
**UNITED STATES
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 April 30, 2011

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)

500 Plaza Drive
Secaucus, New Jersey
(Address of Principal Executive Offices)

07094
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares outstanding of the registrant's common stock, par value of \$0.10 per share, as of June 1, 2011 was 25,855,003 shares.

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PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

THE CHILDREN’S PLACE RETAIL STORES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except par value)

	(unaudited) April 30, 2011	January 29, 2011	(unaudited) May 1, 2010
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 212,347	\$ 183,657	\$ 223,509
Restricted cash	—	2,258	2,222
Accounts receivable	21,269	16,121	16,260
Inventories	192,714	210,523	182,356
Prepaid expenses and other current assets	41,313	46,860	44,188
Deferred income taxes	12,649	18,282	29,811
Total current assets	<u>480,292</u>	<u>477,701</u>	<u>498,346</u>
Long-term assets:			
Property and equipment, net	327,017	320,601	315,567
Deferred income taxes	53,485	51,931	56,320
Other assets	4,168	4,098	4,347
Total assets	<u>\$ 864,962</u>	<u>\$ 854,331</u>	<u>\$ 874,580</u>
LIABILITIES AND STOCKHOLDERS’ EQUITY			
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 23,635	\$ 50,730	\$ 45,588
Income taxes payable	1,061	1,143	231
Accrued expenses and other current liabilities	82,424	78,523	80,868
Total current liabilities	<u>107,120</u>	<u>130,396</u>	<u>126,687</u>
Long-term liabilities:			
Deferred rent liabilities	99,975	94,394	97,320
Other tax liabilities	15,370	15,184	15,610
Other long-term liabilities	6,896	6,630	5,029
Total liabilities	<u>229,361</u>	<u>246,604</u>	<u>244,646</u>
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS’ EQUITY:			
Preferred stock, \$1.00 par value, 1,000 shares authorized, 0 shares issued and outstanding	—	—	—
Common stock, \$0.10 par value; 100,000 shares authorized; 26,009, 26,136 and 27,699 issued; 26,000, 26,136 and 27,699 outstanding	2,601	2,613	2,770
Additional paid-in capital	218,826	209,960	213,861
Treasury stock, at cost (9 shares)	(401)	—	—
Deferred compensation	401	—	—
Accumulated other comprehensive income	19,209	13,157	11,385
Retained earnings	394,965	381,997	401,918
Total stockholders’ equity	<u>635,601</u>	<u>607,727</u>	<u>629,934</u>
Total liabilities and stockholders’ equity	<u>\$ 864,962</u>	<u>\$ 854,331</u>	<u>\$ 874,580</u>

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THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Net sales	\$ 430,806	\$ 422,133
Cost of sales	247,159	242,429
Gross profit	183,647	179,704
Selling, general and administrative expenses	116,722	113,455
Asset impairment charge	398	930
Depreciation and amortization	17,751	17,625
Operating income	48,776	47,694
Interest (expense), net	(271)	(456)
Income from continuing operations before income taxes	48,505	47,238
Provision for income taxes	19,421	19,231
Income from continuing operations	29,084	28,007
(Loss) from discontinued operations, net of income taxes	—	(105)
Net income	\$ 29,084	\$ 27,902
Basic earnings (loss) per share amounts (1)		
Income from continuing operations	\$ 1.11	\$ 1.02
(Loss) from discontinued operations, net of income taxes	—	(0.00)
Net income	\$ 1.11	\$ 1.01
Basic weighted average common share outstanding	26,120	27,583
Diluted earnings (loss) per share amounts (1)		
Income from continuing operations	\$ 1.10	\$ 1.00
(Loss) from discontinued operations, net of income taxes	—	(0.00)
Net income	\$ 1.10	\$ 1.00
Diluted weighted average common share outstanding	26,387	27,930

(1) Table may not add due to rounding

See accompanying notes to these condensed consolidated financial statements

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THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 29,084	\$ 27,902
Less (loss) from discontinued operations	—	(105)
Income from continuing operations	29,084	28,007
Reconciliation of income from continuing operations to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	17,751	17,625
Stock-based compensation	2,743	3,847
Excess tax benefits from stock-based compensation	(6,869)	—
Deferred taxes	2,536	11,723

Deferred rent expense and lease incentives	(3,525)	(4,088)
Other	1,146	1,075
Changes in operating assets and liabilities:		
Inventories	19,106	25,240
Prepaid expenses and other assets	(4,378)	904
Accounts payable and other current liabilities	(22,795)	(14,630)
Income taxes payable, net of prepayments	13,865	453
Deferred rent and other liabilities	8,531	1,604
Total adjustments	28,111	43,753
Net cash provided by operating activities	57,195	71,760
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases, lease acquisition and software costs	(24,535)	(23,914)
Release of restricted cash	2,351	—
Purchase of company-owned life insurance policies	(149)	(43)
Net cash used in investing activities	(22,333)	(23,957)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving credit facilities	33,485	37,628
Repayments under revolving credit facilities	(33,485)	(37,628)
Exercise of stock options	2,433	5,391
Excess tax benefits from stock-based compensation	6,869	—
Purchase and retirement of common stock, including transaction costs	(19,308)	—
Net cash provided by (used in) financing activities	(10,006)	5,391
Effect of exchange rate changes on cash	3,834	1,935
Net increase in cash and cash equivalents	28,690	55,129
Cash and cash equivalents, beginning of period	183,657	168,380
Cash and cash equivalents, end of period	\$ 212,347	\$ 223,509

See accompanying notes to these condensed consolidated financial statements

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THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
OTHER CASH FLOW INFORMATION:		
Net cash paid during the period for income taxes	\$ 2,694	\$ 6,970
Cash paid during the period for interest	369	406
(Decrease) in accrued purchases of property and equipment	(1,055)	(3,896)

See accompanying notes to these condensed consolidated financial statements

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THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated financial position of The Children's Place Retail Stores, Inc. (the "Company") as of April 30, 2011 and May 1, 2010, the results of its consolidated operations for the thirteen weeks ended April 30, 2011 and May 1, 2010, and its consolidated cash flows for the thirteen weeks ended April 30, 2011 and May 1, 2010. The consolidated financial position as of January 29, 2011 was derived from audited financial statements. Due to the seasonal nature of the Company's business, the results of operations for the thirteen weeks ended April 30, 2011 and May 1, 2010 are not necessarily indicative of operating results for a full fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

Certain reclassifications have been made to prior period financial statements to conform with the current period presentation.

Terms that are commonly used in the Company's notes to consolidated financial statements are defined as follows:

- First Quarter 2011 — The thirteen weeks ended April 30, 2011
- First Quarter 2010 — The thirteen weeks ended May 1, 2010
- FASB— Financial Accounting Standards Board
- FASB ASC — FASB Accounting Standards Codification, which serves as the source for authoritative U.S. GAAP, except that rules and interpretive releases by the SEC are also sources of authoritative U.S. GAAP for SEC registrants

Restricted Cash

On June 11, 2009, the Company received a notice of assessment in the amount of approximately 2.3 million Canadian dollars from Revenue Quebec regarding certain of the Company's sales tax filings. During the third quarter of fiscal 2009, Revenue Quebec required the Company to guarantee the assessed amount in the form of a deposit into a restricted cash account. During the First Quarter 2011, the Company settled these outstanding sales tax issues at a net cost of approximately \$0.3 million. Upon settlement, the restriction was removed. At January 29, 2011 and May 1, 2010 the U.S. dollar value of this deposit was \$2.3 million and \$2.2 million, respectively, and is shown on the accompanying consolidated balance sheet as restricted cash.

Stock-based Compensation

The Company generally grants deferred stock awards and performance awards to employees at management levels and above. The Company also grants deferred stock awards to our non-employee directors. The fair value of these awards is based on the average of the high and low selling price of our common stock on the grant date. Compensation expense is recognized ratably over the related service period reduced for estimated forfeitures of those awards not expected to vest due to employee turnover.

Deferred stock awards generally vest ratably over three years except that deferred awards to non employee directors vest after one year.

Performance awards generally cliff vest after a three year period and have a performance criteria that must be achieved for the award to vest. Each award has a defined number of shares that an employee can earn (the "Target Shares"). Based on performance levels, the employee can earn up to 200% of their Target Shares.

Deferred Compensation Plan

The Company has a deferred compensation plan (the "Deferred Compensation Plan"), which is a nonqualified, unfunded plan, for eligible senior level employees. Under the plan, participants may elect to defer up to 80% of his or her base salary and/or up to 100% of his or her bonus to be earned for the year following the year in which the deferral election is made. The Deferred Compensation Plan also permits members of the Board of Directors to elect to defer payment of all or a portion of their retainer and

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

other fees to be earned for the year following the year in which a deferral election is made. In addition, eligible employees and directors of the Company may also elect to defer payment of any shares of Company stock that is earned with respect to deferred stock awards. The Company may, but is not required to, credit participants with additional Company contribution amounts. Deferred amounts are not subject to forfeiture and are deemed invested among investment funds offered under the Deferred Compensation Plan, as directed by each participant. Payments of deferred amounts (as adjusted for earnings and losses) are payable following separation from service or at a date or dates elected by the participant at the time the deferral is elected. Payments of deferred amounts are generally made in either a lump sum or in annual installments over a period not exceeding fifteen years. During fiscal 2010, the Deferred Compensation Plan was amended to allow for cash deferrals made by members of the Board of Directors to be invested in shares of the Company's common stock. Such elections are irrevocable and will be settled in shares of common stock. All other deferred amounts are payable in the form in which they were made; cash deferrals are payable in cash and stock deferrals are payable in stock. Earlier distributions are not permitted except in the case of an unforeseen hardship.

The Company has established a rabbi trust that serves as an investment to shadow the Deferred Compensation Plan liability; however, the assets of the rabbi trust are general assets of the Company and as such, would be subject to the claims of creditors in the event of bankruptcy or insolvency. The investments of the rabbi trust consist of company-owned life insurance policies ("COLIs") and Company stock. The Deferred Compensation Plan liability, excluding Company stock, is included in other long-term liabilities and changes in the balance are recognized as compensation expense. The cash surrender value of the COLIs are included in other assets and related earnings and losses are recognized as investment income or loss, which is included in selling, general and administrative expenses. Company stock deferrals are included in the equity section of the Company's consolidated balance sheet as treasury stock and as a deferred compensation liability. Deferred stock is recorded at fair market value at the time of deferral and any subsequent changes in fair market value are not recognized.

The Deferred Compensation Plan liability, excluding Company stock, was approximately \$0.7 million, \$0.5 million and \$0.1 million at April 30, 2011, January 29, 2011 and May 1, 2010, respectively. The cash surrender value of the COLIs was approximately \$0.7 million, \$0.5 million and \$0.1 million at April 30, 2011, January 29, 2011 and May 1, 2010, respectively. Company stock was \$0.4 million at April 30, 2011. Prior to fiscal 2011, there was no Company stock in the Deferred Compensation Plan.

Discontinued Operations

Loss from discontinued operations consists primarily of professional fees and accrual adjustments related to the disposal of a business during fiscal 2008.

Fair Value Measurement and Financial Instruments

The “Fair Value Measurements and Disclosure” topic of the FASB ASC provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

This topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-level hierarchy, which encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the hierarchy are defined as follows:

- Level 1 - inputs to the valuation techniques that are quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs to the valuation techniques that are other than quoted prices but are observable for the assets or liabilities, either directly or indirectly
- Level 3 - inputs to the valuation techniques that are unobservable for the assets or liabilities

The Company’s cash and cash equivalents, accounts receivable, accounts payable and credit facilities are all short-term in nature. As such, their carrying amounts approximate fair value.

Recently Issued Accounting Updates

In May 2011, the FASB issued an accounting standard update, “Fair Value Measurement”, which amends the “Fair Value Measurements and Disclosure” topic of the FASB ASC. This update provides amendments to achieve common fair value

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. This standard will be effective for interim and annual periods beginning after December 15, 2011. The Company does not expect this adoption to have a material impact on its financial statements or related disclosures.

2. STOCKHOLDERS’ EQUITY

On August 18, 2010, the Company’s Board of Directors authorized a share repurchase program in the amount of \$100.0 million (the “2010 Share Repurchase Program”) and on March 3, 2011 authorized another share repurchase program in the amount of \$100.0 million (the “2011 Share Repurchase Program”). Under the programs, the Company may repurchase shares in the open market at current market prices at the time of purchase or in privately negotiated transactions. During the First Quarter 2011 the Company repurchased approximately 0.4 million shares for approximately \$18.4 million, of which \$10.1 million was for purchases under the 2010 Share Repurchase Program which closed out that Program and the other \$8.3 million was for purchases under the 2011 Share Repurchase Program. Subsequent to April 30, 2011 and through June 1, 2011, the Company repurchased an additional 0.2 million shares for approximately \$8.2 million. All shares repurchased under the programs have been retired. The timing and remaining number of shares repurchased under the 2011 Share Repurchase Program will depend on a variety of factors including price, corporate and regulatory requirements, and other business and market conditions. The Company may suspend or discontinue the program at any time, and may thereafter reinstitute purchases, all without prior announcement.

