ordan Drive and being more particularly described in the Lease (the "Leased Premises");
- (b) Pursuant to an assignment dated April 10, 2002 (the "Assignment"), HMV assigned the Lease to the Tenant effective the 15th day of May, 2002;
- (c) By a consent to assignment dated the 5th day of April, 2002, the Landlord gave its consent to the Assignment; and
- (c) The Tenant and Landlord have entered into a lease dated as of August 12, 2003 (the "New Lease") in respect of the premises municipally known as 6040 Cantay Road, Mississauga and the Tenant has agreed to surrender the Lease and vacate the Leased Premises as of the day before the commencement date of the New Lease (the "Surrender Date").

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the covenants herein contained and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the parties hereto hereby agree as follows:

1. The Tenant hereby assigns, surrenders and yields up unto the Landlord, its successors and assigns, the Lease and the Leased Premises and the unexpired residue of the Term subsequent to the Surrender Date to the intent that the Term subsequent to the Surrender Date and all estate and right of the Tenant in the Leased Premises subsequent to the Surrender Date shall be merged and extinguished in the reversion expectant thereon, and covenants with the Landlord that it has the right, full power and absolute authority to assign, surrender and yield up the Lease and the Leased Premises.

3. The Tenant releases the Landlord from any and all liability arising under or by virtue of the Lease other than liability which the Lease expressly provides will continue after any termination of the Lease.

4. Provided that: (a) the Tenant has paid to the Landlord the Rent and all other amounts owing and/or are payable by the Tenant under the Lease up to and including the Surrender Date; (b) the Tenant has performed, complied with and satisfied all of the Tenant's covenants, obligations and liabilities under and/or in respect of the Lease up to and including the Surrender Date; and (c) the Tenant surrenders to the Landlord vacant possession of the Leased Premises in accordance with the provisions of the Lease by no later than the Surrender Date, then the Landlord releases the Tenant from liability arising or accruing under the Lease subsequent to the Surrender Date provided that the Tenant shall not be released with respect to any environmental contamination of the Leased Premises that may accrue or arise prior to the Surrender Date or any liability of the Tenant which the Lease expressly provides will continue after any termination of the Lease.

5. The within surrender and the Tenant's within release shall be effective as of the Surrender Date.

6. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement

LANDLORD: ORLANDO CORPORATION

Per: /s/ Doug Kilner

Authorized signing officer
Name: Doug Kilner
Title: President

Per: /s/ William O'Rourke

Authorized signing officer
Name: William O'Rourke
Title: SVP, Finance

We Have Authority to Bind The Corporation

LANDLORD: ORION PROPERTIES LTD., (BY ITS AUTHORIZED
PROPERTY MANAGER ORLANDO CORPORATION

Per: /s/ Doug Kilner

Authorized signing officer
Name: Doug Kilner
Title: Authorized Signing Officer

Per: /s/ William O'Rourke

Authorized signing officer
Name: William O'Rourke
Title: Authorized Signing Officer

We Have Authority to Bind The Corporation

TENANT: THE CHILDREN'S PLACE (CANADA), LP

BY TCP INVESTMENT CANADA II CORP.,
GENERAL PARTNER

Per: /s/ Mark Rose

Authorized signing officer
Name: Mark Rose
Title: Vice President

Per: /s/ Susan Schiller

Authorized signing officer
Name: Susan Schiller
Title: Vice President

I/We Have Authority to Bind The Corporation

EXHIBIT 31

SECTION 302 CERTIFICATIONS

CERTIFICATIONS

I, Ezra Dabah, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2003

By: /s/ Ezra Dabah

Chairman of the Board and
Chief Executive Officer

CERTIFICATIONS

I, Seth L. Udasin, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2003

By: /s/ Seth L. Udasin

Vice President and
Chief Financial Officer

EXHIBIT 32

SECTION 902 CERTIFICATIONS

CERTIFICATIONS

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

1. The quarterly report of the Company on Form 10-Q for the period ended November 1, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 8th day of December, 2003.

By: /s/ Ezra Dabah

Chairman of the Board and
Chief Executive Officer

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

1. The quarterly report of the Company on Form 10-Q for the period ended November 1, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 8th day of December, 2003.

By: /s/ Seth L. Udasin

Vice President and
Chief Financial Officer