Additionally, under certain conditions, the Company withholds and retires shares of vesting stock awards in exchange for payments to satisfy the withholding tax requirements of certain recipients. The Company’s payment of the withholding taxes in exchange for the shares constitutes a purchase of its common stock. For the First Quarter 2011, the Company retired approximately 18,000 shares and made related withholding tax payments of approximately \$0.8 million.

In accordance with the “Equity” topic of the FASB ASC, the par value of the shares retired is charged against common stock and the remaining purchase price is allocated between additional paid-in capital and retained earnings. The portion charged against additional paid-in capital is done using a pro rata allocation based on total shares outstanding. Related to all shares retired for the First Quarter 2011, approximately \$16.1 million was charged to retained earnings.

3. STOCK-BASED COMPENSATION

The following tables summarize the Company’s stock-based compensation expense (in thousands):

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Deferred stock expense	\$ 1,985	\$ 2,068
Restricted stock expense	399	216
Performance award expense	359	1,541
Stock option expense	—	22
Total stock-based compensation expense (1)	\$ 2,743	\$ 3,847

- (1) Approximately \$0.4 million and \$0.3 million were recorded in cost of goods sold for the First Quarter 2011 and the First Quarter 2010, respectively.

The Company recognized a tax benefit related to stock-based compensation expense of \$1.1 million and \$1.5 million for the First Quarter 2011 and the First Quarter 2010, respectively.

Awards Granted During the First Quarter 2011

As part of an amendment to the employment agreement of its Chief Executive Officer and President, on March 28, 2011 the Company granted 100,725 deferred stock awards, which vest as to 50%, 25% and 25% on the first, second and third anniversaries of the date of grant. In addition, the Company granted performance awards that provide for the issuance of 100,725 Target Shares if the Company meets its operating income target for fiscal 2011. The performance awards have a minimum threshold that would provide 50% of the Target Shares and a maximum target that would provide 200% of the Target Shares. Depending on the final operating income, the percentage earned can be 0%, or any percentage including and between 50% and 200%. Any earned performance awards

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

cliff vest in April 2014.

On April 15, 2011, the Company granted 137,704 deferred stock awards to its employees, including new hire awards. The awards vest as to one-third on each of the first three anniversaries of the grant date. In addition, on April 15, 2011, the Company also granted performance awards to its employees that provide for the issuance of 108,176 Target Shares if the Company meets its operating income target for fiscal 2011. The performance awards have a minimum threshold that would provide 50% of the Target Shares and a maximum target that would provide 200% of the Target Shares. Depending on the final operating income, the percentage earned can be 0%, or any percentage including and between 50% and 200%. Any earned performance awards cliff vest in April 2014.

On January 30, 2011, the Company made its annual grant of deferred stock awards to the members of its Board of Directors. Total awards granted were 18,640 and vest after one year.

Changes in the Company's Unvested Stock Awards During the First Quarter 2011

Deferred and Restricted Stock ("Deferred Awards")

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Unvested Deferred Awards, beginning of period	356	\$ 36.91
Granted	257	50.67
Vested	(47)	26.81
Forfeited	(22)	38.74
Unvested Deferred Awards, end of period	<u>544</u>	<u>\$ 44.21</u>

Total unrecognized stock-based compensation expense related to unvested Deferred Awards approximated \$19.9 million as of April 30, 2011, which will be recognized over a weighted average period of approximately 2.5 years.

Performance Awards

	Number of Performance Shares (1) (in thousands)	Weighted Average Grant Date Fair Value
Unvested performance shares, beginning of period	151	\$ 25.16
Granted	209	51.22
Vested	(141)	23.66
Forfeited	—	—
Unvested performance shares, end of period	<u>219</u>	<u>\$ 51.00</u>

- (1) The number of unvested performance shares is based on employees earning their Target Shares at 100% if the related performance period has not yet concluded, or at actual Target Shares earned if the related performance period has concluded. If the maximum number of performance shares are earned, total unvested performance shares at the end of the period would be 428.

Based on the current number of performance shares expected to be earned, the total unrecognized stock-based compensation expense related to unvested performance shares approximated \$10.8 million as of April 30, 2011, which will be recognized over a weighted average period of approximately 2.8 years.

THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Stock Options

	Number of Options (in thousands)	Weighted Average Grant Date Fair Value
Unvested stock options, beginning of period	16	\$ 11.08
Granted	—	—
Vested	(6)	8.20
Forfeited	—	—
Unvested stock options, end of period	<u>10</u>	<u>\$ 12.81</u>

There is no unrecognized stock-based compensation expense related to unvested stock options.

Outstanding Stock Options

Changes in the Company's stock options for the First Quarter 2011 were as follows:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at beginning of period	351	\$ 33.93	4.3	\$ 3,311
Granted	—	—	—	—
Exercised	(74)	32.81	N/A	1,357
Forfeited	(6)	39.13	N/A	87
Options outstanding at end of period	<u>271</u>	<u>\$ 34.12</u>	<u>4.3</u>	<u>\$ 5,149</u>
Options exercisable at end of period	<u>261</u>	<u>\$ 34.32</u>	<u>4.2</u>	<u>\$ 4,908</u>

4. NET INCOME PER COMMON SHARE

The following table reconciles net income and share amounts utilized to calculate basic and diluted net income per common share (in thousands):

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Income from continuing operations	\$ 29,084	\$ 28,007
(Loss) from discontinued operations, net of taxes	—	(105)
Net income	<u>\$ 29,084</u>	<u>\$ 27,902</u>
Basic weighted average common shares	26,120	27,583
Dilutive effect of stock awards	267	347
Diluted weighted average common shares	<u>26,387</u>	<u>27,930</u>
Antidilutive stock awards	141	256

Antidilutive stock awards (stock options, Deferred Awards and performance awards) represent those awards that are excluded from the earnings per share calculation as a result of their antidilutive effect in the application of the treasury stock method in accordance with the "Earnings Per Share" topic of the FASB ASC.

THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

5. COMPREHENSIVE INCOME

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

Thirteen Weeks Ended

	April 30, 2011	May 1, 2010
Net income	\$ 29,084	\$ 27,902
Foreign currency translation adjustment	6,052	3,824
Comprehensive income	<u>\$ 35,136</u>	<u>\$ 31,726</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	Asset Life	April 30, 2011	January 29, 2011	May 1, 2010
Property and equipment:				
Land and land improvements	—	\$ 3,403	\$ 3,403	\$ 3,403
Building and improvements	20-25 yrs	34,370	34,360	30,451
Material handling equipment	10-15 yrs	50,689	50,011	31,243
Leasehold improvements	Lease life	405,613	398,991	385,302
Store fixtures and equipment	3-10 yrs	288,968	279,674	267,143
Capitalized software	5 yrs	73,251	71,993	67,418
Construction in progress	—	16,284	18,951	22,820
		<u>872,578</u>	<u>857,383</u>	<u>807,780</u>
Less accumulated depreciation and amortization		(545,561)	(536,782)	(492,213)
Property and equipment, net		<u>\$ 327,017</u>	<u>\$ 320,601</u>	<u>\$ 315,567</u>

During the First Quarter 2011, the Company recorded \$0.4 million of impairment charges primarily related to two underperforming stores. During the First Quarter 2010, the Company recorded \$0.9 million of impairment charges primarily related to two underperforming stores.

As of April 30, 2011, January 29, 2011, and May 1, 2010, the Company had purchased approximately \$3.6 million, \$4.7 million and \$3.6 million, respectively, in property and equipment for which payment had not been made. These amounts are included in accounts payable and accrued expenses and other current liabilities.

7. CREDIT FACILITIES

On July 31, 2008, the Company and certain of its domestic subsidiaries entered into a five year credit agreement (the “2008 Credit Agreement”) with Wells Fargo Retail Finance, LLC (“Wells Fargo”), Bank of America, N.A., HSBC Business Credit (USA) Inc., and JPMorgan Chase Bank, N.A. as lenders and Wells Fargo, as Administrative Agent, Collateral Agent and Swing Line Lender.

The 2008 Credit Agreement consists of a \$200 million asset based revolving credit facility, with a \$175 million sublimit for standby and documentary letters of credit. Revolving credit loans outstanding under the 2008 Credit Agreement bear interest, at the Company’s option, at:

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

- (i) the prime rate plus a margin of 0.0% to 0.5% based on the amount of the Company’s average excess availability under the facility; or
- (ii) the London InterBank Offered Rate, or “LIBOR”, for an interest period of one, two, three or six months, as selected by the Company, plus a margin of 2.00% to 2.50% based on the amount of the Company’s average excess availability under the facility.

An unused line fee of 0.50% or 0.75%, based on total facility usage, will accrue on the unused portion of the commitments under the facility. Letter of credit fees range from 1.25% to 1.75% for commercial letters of credit and range from 2.00% to 2.50% for standby letters of credit. Letter of credit fees are determined based on the daily average undrawn stated amount of such outstanding letters of credit. The 2008 Credit Agreement expires on July 31, 2013. The amount available for loans and letters of credit under the 2008 Credit Agreement is determined by a borrowing base consisting of certain credit card receivables, certain inventory and the fair market value of certain real estate, subject to certain reserves.

The outstanding obligations under the 2008 Credit Agreement may be accelerated upon the occurrence of certain events, including, among others, non-payment, breach of covenants, the institution of insolvency proceedings, defaults under other material indebtedness and a change of control, subject, in the case of certain defaults, to the expiration of applicable grace periods. Since August 1, 2010, the Company is no longer subject to any early termination fees.

The 2008 Credit Agreement contains covenants, which include limitations on annual capital expenditures, share repurchase programs and the payment of dividends or similar payments. Credit extended under the 2008 Credit Agreement is secured by a first priority security interest in substantially all of the Company’s assets.

On August 18, 2010 and also on March 7, 2011, in connection with the approval of the Company’s share repurchase programs, the 2008 Credit Agreement was amended to increase the allowable amount, subject to certain conditions, that the Company may spend on share repurchases.

The Company capitalized an aggregate of approximately \$2.6 million in deferred financing costs related to the 2008 Credit Agreement, which is being amortized on a straight-line basis over its term.

The table below presents the components (in millions) of the Company's credit facilities:

	April 30, 2011	January 29, 2011	May 1, 2010
Credit facility maximum	\$ 200.0	\$ 200.0	\$ 200.0
Borrowing base	150.6	168.4	154.3
Outstanding borrowings	—	—	—
Letters of credit outstanding—merchandise	17.4	41.3	37.4
Letters of credit outstanding—standby	13.1	11.0	12.4
Utilization of credit facility at end of period	30.5	52.3	49.8
Availability	120.1	116.1	104.5
Interest rate at end of period	3.3%	3.3%	3.3%
	First Quarter 2011	Fiscal 2010	First Quarter 2010
Average end of day loan balance during the period	—	—	—
Highest end of day loan balance during the period	—	0.1	—
Average interest rate	3.3%	3.3%	3.3%

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Letter of Credit Fees

Letter of credit fees, which are included in cost of sales, approximated \$0.1 million in each of the First Quarter 2011 and the First Quarter 2010.

8. LEGAL AND REGULATORY MATTERS

On June 16, 2009, a putative stockholder derivative action was filed in the Superior Court of New Jersey, Hudson County, Chancery Division, against the Company and certain of its current and former directors and senior executives. The Company has been named as a nominal defendant. The complaint alleges, among other things, that certain of the Company's current and former directors and executives breached their fiduciary duties to the Company and its stockholders by causing the Company to issue false and misleading public statements and by abdicating their responsibilities to the Company and its stockholders, in violation of state law. The complaint also alleges that the defendants committed corporate waste in connection with a severance payment to the Company's former Chief Executive Officer. The complaint seeks monetary damages from the individual defendants as well as costs and disbursements of the lawsuit, including expert fees, as well as equitable relief. On November 20, 2009, defendants moved to dismiss the complaint, on the grounds that, among other things, (i) the claims asserted in the action are barred by the prior settlement of the stockholder class action filed in the United States District Court for the Southern District of New York, and (ii) plaintiff failed to make a demand on the Company's Board of Directors to initiate the lawsuit, as required by applicable state law. The court heard oral arguments on the motion to dismiss on March 25, 2010 and on June 3, 2010 the court issued an oral decision denying the defendants' motion to dismiss, while stating that the court took no position on the merits of the case. On July 28, 2010, the defendants filed a motion in the Superior Court of New Jersey, Appellate Division, seeking extraordinary leave to appeal from the interlocutory order denying defendants' motion to dismiss, which motion was denied on August 20, 2010. On February 14, 2011, the parties reached an agreement in principle to settle the action pending execution of a formal settlement agreement. On April 29, 2011, the parties executed a settlement memorandum of understanding, which the parties submitted to the court on May 2, 2011. This claim has been tendered to our insurance carrier and we believe that the payment of the settlement will be covered by our insurance. As such, we do not expect that this litigation will have a material adverse effect on our financial position, results of operations and cash flows.

During the First Quarter 2011, neither the Company nor any of its subsidiaries became a party to, nor did any of their property become the subject of, any material legal proceedings. Except as noted above, there were no material developments to any legal proceedings previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

The Company is also involved in various legal proceedings arising in the normal course of business. In the opinion of management, any ultimate liability arising out of these proceedings will not have a material effect on the Company's financial condition.

9. INCOME TAXES

The Company computes income taxes using the liability method. This method requires recognition of deferred tax assets and liabilities, measured by enacted rates, attributable to temporary differences between the financial statement and income tax basis of assets and liabilities. Deferred tax assets and liabilities are comprised largely of book tax differences relating to depreciation, rent expense, inventory and various accruals and reserves.

The Company's effective tax rate from continuing operations in the First Quarter 2011 and the First Quarter 2010 was 40.0% and 40.7%, respectively.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. During each of the First Quarter 2011 and the First Quarter 2010, the Company recognized approximately \$0.2 million of such interest expense.

The Company is subject to tax in the United States and in various states and foreign jurisdictions. The Company, joined by its domestic subsidiaries, files a consolidated income tax return for federal income tax purposes. During fiscal 2009, the Company completed the U.S. federal income tax audit for fiscal years 2006 and prior. With few exceptions, the Company is no longer subject to

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state and local income tax or non-U.S. income tax examinations by tax authorities for tax years before fiscal 2006.

Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs.

10. INTEREST INCOME (EXPENSE), NET

The following table presents the components of the Company's interest expense, net (in thousands):

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Interest income	\$ 238	\$ 92
Tax-exempt interest income	5	4
Total interest income	243	96
Less:		
Interest expense – credit facilities	63	71
Unused line fee	304	301
Amortization of deferred financing fees	145	145
Other fees	2	35
Total interest expense	514	552
Interest income (expense), net	\$ (271)	\$ (456)

11. SEGMENT INFORMATION

In accordance with the "Segment Reporting" topic of the FASB ASC, the Company reports segment data based on management responsibility: The Children's Place U.S. and The Children's Place Canada. Included in The Children's Place U.S. segment are the Company's U.S. based stores, including Puerto Rico, and its e-commerce store, www.childrensplace.com. The Company measures its segment profitability based on operating income, defined as income from continuing operations before interest and taxes. Net sales and direct costs are recorded by each segment. Certain inventory procurement functions such as production and design as well as corporate overhead, including executive management, finance, real estate, human resources, legal, and information technology services are managed by The Children's Place U.S. segment. Expenses related to these functions, including depreciation and amortization, are allocated to The Children's Place Canada segment based primarily on net sales. The assets related to these functions are not allocated. The Company periodically reviews these allocations and adjusts them based upon changes in business circumstances. Net sales from external customers are derived from merchandise sales and the Company has no customer that accounts for more than 10% of its net sales. As of April 30, 2011, The Children's Place U.S. operated 922 stores and The Children's Place Canada operated 110 stores. As of May 1, 2010, The Children's Place U.S. operated 866 stores and The Children's Place Canada operated 96 stores.

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

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(Unaudited)

The following tables provide segment level financial information for the First Quarter 2011 and the First Quarter 2010 (dollars in thousands):

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Net sales:		
The Children's Place U.S.	\$ 380,508	\$ 373,413
The Children's Place Canada	50,298	48,720
Total net sales	\$ 430,806	\$ 422,133
Operating income:		
The Children's Place U.S.	\$ 41,255	\$ 39,340

The Children's Place Canada	7,521	8,354
Total operating income	<u>\$ 48,776</u>	<u>\$ 47,694</u>

Operating income as a percent of net sales:

The Children's Place U.S.	10.8%	10.5%
The Children's Place Canada	15.0%	17.1%
Total operating income	11.3%	11.3%

Depreciation and amortization:

The Children's Place U.S.	\$ 15,704	\$ 15,785
The Children's Place Canada	2,047	1,840
Total depreciation and amortization	<u>\$ 17,751</u>	<u>\$ 17,625</u>

Capital expenditures:

The Children's Place U.S.	\$ 21,371	\$ 22,804
The Children's Place Canada	3,164	1,110
Total capital expenditures	<u>\$ 24,535</u>	<u>\$ 23,914</u>

Total assets by segment are as follows (in thousands):

	April 30, 2011	January 29, 2011	May 1, 2010
Total assets:			
The Children's Place U.S.	\$ 722,821	\$ 720,951	\$ 764,933
The Children's Place Canada	142,141	133,380	109,647
Total assets	<u>\$ 864,962</u>	<u>\$ 854,331</u>	<u>\$ 874,580</u>

12. SUBSEQUENT EVENTS

Subsequent to April 30, 2011 and through June 1, 2011, the Company repurchased an additional 0.2 million shares for approximately \$8.2 million, which brought the total under the 2011 Share Repurchase Program to approximately \$16.5 million.

On May 9, 2011, the Company entered into a letter agreement with Eric Bauer that provides for the Company's employment of Mr. Bauer on an at-will basis as the Company's Chief Operating Officer. Mr. Bauer's responsibilities will include supply chain, planning and allocation, store operations, finance, information technology and store development.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

At the Annual Meeting of Stockholders of the Company held on May 20, 2011, the Company's stockholders elected each of the Company's three nominees for Class II directors for a three-year term expiring in 2014, ratified the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending January 28, 2012, approved the Company's 2011 Equity Incentive Plan, approved, on a non-binding basis, the compensation of the Company's named executive officers as described in the Company's Proxy Statement for the Annual Meeting ("Say on Pay"), and approved, on a non-binding basis, the Board of Director's recommendation that Say on Pay votes be held on an annual basis.

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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 made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by use of terms such as "may," "will," "should," "plan," "project," "expect," "anticipate," "estimate" and similar words, although some forward-looking statements are expressed differently. These forward-looking statements of The Children's Place Retail Stores, Inc. (the "Company") are based upon the Company's current expectations and assumptions and are subject to various risks and uncertainties that could cause actual results and performance to differ materially. Some of these risks and uncertainties are described in the Company's filings with the Securities and Exchange Commission, including in the "Risk Factors" section of its Annual Report on Form 10-K for the fiscal year ended January 29, 2011. Included among the risks and uncertainties that could cause actual results and performance to differ materially are the risk that the Company will be unsuccessful in gauging fashion trends and changing consumer preferences, the risks resulting from the highly competitive nature of the Company's business and its dependence on consumer spending patterns, which may be affected by a further downturn in the economy or by other factors such as increases in the cost of gasoline, and the risk that the cost of raw materials or energy prices will increase beyond current expectations or that the Company is unable to offset cost increases through value engineering or price increases. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they were made. 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 release publicly any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with the Company's unaudited financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the annual audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 29, 2011.

Terms that are commonly used in our management's discussion and analysis of financial condition and results of operations are defined as follows:

- First Quarter 2011 — The thirteen weeks ended April 30, 2011.
- First Quarter 2010 — The thirteen weeks ended May 1, 2010.
- Comparable Store Sales — Net sales, in constant currency, from stores that have been open for at least 14 consecutive months; except that stores that temporarily close for non-substantial remodeling will be excluded from comparable store sales for only the period that they were closed. A store is considered substantially remodeled if it has been relocated or materially changed in size.
- Comparable Retail Sales — Comparable Store Sales plus comparable sales from our e-commerce store.
- Gross Margin — Gross profit expressed as a percentage of net sales.
- SG&A — Selling, general and administrative expenses.
- FASB — Financial Accounting Standards Board.
- FASB ASC — FASB Accounting Standards Codification, which serves as the source for authoritative U.S. GAAP, except that rules and interpretive releases by the SEC are also sources of authoritative U.S. GAAP for SEC registrants.
- SEC — U.S. Securities and Exchange Commission.
- U.S. GAAP — Generally Accepted Accounting Principles in the United States.

Our Business

We are the largest pure-play children's specialty apparel retailer in North America. We design, contract to manufacture and sell fashionable, high-quality, value-priced merchandise, virtually all of which is under our proprietary "The Children's Place" brand name. Our objective is to deliver high-quality merchandise at value prices. As of April 30, 2011, we operated 1,032 stores throughout North America and an e-commerce store at www.childrensplace.com.

Segment Reporting

In accordance with the "Segment Reporting" topic of the FASB ASC, we report segment data based on management responsibility: The Children's Place U.S. and The Children's Place Canada. Included in The Children's Place U.S. segment are our U.S. based stores, including Puerto Rico, and our e-commerce store, www.childrensplace.com. We measure our segment profitability based on operating income, defined as income from continuing operations before interest and taxes. Net sales and direct costs are recorded by each segment. Certain inventory procurement functions such as production and design as well as corporate overhead,

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including executive management, finance, real estate, human resources, legal, and information technology services are managed by The Children's Place U.S. segment. Expenses related to these functions, including depreciation and amortization, are allocated to The Children's Place Canada segment based primarily on net sales. The assets related to these functions are not allocated. We periodically review these allocations and adjust them based upon changes in business circumstances. Net sales from external customers are derived from merchandise sales and we have no customer that accounts for more than 10% of our net sales. As of April 30, 2011, The Children's Place U.S. operated 922 stores and The Children's Place Canada operated 110 stores. As of May 1, 2010, The Children's Place U.S. operated 866 stores and The Children's Place Canada operated 96 stores.

Recent Developments

On August 18, 2010, our Board of Directors authorized a share repurchase program in the amount of \$100.0 million. During the First Quarter 2011 this program was completed with the final \$10.1 million of availability being used. On March 3, 2011, our Board of Director's authorized a second share repurchase program in the amount of \$100.0 million. Under the program, we may repurchase shares in the open market at current market prices at the time of purchase or in privately negotiated transactions. The timing and remaining number of shares repurchased under the program will depend on a variety of factors including price, corporate and regulatory requirements, and other business and market conditions. We may suspend or discontinue the program at any time, and may thereafter reinstitute purchases, all without prior announcement.

On May 9, 2011, we entered into a letter agreement with Eric Bauer that provides for the Company's employment of Mr. Bauer on an at-will basis as our Chief Operating Officer. Mr. Bauer's responsibilities will include supply chain, planning and allocation, store operations, finance, information technology and store development.

At the Annual Meeting of Stockholders of the Company held on May 20, 2011, our stockholders elected each of our three nominees for Class II directors for a three-year term expiring in 2014, ratified the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending January 28, 2012, approved our 2011 Equity Incentive Plan, approved, on a non-binding basis, the compensation of our named executive officers as described in our Proxy Statement for the Annual Meeting ("Say on Pay"), and approved, on a non-binding basis, the Board of Director's recommendation that Say on Pay votes be held on an annual basis.

Operating Highlights

Net sales in the First Quarter 2011 increased \$8.7 million to \$430.8 million, compared to net sales of \$422.1 million reported in the First Quarter 2010. Our Comparable Retail Sales decreased 3.2% during the First Quarter 2011 compared to a 0.5% decrease in the First Quarter 2010. In the First Quarter 2011, we opened 42 stores, remodeled 12 stores and closed five stores. In the First Quarter 2010, we opened 16 stores, remodeled one store and closed one store.

During the First Quarter 2011, we reported income from continuing operations of \$29.1 million, or \$1.10 per diluted share, compared to \$28.0 million, or \$1.00 per diluted share, in the First Quarter 2010.

We have subsidiaries whose operating results are based in foreign currencies and are thus subject to the fluctuations of the corresponding translation rates into U.S. dollars. The below table summarizes the average translation rates impacting our operating results:

<u>Average Translation Rates (1)</u>	<u>First Quarter 2011</u>	<u>First Quarter 2010</u>
Canadian dollar	1.0238	0.9703
Hong Kong dollar	0.1285	0.1288
China yuan renminbi	0.1524	0.1464

(1) The average translation rates are the average of the three monthly translation rates used during each quarter to translate the respective income statements. The rates represent the U.S. dollar equivalent of each foreign currency.

For the First Quarter 2011, the effects of these translation rate changes on net sales, gross profit and income from continuing operations before income taxes were increases of \$2.6 million, \$1.2 million and \$0.5 million, respectively. Net sales are affected only by the Canadian dollar translation rates. In addition to the translation impact noted above, the gross profit of our Canadian subsidiary is also impacted by its purchases of inventory, which is priced in U.S. dollars. The effect of these purchases on our gross profit was an increase of approximately \$0.1 million in the First Quarter 2011.

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CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with U.S. GAAP 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. In many cases, there are alternative policies or estimation techniques that could be used. We continuously review the application of our accounting policies and evaluate the appropriateness of the estimates used in preparing our financial statements; however, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. Consequently, actual results could differ from our estimates.

The accounting policies and estimates discussed below include those that we believe are the most critical to aid in fully understanding and evaluating our financial results. Senior management has discussed the development and selection of our critical accounting policies and estimates with the Audit Committee of our Board of Directors, which has reviewed our related disclosures herein.

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, for each merchandise department, to the retail value of inventories. An initial markup is applied to inventory at cost to establish a cost-to-retail ratio. Permanent markdowns, when taken, reduce both the retail and cost components of inventory on hand so as to maintain the already established cost-to-retail relationship. At any one time, inventories include items that have been marked down to our best estimate of the lower of their cost or fair market value and an estimate of our inventory shrinkage.

We base our decision to mark down merchandise upon its current rate of sale, the season, and the age and sell-through of the item. We estimate sell-through rates based upon historical and forecasted information. Markdown reserves are assessed and adjusted each quarter based on current sales trends and their resulting impact on forecasts. Our success is largely dependent upon our ability to gauge the fashion taste of our customers, and to provide a well-balanced merchandise assortment that satisfies customer demand. Throughout the year, we review our inventory in order to identify slow moving items and generally use markdowns to clear them. Any inability to provide the proper quantity of appropriate merchandise in a timely manner, or to correctly estimate the sell-through rate, could have a material impact on our consolidated financial statements. Our historical estimates have not differed materially from actual results and a 10% difference in our markdown reserve as of April 30, 2011 would have impacted net income by approximately \$0.6 million. Our markdown reserve balance at April 30, 2011 was approximately \$10.7 million.

Additionally, we adjust our inventory based upon an annual physical inventory, which is taken during the last quarter of the fiscal year. Based on the results of our historical physical inventories, an estimated shrink rate is used for each successive quarter until the next annual physical inventory, or sooner if facts or circumstances should indicate differently. A 1% difference in our shrinkage rate at retail could impact each quarter's net income by approximately \$0.6 million.

Stock-Based Compensation— We account for stock-based compensation according to the provisions of the “*Compensation—Stock Compensation*” topic of the FASB ASC.

Restricted Stock, Deferred Stock and Performance Awards

We grant restricted shares, deferred stock awards and performance awards to our employees and deferred stock awards to our non-employee directors. The fair value of all stock-based awards granted prior to May 20, 2011, was based on the average of the high and low selling price of our common stock on the grant date. In conjunction with our 2011 Equity Compensation Plan, ratified by our stockholders and effective as of May 20, 2011, the fair value of future stock-based awards will be based on the closing price of our common stock on the grant date. The effect of this change in estimate is not expected to be material. Compensation expense is recognized ratably over the related service period reduced for estimated forfeitures of those awards not expected to vest due to employee turnover. While actual forfeitures could vary significantly from those estimated, a 10% change in our forfeiture rate would impact our net income by approximately \$0.2 million. In addition, the number of performance shares earned is dependent upon our operating results over a specified time period. The expense for performance shares is based on the number of shares we estimate will vest as a result of our earnings-to-date plus our estimate of future earnings for the performance period. The current performance period ends on January 28, 2012. To the extent that actual operating results for the

rest of this fiscal year differ from our estimates, future performance share compensation expense could be significantly different. For the First Quarter 2011, a 25% increase or decrease in our projected future earnings would not have had a material impact on stock-based compensation expense.

Stock Options

During fiscal 2008, we ceased issuing stock options in favor of deferred stock awards. The fair value of all outstanding stock options was estimated using the Black-Scholes option pricing model based on a Monte Carlo simulation, which requires extensive use of accounting judgment and financial estimates, including estimates of how long employees will hold their vested stock options before

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exercise, the estimated volatility of our common stock over the expected term, and the number of options that will be forfeited prior to the completion of vesting requirements. All exercise prices were based on the average of the high and low of the selling price of our common stock on the grant date. There is no unamortized stock compensation at April 30, 2011.

Insurance and Self-Insurance Liabilities—Based on our assessment of risk and cost efficiency, we self-insure as well as purchase insurance policies to provide for workers' compensation, general liability, and property losses, as well as directors' and officers' liability, vehicle liability and employee medical benefits. We estimate risks and record a liability based upon historical claim experience, insurance deductibles, severity factors and other actuarial assumptions. These estimates include inherent uncertainties due to the variability of the factors involved, including type of injury or claim, required services by the providers, healing time, age of claimant, case management costs, location of the claimant, and governmental regulations. While we believe that our risk assessments are appropriate, these uncertainties or a deviation in future claims trends from recent historical patterns could result in our recording additional or reduced expenses, which may be material to our results of operations. Our historical estimates have not differed materially from actual results and a 10% difference in our insurance reserves as of April 30, 2011 would have impacted net income by approximately \$0.6 million.

Impairment of Long-Lived Assets—We periodically review our long-lived assets when events indicate that their carrying value may not be recoverable. Such events include a history trend or projected trend of cash flow losses or a future expectation that we will sell or dispose of an asset significantly before the end of its previously estimated useful life. In reviewing for impairment, we group our long-lived assets at the lowest possible level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In that regard, we group our assets into two categories: corporate-related and store-related. Corporate-related assets consist of those associated with our corporate offices, distribution centers and our information technology systems. Store-related assets consist of leasehold improvements, furniture and fixtures, certain computer equipment and lease related assets associated with individual stores.

For store-related assets, we review all stores that have been open for at least two years, or sooner if circumstances should dictate, on at least an annual basis. For each store that shows indications of operating losses, we project future cash flows over the remaining life of the lease and compare the total undiscounted cash flows to the net book value of the related long-lived assets. If the undiscounted cash flows are less than the related net book value of the long-lived assets, they are written down to their fair market value. We primarily determine fair market value to be the discounted future cash flows associated with those assets. In evaluating future cash flows, we consider external and internal factors. External factors comprise the local environment in which the store resides, including mall traffic, competition, and their effect on sales trends. Internal factors include our ability to gauge the fashion taste of our customers, control variable costs such as cost of sales and payroll, and in certain cases, our ability to renegotiate lease costs. Historically, less than 2% of our stores required impairment charges in any one year. If external factors should change unfavorably, if actual sales should differ from our projections, or if our ability to control costs is insufficient to sustain the necessary cash flows, future impairment charges could be material. At April 30, 2011, the average net book value per store was approximately \$0.2 million.

Income Taxes— We utilize the liability method of accounting for income taxes as set forth in the "Income Taxes" topic of the FASB ASC. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances we consider projected future taxable income and the availability of tax planning strategies. If, in the future we determine that we would not be able to realize our recorded deferred tax assets, an increase in the valuation allowance would decrease earnings in the period in which such determination is made.

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

Fair Value Measurement and Financial Instruments—The "Fair Value Measurements and Disclosure" topic of the FASB ASC provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

This topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-level hierarchy, which encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the hierarchy are defined as follows:

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- Level 1 - inputs to the valuation techniques that are quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs to the valuation techniques that are other than quoted prices but are observable for the assets or liabilities, either directly or indirectly

- Level 3 - inputs to the valuation techniques that are unobservable for the assets or liabilities

The Company's cash and cash equivalents, accounts receivable, accounts payable, credit facilities and certain other short-term financial instruments are all short-term in nature. As such, their carrying amounts approximate fair value.

Recently Issued Accounting Updates

In May 2011, the FASB issued an accounting standard update, "Fair Value Measurement", which amends the "Fair Value Measurements and Disclosure" topic of the FASB ASC. This update provides amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. This standard will be effective for interim and annual periods beginning after December 15, 2011. We do not expect this adoption to have any material impact on our financial statements or related disclosures.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of net sales. We primarily evaluate the results of our operations as a percentage of net sales rather than in terms of absolute dollar increases or decreases by analyzing the year over year change in our business expressed as a percentage of net sales (i.e. "basis points"). For example, our selling, general and administrative expenses increased approximately 20 basis points to 27.1% of net sales during the First Quarter 2011 from 26.9% during the First Quarter 2010. Accordingly, to the extent that our sales have increased at a faster rate than our costs (i.e. "leveraging"), the more efficiently we have utilized the investments we have made in our business. Conversely, if our sales decrease or if our costs grow at a faster pace than our sales (i.e. "de-leveraging"), we have less efficiently utilized the investments we have made in our business. The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of net sales.

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Net sales	100.0%	100.0%
Cost of sales	57.4	57.4
Gross profit	42.6	42.6
Selling, general and administrative expenses	27.1	26.9
Asset impairment charge	0.1	0.2
Depreciation and amortization	4.1	4.2
Operating income	11.3	11.3
Interest income (expense), net	(0.1)	(0.1)
Income from continuing operations before income taxes	11.3	11.2
Provision for income taxes	4.5	4.6
Income from continuing operations	6.8	6.6
(Loss) from discontinued operations, net of taxes	—	—
Net income	6.8%	6.6%
Number of stores, end of period	1,032	962

Table may not add due to rounding.

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The following tables set forth by segment, for the periods indicated, net sales, gross profit and Gross Margin (dollars in thousands).

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Net sales:		
The Children's Place U.S.	\$ 380,508	\$ 373,413
The Children's Place Canada	50,298	48,720
Total net sales	\$ 430,806	\$ 422,133
Gross profit:		
The Children's Place U.S.	\$ 159,419	\$ 156,360
The Children's Place Canada	24,228	23,344
Total gross profit	\$ 183,647	\$ 179,704
Gross Margin:		
The Children's Place U.S.	41.9%	41.9%
The Children's Place Canada	48.2%	47.9%
Total Gross Margin	42.6%	42.6%

The First Quarter 2011 Compared to the First Quarter 2010

Net sales increased by \$8.7 million to \$430.8 million during the First Quarter 2011 from \$422.1 million during the First Quarter 2010. Our net sales increase resulted from a \$19.3 million increase in sales from new stores, as well as other stores that did not qualify as comparable stores, \$2.6 million from favorable changes in the Canadian foreign exchange rate, partially offset by a Comparable Retail Sales decrease of 3.2%, or \$13.2 million. Our 3.2% decrease in Comparable Retail Sales was primarily the result of a 6% decline in the number of transactions partially offset by a 3% increase in the average dollar transaction size. By department, Comparable Retail Sales were strongest for Accessories and weakest for Newborn. Regionally, Comparable Store Sales were down in all regions except the West, which was flat.

On a segment basis, The Children's Place U.S. net sales increased \$7.1 million, or 1.9%, to \$380.5 million in the First Quarter 2011 compared to \$373.4 million in the First Quarter 2010. This increase resulted from a \$15.6 million increase in sales from new stores and other stores that did not qualify as comparable stores and a \$7.5 million increase in e-commerce sales, mostly offset by a Comparable Store Sales decrease of 4.9%, or \$16.0 million. E-commerce sales, as a percentage of net sales, increased to 9.7% in the First Quarter 2011 from 8.1% in the First Quarter 2010. Comparable Retail Sales decreased 2.2% due to a 5% decline in the number of transactions partially offset by a 3% increase in the average dollar transaction size. The Children's Place Canada net sales increased \$1.6 million, or 3.2%, to \$50.3 million in the First Quarter 2011 compared to \$48.7 million in the First Quarter 2010. This increase resulted primarily from a \$3.7 million increase in sales from new stores and other stores that did not qualify as comparable stores and a \$2.6 million increase resulting from favorable changes in the Canadian exchange rates, mostly offset by a decline in Comparable Retail Sales of 9.7%, or \$4.7 million. The decrease in Comparable Retail Sales was primarily the result of a 6% decline in the number of transactions and a 4% decline in the average dollar transaction size.

During the First Quarter 2011, we opened 42 stores, consisting of 35 in the United States and seven in Canada. We closed five stores in the First Quarter 2011, all in the United States.

Gross profit increased by \$3.9 million to \$183.6 million during the First Quarter 2011 from \$179.7 million during the First Quarter 2010. Gross Margin was 42.6% in each of the First Quarter 2011 and the First Quarter 2010. Gross Margin was flat due to a higher initial markup of approximately 60 basis points, offset by higher buying, distribution and occupancy costs of approximately 40 basis points and higher markdowns of approximately 20 basis points. Gross Margin at The Children's Place U.S. was 41.9% in each of the First Quarter 2011 and the First Quarter 2010. Gross Margin was flat due to a higher initial markup of approximately 60 basis points, offset by higher markdowns of approximately 30 basis points and higher buying and distribution costs of approximately 30 basis points. Gross Margin at The Children's Place Canada increased approximately 30 basis points from 47.9% in the First Quarter 2010 to 48.2% in the First Quarter 2011. This increase resulted primarily from a higher initial markup of approximately 80 basis points and lower markdowns of approximately 70 basis points, partially offset by higher occupancy and distribution costs of approximately 120 basis points. The Children's Place Canada's higher initial markup was favorably impacted by changes in foreign exchange rates.

Selling, general and administrative expenses increased \$3.2 million to \$116.7 million during the First Quarter 2011 from \$113.5 million during the First Quarter 2010 and as a percentage of net sales, SG&A increased approximately 20 basis points to 27.1% during

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the First Quarter 2011 from 26.9% during the First Quarter 2010. These increases resulted primarily from the following:

- pre-opening expenses increased approximately \$2.1 million, or 50 basis points, resulting from opening 26 more stores in the First Quarter 2011 compared to the First Quarter 2010; and
- stock-based compensation expense decreased approximately \$1.3 million, or 30 basis points. Early in the First Quarter 2011, approximately 140,447 performance awards vested, which were outstanding during the full period of the First Quarter 2010.

Asset impairment charges of \$0.4 million were recorded in the First Quarter 2011 compared to \$0.9 million of charges recorded in the First Quarter 2010. The charges primarily related to two underperforming stores in each period.

Depreciation and amortization was \$17.8 million during the First Quarter 2011 compared to \$17.6 million during the First Quarter 2010. As a percentage of net sales, depreciation and amortization was 4.1% in the First Quarter 2011 compared to 4.2% in the First Quarter 2010.

Interest expense, net decreased \$0.2 million to \$0.3 million in the First Quarter 2011 from \$0.5 million in the First Quarter 2010.

Provision for income taxes was \$19.4 million in the First Quarter 2011 compared to \$19.2 million in the First Quarter 2010. Our effective tax rate was 40.0% in the First Quarter 2011 compared to 40.7% in the First Quarter 2010.

Loss from discontinued operations, net of income taxes, was zero and \$0.1 million in the First Quarter 2011 and the First Quarter 2010, respectively. The loss in the First Quarter 2010 related to the disposal of a business during fiscal 2008.

Net income increased \$1.2 million to \$29.1 million in the First Quarter 2011 compared to \$27.9 million in the First Quarter 2010 due to the factors discussed above. Diluted earnings per share was \$1.10 in the First Quarter 2011 compared to \$1.00 in the First Quarter 2010. This increase in earnings per diluted share is due to higher net income and a lower diluted weighted average common shares outstanding of approximately 1.5 million, which is primarily related to the repurchase and retirement of approximately 2.3 million common shares under our share repurchase programs.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our working capital needs follow a seasonal pattern, peaking during the third quarter when inventory is purchased for the back-to-school and winter selling seasons. Our primary uses of cash are the financing of new store openings, other capital projects and working capital requirements, principally inventory purchases and the repurchase of our common stock.

Our working capital increased \$1.5 million to \$373.2 million at April 30, 2011 compared to \$371.7 million at May 1, 2010. This increase is primarily due to cash generated from operations and decreases in accounts payable partially offset by cash paid for share repurchases and the utilization of certain deferred tax assets. During the First Quarter 2011, under our share repurchase programs, we repurchased 0.4 million shares for approximately \$18.4 million. Subsequent to April 30, 2011 and through June 1, 2011, we repurchased an additional 0.2 million shares for approximately \$8.2 million. As of April 30, 2011, we had no borrowings under our credit facility. Our credit facility provides for borrowings up to the lesser of \$200 million or our borrowing base, as defined by the credit facility agreement (see "Credit Facilities" below). At April 30, 2011, our borrowing base was \$150.6 million.

On June 11, 2009, we received a notice of assessment in the amount of approximately 2.3 million Canadian dollars from Revenue Quebec regarding certain of our sales tax filings. During the third quarter of fiscal 2009, Revenue Quebec required us to guarantee the assessed amount in the form of a deposit

into a restricted cash account. During the First Quarter 2011, we settled these outstanding sales tax issues at a net cost of approximately \$0.3 million. Upon settlement, the restriction was removed.

We expect to be able to meet our capital requirements principally by using our cash on hand, cash flows from operations and availability under our credit facility.

Credit Facilities

On July 31, 2008, we and certain of our domestic subsidiaries entered into a five year credit agreement (the "2008 Credit Agreement") with Wells Fargo Retail Finance, LLC ("Wells Fargo"), Bank of America, N.A., HSBC Business Credit (USA) Inc., and JPMorgan Chase Bank, N.A. as lenders and Wells Fargo, as Administrative Agent, Collateral Agent and Swing Line Lender.

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The 2008 Credit Agreement consists of a \$200 million asset based revolving credit facility, with a \$175 million sublimit for standby and documentary letters of credit. Revolving credit loans outstanding under the 2008 Credit Agreement bear interest, at our option, at:

- (i) the prime rate plus a margin of 0.0% to 0.5% based on the amount of our average excess availability under the facility; or
- (ii) the London InterBank Offered Rate, or "LIBOR", for an interest period of one, two, three or six months, as selected by us, plus a margin of 2.00% to 2.50% based on the amount of our average excess availability under the facility.

An unused line fee of 0.50% or 0.75%, based on total facility usage, will accrue on the unused portion of the commitments under the facility. Letter of credit fees range from 1.25% to 1.75% for commercial letters of credit and range from 2.00% to 2.50% for standby letters of credit. Letter of credit fees are determined based on the daily average undrawn stated amount of such outstanding letters of credit. The 2008 Credit Agreement expires on July 31, 2013. The amount available for loans and letters of credit under the 2008 Credit Agreement is determined by a borrowing base consisting of certain credit card receivables, certain inventory and the fair market value of certain real estate, subject to certain reserves.

The outstanding obligations under the 2008 Credit Agreement may be accelerated upon the occurrence of certain events, including, among others, non-payment, breach of covenants, the institution of insolvency proceedings, defaults under other material indebtedness and a change of control, subject, in the case of certain defaults, to the expiration of applicable grace periods. Since August 1, 2010, we are no longer subject to any early termination fees.

The 2008 Credit Agreement contains covenants, which include limitations on annual capital expenditures, share repurchase programs and the payment of dividends or similar payments. Credit extended under the 2008 Credit Agreement is secured by a first priority security interest in substantially all of our assets.

On August 18, 2010 and also on March 7, 2011, in connection with the approval of our share repurchase programs, the 2008 Credit Agreement was amended to increase the allowable amount, subject to certain conditions, that we may spend on share repurchases.

We capitalized an aggregate of approximately \$2.6 million in deferred financing costs related to the 2008 Credit Agreement, which is being amortized on a straight-line basis over its term.

Cash Flows/Capital Expenditures

Cash flows provided by operating activities decreased \$14.6 million to \$57.2 million in the First Quarter 2011 compared to \$71.8 million in the First Quarter 2010. The net decrease resulted primarily from the following:

- the timing of payments on accounts payable and other current liabilities, primarily those related to inventory, resulted in higher cash outflows of approximately \$8.2 million; and
- an increase in inventory purchases during the First Quarter 2011 resulted in approximately \$6.1 million of net cash outflows.

Cash flows used in investing activities decreased \$1.7 million to \$22.3 million in the First Quarter 2011 compared to \$24.0 million in the First Quarter 2010. The decrease primarily resulted from the release of \$2.4 million of restricted cash. Purchases of property and equipment increased \$0.6 million resulting from more store openings in the First Quarter 2011, mostly offset by lower expenditures on distribution center projects.

Cash flows used in financing activities were \$10.0 million in the First Quarter 2011 compared to cash flows provided by financing activities of \$5.4 million in the First Quarter 2010. The First Quarter 2011 included payments of \$19.3 million for purchases of our common stock, primarily related to our share repurchase programs, partially offset by \$9.3 million of proceeds from the exercise of stock options and related tax benefits. The First Quarter 2010 included \$5.4 million of proceeds from the exercise of stock options.

We continue to anticipate that total capital expenditures will be in the range of approximately \$85 to \$90 million in fiscal 2011. In the First Quarter 2011, we opened 42 stores and remodeled 12 at an aggregate cost of approximately \$18.9 million. We have spent approximately \$0.7 million on projects in our distribution centers and approximately \$5.3 million on information technology, our corporate offices and other initiatives. Over the next three quarters, we anticipate additional spending of approximately \$45 million on store projects and approximately \$20 million on information technology, including merchandising and e-commerce systems, and other initiatives.

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Our ability to continue to meet our capital requirements in fiscal 2011 depends on our ability to generate cash flows from operations and our available borrowings under our credit facilities. Cash flow generated from operations depends on our ability to achieve our financial plans. During the second quarter of our fiscal years, we usually use cash to fund operating losses and working capital requirement as our revenues are lowest and we are

building inventory to support the back-to-school season. We believe that cash on hand, cash generated from operations and funds available to us through our credit facility will be sufficient to fund our capital and other cash flow requirements over the next 12 months. Further, we do not expect the current economy to preclude us from meeting our cash requirements.

Historically, we have funded our capital expenditures primarily from operations, with occasional seasonal advances on our debt facilities. With a cash balance of \$212.3 million at April 30, 2011, and approximately \$120.1 million of availability on our credit facility, we expect to meet our capital requirements for the remainder of fiscal 2011.

Off-Balance Sheet Arrangements

None.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents are normally invested in short-term financial instruments that will be used in operations within 90 days of the balance sheet date. Because of the short-term nature of these instruments, changes in interest rates would not materially affect their fair value.

Interest Rates

Our credit facility bears interest at a floating rate equal to the prime rate or LIBOR, plus a calculated spread based on our average excess availability. As of April 30, 2011, we had no borrowings under the credit facility. During the First Quarter 2011, borrowings were not material and any change in interest rates would not have a material impact on our interest expense.

Foreign Assets and Liabilities

Assets and liabilities outside the United States are primarily located in Canada and Hong Kong. Our investments in our Canadian subsidiaries are considered long-term; however, we are not deemed to be permanently reinvested in our Hong Kong subsidiary. We do not hedge these net investments nor are we party to any derivative financial instruments. As of April 30, 2011, net assets in Canada and Hong Kong were \$114.6 million and \$12.2 million, respectively. A 10% increase or decrease in the Canadian and Hong Kong Dollars would increase or decrease the corresponding net investment by \$11.5 million and \$1.2 million, respectively. All changes in the net investment of our foreign subsidiaries are recorded in other comprehensive income as unrealized gains or losses.

As of April 30, 2011, we had approximately \$96.2 million of our cash and investment balances held in foreign countries, of which approximately \$80.6 million was in Canada, approximately \$12.9 million was in Hong Kong and approximately \$2.7 million was in China.

Foreign Operations

Approximately 12% of our consolidated net sales and total costs and expenses are transacted in foreign currencies. As a result, fluctuations in exchange rates impact the amount of our reported sales and expenses. Assuming a 10% change in foreign exchange rates, the First Quarter 2011 net sales could have decreased or increased by approximately \$5.0 million and total costs and expenses could have decreased or increased by approximately \$4.9 million. Additionally, we have foreign currency denominated receivables and payables that when settled, result in transaction gains or losses. At April 30, 2011, we had foreign currency denominated receivables and payables, including inter-company balances, of \$1.0 million and \$2.6 million, respectively. To date, we have not used derivatives to manage foreign currency exchange risk.

While we do not have substantial financial assets in China, we import a large percentage of our merchandise from that

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country. Consequently, any significant or sudden change in China's political, foreign trade, financial, banking or currency policies and practices could have a material adverse impact on our financial position, results of operations or cash flows.

Item 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and President, our Interim Principal Accounting Officer and our Interim Principal Financial Officer evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of April 30, 2011. Based on that evaluation, our Chief Executive Officer and President, Interim Principal Accounting Officer and our Interim Principal Financial Officer concluded that our disclosure controls and procedures were effective as of April 30, 2011 to ensure that all information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Disclosure controls and procedures are designed only to provide "reasonable assurance" that the controls and procedures will meet their objectives. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control

issues and instances of fraud, if any, within our company have been detected. In reviewing those disclosures, our management, including our principal executive officers (our Chief Executive Officer and President and our Interim Principal Accounting Officer and our Interim Principal Financial Officer), have concluded that our disclosure controls and procedures are effective at this “reasonable assurance” level.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

Certain legal proceedings in which we are involved are discussed in Note 11 to the consolidated financial statements and Part I, Item 3 of our Annual Report on Form 10-K for the year ended January 29, 2011. See Note 8 to the condensed consolidated financial statements for a discussion of certain recent developments concerning our legal proceedings.

Item 1A. RISK FACTORS.

There were no material changes to the risk factors disclosed in Item 1A of Part I in our Form 10-K for the year ended January 29, 2011.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On August 18, 2010, our Board of Directors authorized a share repurchase program in the amount of \$100.0 million (the “2010 Share Repurchase Program”) and on March 3, 2011 authorized a second share repurchase program in the amount of \$100.0 million (the “2011 Share Repurchase Program”). Under the programs, we may repurchase shares in the open market at current market prices at the time of purchase or in privately negotiated transactions. The timing and remaining number of shares repurchased under the programs will depend on a variety of factors including price, corporate and regulatory requirements, and other business and market conditions. We may suspend or discontinue the programs at any time, and may thereafter reinstitute purchases, all without prior announcement. During the First Quarter 2011 the 2010 Share Repurchase Program was completed with the final \$10.1 million of availability being used.

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The following table provides a month-to-month summary of our share repurchase activity during the First Quarter 2011:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value (in thousands) of Shares that May Yet Be Purchased Under the Plans or Programs
1/30/11-2/26/11	—	—	—	\$ 10,054
2/27/11-4/2/11	247,663	47.30	229,645	99,145
4/3/11-4/30/11	142,735	53.21	142,735	91,551
Total	390,398	\$ 49.46	372,380	\$ 91,551

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Item 6. EXHIBITS.

The following exhibits are filed with this Quarterly Report on Form 10-Q:

Exhibits:

- 10.1 Amended and Restated Employment Agreement, dated as of March 28, 2011, between The Children’s Place Retail Stores, Inc. and Jane T. Elfers.
- 10.2 Letter agreement, dated May 9, 2011, between The Children’s Place Retail Stores, Inc. and Eric P. Bauer.
- 10.3 2011 Equity Incentive Plan (the “2011 Plan”), filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on May 23, 2011, is incorporated by reference herein.
- 10.4 Form of Time-Based Restricted Stock Unit Award Agreement under the 2011 Plan, filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on May 23, 2011, is incorporated by reference herein.
- 10.5 Form of Performance-Based Restricted Stock Unit Award Agreement under the 2011 Plan, filed as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed on May 23, 2011, is incorporated by reference herein.
- 10.6 Form of Deferred Stock Award Agreement under the Company’s Amended and Restated 2005 Equity Incentive Plan (the “2005 Plan”), filed as Exhibit 10.4 to the Registrant’s Current Report on Form 8-K filed on May 23, 2011, is incorporated by reference herein.

10.7	Form of Performance Stock Award Agreement under the 2005 Plan, filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on May 23, 2011, is incorporated by reference herein.
31.1	Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2	Certificate of Principal Accounting Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.3	Certificate of Principal Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.

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101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.
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* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Exchange Act and otherwise are not subject to liability.

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SIGNATURES

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

THE CHILDREN'S PLACE

RETAIL STORES, INC.

Date: June 6, 2011

By: /S/ JANE T. ELFERS
 JANE T. ELFERS
Chief Executive Officer and President
(A Principal Executive Officer)

Date: June 6, 2011

By: /S/ BERNARD L. MCCRACKEN
 BERNARD L. MCCRACKEN
Interim Principal Accounting Officer and Vice President, Corporate Controller
(A Principal Accounting Officer)

Date: June 6, 2011

By: /S/ JOHN E. TAYLOR
 JOHN E. TAYLOR
Interim Principal Financial Officer and Vice President, Finance
(A Principal Financial Officer)

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AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated as of March 28, 2011 (the "Effective Date") is by and between The Children's Place Retail Stores, Inc., a Delaware corporation (the "Company"), and Jane T. Elfers (the "Executive").

WHEREAS, the Company and the Executive are parties to the Employment Agreement dated as of December 11, 2009 (the "Employment Agreement"); and

WHEREAS, the Company and the Executive wish to amend and restate the Employment Agreement in its entirety and to enter into this Amended and Restated Employment Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed between the Company and the Executive as follows:

1. **Employment.** The Company agrees to employ the Executive and the Executive agrees to employment with the Company on the terms and conditions set forth in this agreement (the "Agreement").

2. **Term.** The term of the Executive's employment under this Agreement (the "Term") shall commence on January 4, 2010 (the "Start Date") and, subject to the earlier termination of the Term as provided in Section 5 below, shall continue through April 15, 2015 (the "Expiration Date"); provided, however, that the Term shall automatically renew for successive one-year terms (each, a "Renewal Period") after the Expiration Date, subject to its nonrenewal if either the Company or the Executive gives the other party hereto written notice at least ninety (90) days' prior to the Expiration Date or the end of the then-current Renewal Period, as applicable (a "Non-Renewal Notice") of its or her intent not to renew the Term, during which 90 day period, the Executive shall, for so long as she is employed by the Company, continue to accrue benefits and entitlements under each employee and welfare benefit plan and program, and shall continue to accrue entitlements and vest, as applicable, under each equity and incentive compensation plan, in each case, in which she participates at the relevant time and to the extent provided by the terms of such plan or program. For purposes of clarification, each Renewal Period shall be subject to earlier termination as provided in Section 5 below.

3. **Positions; Duties.**

(a) During the Term, the Executive shall serve as Chief Executive Officer and President of the Company and each of its subsidiaries. The Executive shall be responsible for the general management of the business and affairs of the Company and each of its subsidiaries, shall report solely and directly to the Board of Directors of the Company (the "Board"), and shall have all of the authorities, duties and responsibilities customarily exercised by an individual serving as chief executive officer and president of a public company of the size, complexity and nature of the Company and its subsidiaries, as well as such other duties consistent with her position and titles as are reasonably assigned by the Board. The Executive shall, at the request of the Chair of the Board, meet on a regular basis with the Chair of the Board.

(b) During the Term, at each annual meeting of stockholders at which Directors are to be considered for election, the Company shall nominate the Executive for election as a Director if her term as a Director is expiring.

(c) During the Term, the Executive shall devote substantially all of her business time and attention to the business and affairs of the Company and other enterprises controlled by the Company and shall use her best efforts, skills and abilities in the diligent and faithful performance of her duties and responsibilities hereunder. Notwithstanding the foregoing, the Executive may (i) engage in personal investment activities for herself and her family, (ii) engage in charitable and civic activities, (iii) serve on the board of directors of the educational institution on which she currently serves, and (iv) serve on one board of directors of another enterprise (whether civic, charitable, educational or for profit) which is not a Competing Business (as defined in Section 7(a) hereof), provided the outside activities set forth in (i), (ii) and (iii) hereof do not interfere or conflict with Executive's performance of her duties and responsibilities hereunder in any material respect.

(d) During the Term, the Executive's principal office and principal place of employment shall be within a 50 mile radius of midtown Manhattan, New York City or such other place that the Executive consents to in writing; provided that the Executive understands that she shall be required to travel domestically and internationally from time to time for business reasons as the Company may, in its reasonable discretion, require.

(e) During the Term, Executive will be subject to all of the written policies, rules and regulations of which Executive is given notice applicable to senior executives of the Company and will in good faith attempt to comply with all reasonable directions and instructions of the Board which are consistent with her position and titles.

4. **Compensation.**

(a) **Base Salary.** During the Term, the Company shall pay to the Executive a base salary at the rate of one million dollars (\$1,000,000) on an annualized basis (the "Base Salary"), which Base Salary shall be payable in equal installments in accordance with the Company's normal payroll procedures for other senior executives, but not less frequently than monthly. The Base Salary shall be reviewed annually by the Board (or an authorized committee thereof) and shall be subject to increase (but not decrease) at the discretion of the Board (or such authorized committee). After any such increase, the term "Base Salary" as used in this Agreement shall thereafter refer to the Base Salary as so increased.

(b) **Stock Awards.** On the Effective Date, the Company shall execute and deliver to the Executive the stock award agreements in the forms of Exhibits A and B hereto, with the applicable numbers of shares of common stock of the Company inserted pursuant to the instructions set forth in such award agreements.

(c) **Annual Bonus.** For each fiscal year of the Company commencing during the Term, the Executive shall be eligible to receive an annual performance—based cash bonus award (each, an "Annual Bonus") pursuant to the Company's annual bonus plan. The threshold amount of each Annual Bonus shall be equal to 50% of the Executive's Base Salary (the "Threshold Bonus"), the target amount of each Annual Bonus shall be equal to 120% of the Executive's Base Salary (the "Target Bonus") and the maximum amount of the Annual Bonus

shall be 240% of the Executive's Base Salary (the "Maximum Bonus"). The actual Annual Bonus shall be earned and paid based on the achievement of performance measure(s) (each, a "Performance Measure") as described below.

The Performance Measure(s) shall be established by the Compensation Committee of the Board (the "Compensation Committee") no later than the end of the first quarter of each fiscal year commencing during the Term. The Compensation Committee shall establish a Performance Measure for each of the Threshold Bonus, Target Bonus and Maximum Bonus for each such fiscal year.

The Annual Bonus (whether it is the Threshold Bonus, the Target Bonus, the Maximum Bonus or an amount between the Threshold Bonus and the Maximum Bonus) earned for any fiscal year shall correspond to the Performance Measure(s) achieved for the applicable fiscal year of the Company when compared to the corresponding target Performance Measure(s). Such comparison shall be made on a straight-line interpolated basis and by reference to the Company's audited consolidated financial statements for the applicable fiscal year. If the Performance Measure chosen by the Compensation Committee is the Company's operating income, for purposes hereof, operating income shall mean the Company's consolidated annual operating income as set forth in the Company's annual audited consolidated statement of operations for the applicable period, adjusted to exclude non-recurring charges and expenses.

The Executive shall be paid an Annual Bonus for a fiscal year at the same time as other senior executives of the Company receive annual bonuses for such fiscal year, but in no event later than 75 days following the close of the fiscal year of the Company for which the Annual Bonus is earned. Subject to Section 6 below, to receive an Annual Bonus with respect to a fiscal year, the Executive must be employed by the Company on the date which is the close of the fiscal year of the Company for which the Annual Bonus is earned.

(d) **Long-Term Incentive Awards.** In addition to the Annual Bonuses, for each fiscal year during the Term, the Executive shall be eligible to receive awards under the Company's Long-Term Incentive Plan (or any successor(s) to such Plan) (each, an "LTIP Award"), with the annual performance metrics thereunder to be established during the first quarter of each fiscal year by the Compensation Committee. The Compensation Committee shall review the achievement of performance targets in respect of LTIP Awards to the Executive on an annual basis.

(e) **Additional Equity.** During the Term, the Executive shall be eligible to be granted equity interests in the Company pursuant to the Company's Amended and Restated 2005 Equity Plan (the "2005 Equity Plan") (and any successor(s) to such Plan, including the 2011 Equity Incentive Plan (the "2011 Equity Plan") if approved by the Company's stockholders) and any other equity plan of the Company.

(f) **Executive Benefits, Perquisites and Expenses.**

(i) **Benefits and Perquisites.** During the Term, the Executive shall be eligible to participate in all employee benefit and all perquisite plans, programs and arrangements offered by the Company (including without limitation, all insurance coverage, vacation, retirement, savings and stock purchase plans and perquisites) as the Company generally

makes available to senior executives of the Company from time to time. Except as otherwise specifically provided by a benefit plan or program established by the Company or as provided by separate written agreement with the Company, the Executive's Base Salary shall constitute the compensation on the basis of which the amount of the Executive's benefits under any such plan or program shall be determined.

(ii) **Other Benefits.** During the Term, the Executive shall be provided financial planning and tax preparation services (not to exceed \$20,000 annually), payment or reimbursement for the premium cost (not to exceed \$10,000 annually) of supplemental life insurance, and payment or reimbursement for the premium cost (not to exceed \$25,000 per year) of supplemental long-term disability insurance. In addition, during the Term, the Company shall provide the Executive for her use, at the Company's expense, an automobile commensurate with the Executive's needs and position as the Company's most senior executive officer and shall provide the Executive with a suitably experienced driver satisfactory to the Executive who shall be on the Company's payroll, including benefits, and shall be appropriately insured by the Company. The Company shall be responsible for the cost of insurance, maintenance, gas, parking and other related operating expenses incurred for such automobile during the Term. All payments or reimbursements hereunder shall be made by the Company as soon as practicable following the Executive's presentation of appropriate support therefor in accordance with the Company's policies for senior executives in respect thereof provided to the Executive.

(iii) **Expenses.**

(x) The Company shall promptly reimburse the Executive for all out-of-pocket business expenses as may be reasonably incurred by her in the performance of her duties hereunder during the Term, subject to the Company's policies for senior executives in respect thereof provided to the Executive.

(y) The Company shall also promptly reimburse the Executive for, or at the Executive's request pay directly on the Executive's behalf, all legal fees and expenses actually and reasonably incurred by her in entering into this Agreement. In the event of any dispute between the Company and the Executive regarding Executive's employment hereunder (or the termination thereof), the Company shall also reimburse the Executive for all reasonable legal expenses and all arbitration fees and expenses actually incurred by Executive in connection with such dispute but if and only if (1) Executive is determined by the arbitrator to have prevailed on at least one material issue in dispute, and (2) the arbitration award with respect to such material issue exceeds the amount of any offer of compromise made by the Company.

(z) All reimbursements and other payments to be made to or on behalf of the Executive pursuant to this subclause (iii) shall be made by the Company as soon as practicable following submission of a request therefor by the Executive, accompanied by appropriate support therefor, in accordance with the Company's policies for senior executives in respect thereof provided to the Executive.

(iv) **Additional Provisions.** Notwithstanding any other provision herein, the following provisions shall apply to any reimbursement of expenses and to the provision of any in-kind benefits under this Section 4 or under any other provision of this Agreement: (i) the amount of

provided, during any one calendar year shall not affect the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (ii) reimbursement of any such expense shall be made by no later than December 31 of the year following the calendar year in which such expense is incurred; and (iii) the Executive's right to receive such reimbursements or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(g) **Treatment of Awards and Benefits.** The Company shall provide the Executive with an Annual Bonus, any LTIP Awards, any additional equity awards, benefits and perquisites on a basis which is no less favorable for the Executive than the most favorable basis on which any of the foregoing are provided to any other senior executive officer of the Company; provided, however, that the foregoing shall not apply to any bonuses, LTIP Awards, equity interests, benefits or perquisites granted or provided to any senior executive officer in connection with his or her initial hire or promotion or other grants not made in the ordinary course of business.

5. **Termination of Employment.** Notwithstanding any other provisions of this Agreement to the contrary, subject to Section 5(e) below, the employment of the Executive pursuant to this Agreement (and the Term) may be terminated as follows:

(a) **Termination by the Company for Cause or Voluntary Termination by the Executive Without Good Reason or Upon Expiration of the Term.** The Executive's employment (and the Term) may be terminated (i) by the Company for Cause, as defined in Section 13(a) below or (ii) by the Executive without Good Reason, as defined in Section 13(d) below. The Executive's employment (and the Term) shall automatically terminate upon expiration of the Term if either party has given a Non-Renewal Notice to the other and the last day of the Term shall be the Date of Termination for purposes of this Agreement.

(b) **Termination by Either the Company or the Executive due to the Executive's Disability.** The Executive's employment (and the Term) may be terminated by the Company or by the Executive upon the Executive's Disability, as defined in Section 13(c) below.

(c) **Termination Due to Death.** The Executive's employment (and the Term) shall terminate upon her death and the date of her death shall be the Date of Termination for purposes of this Agreement.

(d) **Termination by the Company Without Cause or by the Executive for Good Reason.** The Executive's employment (and the Term) may be terminated (i) by the Company without Cause (other than in the event of the Executive's Disability or death, as to which Sections 5(b) and 5(c) (as applicable) above and Section 6(b) below shall be applicable) or (ii) by the Executive for Good Reason.

(e) **Notice of Termination.** Any termination of the Executive's employment (and the Term) hereunder (other than the death of the Executive or as a result of the expiration of the Term if either party has given a Non-Renewal Notice to the other), whether by the Company or by the Executive, shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice that shall indicate (i) the specific termination provision in this Agreement relied upon and, other than in the case of a resignation by the Executive without Good Reason, shall set forth in

reasonable detail the basis for termination of the Executive's employment under the provision so indicated and (ii) the date of termination (the "Date of Termination"). Executive agrees if she elects to terminate her employment other than for Good Reason, the Notice of Termination shall set forth a Date of Termination that is not less than sixty (60) days after the date of the Notice of Termination; provided, however, that the Company shall have the right to accelerate such notice and make the Date of Termination the date of the Notice of Termination or such other date prior to the Executive's intended Date of Termination as the Company deems appropriate, which acceleration shall in no event be deemed a termination by the Company without Cause or constitute Good Reason.

(f) **Removal from any Boards and Position.** Upon the termination of the Executive's employment with the Company for any reason, she shall be deemed to resign (i) from the Board or board of directors of any subsidiary of the Company or any other board to which she has been appointed or nominated by or on behalf of the Company, and (ii) from any position with the Company or any subsidiary of the Company, including, but not limited to, as an officer of the Company and any of its subsidiaries.

6. **Compensation and Benefits upon Termination, Etc.**

(a) **General.** In the case of any of the terminations described in Section 5 above, the Executive or her estate or designated beneficiary(s), as the case may be, shall be entitled, in addition to any payments and benefits applicable to the particular termination as set forth in this Section 6 below, to the following (which, in the case of subclauses (i), (ii), and (iii) below shall be paid within thirty (30) days after the Date of Termination):

- (i) earned, but unpaid, Base Salary through the Date of Termination;
- (ii) any Annual Bonus and other incentive compensation earned with respect to any fiscal year ended prior to the Date of Termination, but not yet paid as of the Date of Termination;
- (iii) any expense reimbursement due, but not yet paid, to the Executive; and
- (iv) to the extent not provided pursuant to applicable specific terminations as set forth above or below in this Section 6, all other payments, deliveries and benefits, if any, in accordance with all applicable plans, programs and other arrangements of the Company.

In the event that the Executive is entitled to benefits under any provision contained in this Section 6, to the extent that the Company's plans, programs and arrangements do not permit a continuation of the Executive's participation in a benefit plan, program or arrangement following her termination of

employment for the required period, the Company shall pay the Executive, no less frequently than quarterly in advance, an amount which is sufficient for the Executive and/or her eligible dependents to purchase equivalent benefits for the remaining portion of the required period.

(b) **Termination Due to Death or Disability.** If the Executive's employment terminates as a result of death or Disability, the Executive (or her estate or designated

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beneficiary(s) in the event of her death) shall be entitled, subject to Section 6(g) below, in addition to the payments, benefits and entitlements provided in Section 6(a) above, to (i) continued healthcare coverage under the Company's group health plan until the earlier of (x) the expiration of twelve months after the Date of Termination and (y) the date that the Executive receives health care coverage under a plan or program of a subsequent employer and (ii) if the termination of employment contemplated by this subsection (b) occurs prior to the Deferred Award Date (as defined in Section 29(b)(ii) below), the 2012 Deferred Shares (as defined in Section 29(b)(ii) below, but substituting the date of death or the Date of Termination in the case of a termination by reason of Disability, as applicable (or the immediately preceding business day if such date is not a business day), for the "Deferred Award Date" referred to in Section 29(b)(ii) below). The healthcare coverage set forth in clause (i) above shall be provided pursuant to COBRA and the Company shall promptly reimburse the Executive (or her eligible beneficiaries in the event of the Executive's death) for the applicable COBRA premiums under the Company's group health plan.

(c) **Termination by the Company Without Cause or by the Executive for Good Reason or Due to Non-Renewal by the Company.** In the event that (x) the Company terminates the Executive's employment without Cause (other than in the case of her Disability or death, as to which Section 6(b) above shall apply), (y) the Executive terminates her employment for Good Reason, or (z) the Executive's employment terminates at the expiration of the Term due to the Company's issuance of a Non-Renewal Notice, then, unless Section 6(d) below applies, the Executive shall, subject to Section 6(g) below, be entitled, in addition to the payments, benefits and entitlements provided in Section 6(a) above, to the following (which, in the case of subclause (ii) below shall be paid within thirty (30) days following the Date of Termination):

(i) payment of a cash amount equal to the sum of (a) two (2) times the Executive's then current Base Salary (not taking into account any reduction therein that is a basis for a termination for Good Reason) and (b) the greater of two (2) times (x) the Target Bonus or (y) the average of the immediately preceding two year's Annual Bonuses earned by the Executive (the greater of clause (x) or (y), the "Bonus Amount") over a period of twenty-four (24) months following the Date of Termination (the "Severance Period"). Such amount shall be paid ratably in equal installments over the Severance Period in accordance with the Company's customary payroll practices, commencing on the next regular pay date following the date that the Release becomes effective and is no longer subject to revocation;

(ii) payment in cash in a lump sum of \$1,200,000 multiplied by a fraction, the numerator of which is the number of days elapsed in the applicable fiscal year of the Company until the Date of Termination and the denominator of which is 365. Such amount shall be paid to the Executive on the next regular pay date following the date the Release becomes effective and is no longer subject to revocation;

(iii) continued healthcare coverage under the Company's group health plan until the earlier of (x) the expiration of the Severance Period, (y) the date that the Executive's COBRA coverage expires, and (z) the date that the Executive receives health care coverage under a plan or program of a subsequent employer. Such healthcare coverage shall be provided pursuant to COBRA and the Company shall promptly reimburse the Executive for her COBRA premiums under the Company's group health plan. To the extent that Executive's coverage under the Company's group health plan expires (other than for the reason set forth in

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clause (z) above) before the expiration of the Severance Period, the Company shall promptly reimburse the Executive for the cost of comparable replacement coverage for the balance of the Severance Period;

(iv) continued payment and provision of benefits under the first sentence of Section 4(f)(ii) above during the Severance Period; and

(v) if the termination contemplated by this subsection (c) occurs prior to the Deferred Award Date (as defined in Section 29(b)(ii) below), the 2012 Deferred Shares (as defined in Section 29(b)(ii) below, but substituting the Date of Termination (or the immediately preceding business day if such Date of Termination is not a business day) for the "Deferred Award Date" referred to in Section 29(b)(ii) below).

(d) **Termination Following a Change in Control.**

(i) If, within two (2) years following the occurrence of a Change in Control (as defined in Section 13(b) below) which constitutes a "change in control event" within the meaning of Treas. Reg. §1.409A-3(i)(5)(i), the Company terminates the Executive's employment without Cause or the Executive terminates her employment for Good Reason or the Executive's employment terminates due to the Company's issuance of a Non-Renewal Notice, the Executive shall be entitled, in addition to the benefits provided in Sections 6(a) and 6(c)(ii) above (and in lieu of the benefits provided in 6(c)(i) and 6(c)(iii) above), to the following:

(A) a lump sum cash severance payment in an amount equal to three (3) times the sum of Executive's Base Salary and the Bonus Amount. Such amount shall be paid to the Executive within ten (10) business days following the Executive's Date of Termination (or, if later, upon the expiration of the revocation period, if applicable, under the release required by Section 6(g) below);

(B) continued healthcare coverage under the Company's group health plan until the earlier of (x) the expiration of the 36-month period following the Date of Termination, (y) the date that the Executive's COBRA coverage expires, and (z) the date that the Executive receives health care coverage under a plan or program of a subsequent employer. Such healthcare coverage shall be provided pursuant to COBRA and the Company shall promptly reimburse the Executive for her COBRA premiums under the Company's group health plan. To the extent that Executive's coverage under the Company's group health plan expires (other than for the reason set forth in clause (z) above) earlier than 36

months after the Date of Termination, the Company shall promptly reimburse the Executive for the cost of comparable replacement coverage for the balance of such 36-month period in the manner provided in the last paragraph of Section 6(a) above; and

(C) continued payment and provision of benefits under the first sentence of Section 4(f)(ii) above during the 36-month period after the Date of Termination.

(ii) If, within two (2) years following the occurrence of a Change in Control which does not constitute a “change in control event” within the meaning of Treas. Reg. §1.409A-3(i)(5)(i), the Company terminates the Executive’s employment without Cause or the

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Executive terminates her employment for Good Reason or the Executive’s employment terminates due to the Company’s issuance of a Non-Renewal Notice, the Executive shall be entitled, in addition to the benefits provided in Sections 6(a) and 6(c)(ii) above (and in lieu of the benefits provided in 6(c)(i) and 6(c)(iii) above), to the following:

(A) The Executive shall be entitled to receive the same benefits that she would have been entitled to receive under Section 6 (c)(i) upon such termination of her employment if no Change in Control had occurred, with such benefits payable at the same times and in the same form as therein provided, except that (1) the amount of the payments that would have been so paid to the Executive under Section 6(c)(i) from her Date of Termination through March 15 of the calendar year immediately following the calendar year in which her Date of Termination occurs shall not be paid to her in such form but shall be paid to her instead in the form of an immediate cash lump sum; (2) the amount of the additional payments that would have been so paid to the Executive under Section 6(c)(i) during the period from March 15 of the calendar year immediately following the calendar year in which her Date of Termination occurs until such time thereafter during the Severance Period therein specified as the aggregate amount of such additional payments would have equaled but not exceeded the maximum amount qualifying for exemption from the requirements of Section 409A (as defined in Section 25 below) pursuant to Treas. Reg. 1.409A-1(b)(9)(iii), shall not be paid to her in the form of periodic payments but shall be paid to her instead in the form of an immediate cash lump sum; and (3) the amount of the payments that would have been paid to the Executive under Section 6(c)(i) during the remaining portion of the Severance Period therein specified shall be paid to her during such period in the form of periodic payments as provided in Section 6(c)(i);

(B) The Executive shall also be entitled to receive an additional amount equal to the sum of (1) her Base Salary as in effect immediately prior to her Date of Termination (not taking into account any reduction therein that is a basis for a termination for Good Reason), plus (2) her Bonus Amount, as determined in the manner provided in Section 6(c)(i). The additional amount so payable to the Executive shall be paid to her in the form of an immediate cash lump sum;

(C) The lump sum cash payments to be made to the Executive pursuant to Section 6(d)(ii)(A)(1) and (2) and Section 6(d)(ii)(B) above shall be made within ten (10) business days following the Executive’s Date of Termination (or, if later, upon the expiration of the revocation period, if applicable, under the release required by Section 6(g) below);

(D) The Executive shall also be entitled to receive continued healthcare coverage under the Company’s group health plan until the earlier of (x) the expiration of the 36-month period following the Date of Termination, (y) the date that the Executive’s COBRA coverage expires, and (z) the date that the Executive receives health care coverage under a plan or program of a subsequent employer. Such healthcare coverage shall be provided pursuant to COBRA and the Company shall promptly reimburse the Executive for her COBRA premiums under the Company’s group health plan. To the extent that Executive’s coverage under the Company’s group health plan expires (other than for the reason set forth in clause (z) above) earlier than 36 months after the Date of Termination, the Company shall promptly reimburse the Executive for

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the cost of comparable replacement coverage for the balance of such 36-month period in the manner provided in the last paragraph of Section 6(a) above; and

(E) Continued payment and provision of benefits under the first sentence of Section 4(f)(ii) above during the 36-month period after the Date of Termination.

(iii) If a Potential Change in Control (as defined in Section 13(e) below) has occurred and either (x) the Executive’s employment is terminated by the Company without Cause at the direction of a Person (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934) who is involved in the Potential Change in Control, (y) the Executive terminates her employment for Good Reason and the circumstance or event which constitutes Good Reason occurs at the direction of such Person, or (z) the Executive’s employment is terminated due to the Company’s issuance of a Non-Renewal Notice, then, in any case, Executive’s termination of employment shall be deemed to have occurred following a Change in Control and shall qualify for the compensation and benefits specified in subsection (d)(i) above.

(e) **Equity Awards Upon Termination.** Upon any termination of Executive’s employment hereunder, Executive shall be entitled to such rights in respect of any equity awards (including, without limitation, awards of stock options, restricted shares, performance shares and any other award under the 2005 Equity Plan, the 2011 Equity Plan (if approved by the Company’s stockholders) or any future equity incentive plan or program of the Company) theretofore made to Executive, and to only such rights, as are provided by the plan or the award agreement pursuant to which such equity awards have been granted to Executive or other written agreement or arrangement between Executive and the Company (in any case, in the event of a conflict, the rights most favorable to the Executive shall apply).

(f) **No Mitigation or Offset.** In the event of termination of the Executive’s employment for any reason, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due to her on account of any remuneration or benefits from any subsequent employment that she may obtain.

(g) **Release.** As a condition to the payments and other benefits pursuant to Section 6(b) (other than payments and benefits due arising out of a termination due to Executive’s death), 6(c) or Section 6(d) above, the Executive must execute and deliver within 21 days (or 45 days in the case of a

group termination) following receipt by Executive and not revoke a release of claims in substantially the form of Exhibit C hereto (the "Release"). The Release will be delivered to Executive within ten (10) business days following the Date of Termination. Notwithstanding anything to the contrary contained herein, in the event that any payment hereunder is contingent upon Executive's execution and delivery of the Release and the 21 (or 45 day) period covers more than one calendar year, the payment shall be paid or commence (as applicable) in the second calendar year (on the first regular pay date of such calendar year following the date that the Release becomes effective and is no longer subject to revocation, unless a later date is required by Section 25 below), regardless of whether the Executive executes and delivers the Release in the first or the second calendar year encompassed in such 21 (or 45) day period.

7. **Noncompetition and Nonsolicitation.** The Executive agrees that her services hereunder are of a special, unique, extraordinary and intellectual character, and her position with the Company places her in a position of confidence and trust with employees, customers, and suppliers of the Company. The Executive further agrees and acknowledges that in the course of the Executive's employment with the Company, the Executive has been and will be privy to confidential information of the Company. The Executive consequently agrees that it is reasonable and necessary for the protection of the trade secrets, goodwill and business of the Company that the Executive make the covenants contained herein. Accordingly, the Executive agrees as follows:

(a) **Noncompete Restrictions.** The Executive agrees that during the Term and for a period of twelve (12) months following the Date of Termination (regardless of the reason therefore), the Executive shall not, anywhere within the United States of America or any other country or territory in which the Company or its subsidiaries then conducts or proposes to conduct business, either directly or indirectly, whether alone or as an owner, shareholder, partner, member, joint venturer, officer, director, consultant, independent contractor agent, employee or otherwise of any company or other business enterprise, or in any other individual or representative capacity, assist in, engage in, participate in, or otherwise be connected to or benefit from any "Competing Business". For purposes of this Agreement, "Competing Business" shall mean (i) any entity or business enterprise that derived twenty percent (20%) or more of its annual gross revenue (measured by the most recent trailing twelve month period) from the marketing, sale or distribution of children's apparel and/or accessories, or (ii) any entity or business enterprise that has a subsidiary, affiliate, division or business segment that derived twenty percent (20%) or more of such entity's or business' annual gross revenue (determined as aforesaid) from marketing, sale or distribution of children's apparel and/or accessories. Without limitation of the foregoing, the following entities shall be deemed to be Competing Businesses: Gymboree, Gap Kids, Aero PS, 77 Kids, Stride Rite, and Crew Cuts.

Notwithstanding the foregoing, nothing in this Section 7(a) shall be deemed to prohibit Executive from becoming an owner, shareholder, partner, member, joint venturer, officer, director, consultant, independent contractor agent, employee or otherwise being associated with (i) a department store (such as, for example, Macy's), a mass merchandiser (such as, for example, WalMart or Target) or a discounter (such as, for example, TJ Maxx) that sells children's clothing and/or accessories, or (ii) a subsidiary, affiliate, division or business segment of a Competing Business (but not the direct or indirect controlling entity of a Competing Business) provided that the Executive does not, directly or indirectly, provide any services to, or otherwise participate in, any business activities of the Competing Business (e.g., the Executive may be employed by a sister company or subsidiary of a Competing Business, provided that she does not provide any services to, or participate in, any business activities of the Competing Business and does not provide services to a controlling organization of the Competing Business with respect to such Competing Business). In addition, anything herein to the contrary notwithstanding, the Executive shall not be deemed to be engaged in a Competing Business if she provides services to or has a financial interest in (A) a private equity firm, hedge fund or other investor or (B) a consulting or other advisory firm notwithstanding that such a firm, described in either clause (A) or clause (B) above, (x) owns an interest in or operates a Competing Business, (y) is engaged in the evaluation or execution of a transaction which would result in the ownership or operation of a Competing Business, or (z) is engaged in the provision of consulting or other advisory services to a Competing Business, so long as in each case of (x),

(y) and (z) above, the Executive has no direct or indirect involvement in the management or operation of such Competing Business, or in connection with any such transaction or the provision of any such consulting or other advisory services.

Finally, notwithstanding the foregoing, nothing herein shall be deemed to prohibit the Executive's ownership of less than 1% of the outstanding shares of any publicly traded corporation that conducts a business competitive with that of the Company.

(b) **Nonsolicitation of Vendors, Employees and Others.** The Executive agrees that during the Term and for a period of eighteen (18) months following the Date of Termination (regardless of the reason therefor), she will not, without the express prior written consent of the Company, directly or indirectly: (i) for or on behalf of a Competing Business, solicit, transact business with or perform services for (or assist any third party in contacting, communicating, soliciting, transacting business with or performing any services for) any person that is or was (at any time within six (6) months prior to the contact, communication, solicitation, transaction of business, or performance of services), a vendor of the Company; (ii) solicit, recruit, hire, engage or refer (or assist any third party in soliciting, recruiting, hiring, engaging or referring) any person who is, or during six (6) months immediately preceding the termination of her employment was, an employee, agent, consultant or independent contractor of the Company; or (iii) interfere with, disrupt or attempt to interfere with or disrupt the relationship, contractual or otherwise, between the Company and any of its vendors, distributors, manufacturers, lessors, independent contractors, agents or employees.

8. **Work Product.** The Executive agrees that all copyrights, patents, trade secrets or other intellectual property rights associated with any ideas, concepts, techniques, inventions, processes, or works of authorship developed or created by her during her employment by the Company, that (i) relate, directly or indirectly, to the Company's actual or actively planned business, research or development or (ii) are derived from any work performed by the Executive on the Company's behalf, shall, to the extent possible, be considered works made for hire within the meaning of the Copyright Act (17 U.S.C. § 101 et seq.) (the "Work Product"). All Work Product shall be and remain the sole and exclusive property of the Company. To the extent that any such Work Product may not, under applicable law, be considered works made for hire, the Executive hereby grants, transfers, assigns, conveys and relinquishes, and agrees to grant, transfer, assign, convey and relinquish from time to time, on an exclusive basis, all of her right, title and interest in and to the Work Product to the Company in perpetuity or for the longest period otherwise permitted by law. Consistent with her recognition of the Company's absolute ownership of all Work Product, the Executive agrees that she shall (i) not use any Work Product for the benefit of any party other than the Company and (ii) at the Company's expense, perform such acts and execute such documents and instruments as the Company may now or hereafter reasonably deem necessary or desirable to evidence the transfer of absolute ownership of all Work Product to the Company; provided, however, if following ten (10) business days' written notice from the Company, the Executive refuses, or is unable, due to disability, incapacity, or death, to execute such documents relating to the Work Product, she hereby

appoints any of the Company's officers as her attorney-in-fact to execute such documents on her behalf. This agency is coupled with an interest and is irrevocable without the Company's prior written consent.

On the Effective Date, the Executive represents and warrants to the Company that to the best of her knowledge, (i) there are no claims that would adversely affect her ability to

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assign all of her right, title and interest in and to the Work Product to the Company; (ii) the Executive has the legal right to grant the Company the assignment of her interest in the Work Product as set forth in this Agreement; and (iii) she will not bring to her employment hereunder, or use in connection with such employment, any trade secret, confidential or proprietary information of another, or computer software, except for trade secrets, information or software that she has a right to use for the purpose for which it shall be used, in her employment hereunder.

9. **Nondisclosure of Trade Secrets; Company Property; Nondisparagement.**

(a) Executive acknowledges and agrees that during the Term, the Executive shall have access to and become familiar with various trade secrets and proprietary and confidential information of the Company and its subsidiaries as well as their respective predecessors, successors and assigns (collectively, the "Protected Parties") regularly used in the operation of its or their business, including, but not limited to, processes, computer programs, compilations of information, records, sales procedures, customer requirements, pricing techniques, customer lists and methods of doing business (collectively, referred to as "Confidential Information"). The Executive shall not, at any time during or after the Term, use or disclose any of the Confidential Information, directly or indirectly, except (i) in the course of performing her duties under this Agreement, (ii) if such Confidential Information has become public knowledge or known in the relevant trade or industry other than as a result of an unauthorized disclosure by the Executive, (iii) to enforce any rights or defend any claims hereunder or under any other agreement to which the Executive is a party, provided that such disclosure is relevant to the enforcement of such rights or defense of such claims and is only disclosed to the extent necessary in the formal proceedings related thereto, or (iv) when required to do so by a court of law, by any governmental agency having jurisdiction or by any administrative or legislative body (including a committee thereof) with jurisdiction to order her to divulge, disclose or make accessible such information, *provided that* the Executive shall give prompt written notice to the Company of such requirement, disclose no more information than is so required, and reasonably cooperate at the Company's expense with any attempt by the Company to obtain a protective order or similar treatment. The Executive shall take all reasonable steps to safeguard the Confidential Information in her possession or control and to protect it against disclosure, misuse, espionage, loss and theft. The Executive understands and agrees that the Executive shall acquire no ownership rights to any such Confidential Information.

(b) All files, records, documents, drawings, specifications, data, computer programs, evaluation mechanisms and analytics and similar items relating thereto or to the Protected Parties, as well as all customer lists, specific customer information, compilations of product research and marketing techniques of the Protected Parties, whether prepared by the Executive or otherwise coming into the Executive's possession, shall remain the exclusive property of the Company. The Executive shall deliver any such material then in her possession promptly to the Company upon termination of her employment with the Company. Anything to the contrary notwithstanding, the Executive shall be entitled to retain (i) papers and other materials of a personal nature, including, but not limited to, photographs, correspondence, personal diaries, calendars and rolodexes, files of personal materials and phone books, (ii) information showing her compensation and benefits or relating to reimbursement of expenses, (iii) information that she reasonably believes may be needed for her own personal tax purposes, and (iv) copies of employee benefit and compensation plans, programs, agreements and other arrangements of the Company in which she was a participant or covered.

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(c) The Executive agrees that she will not at any time (whether during or after the Term) make any public (or that would reasonably be expected to become public) Disparaging (as defined below) remarks, comments or statements concerning the Company and its respective parents and subsidiaries and their respective present and former members, partners, directors, officers, shareholders, employees, agents, attorneys, successors and assigns. The Company shall not at any time (whether during or after the Term) for itself or permit any of its subsidiaries or its and their respective officers or directors to make public (or that would reasonably be expected to become public) Disparaging remarks, comments or statements concerning the Executive. "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity or morality of the individual or entity being disparaged. Notwithstanding the foregoing, nothing in this Section 9(c) shall prevent any person from (x) responding publicly to incorrect, disparaging or derogatory public statements to the extent reasonably necessary to correct or refute any such public statement or (y) making any truthful statement to the extent (i) necessary with respect to any litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement or (ii) required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with jurisdiction over such person.

10. **Indemnification.**

(a) The Company agrees that if the Executive is made a party or subject to, or is threatened to be made a party or subject to, or receives any legal process in, or receives any discovery request or request for information in connection with, any claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that she is or was a director, officer, employee or agent of the Company or any of its subsidiaries, or is or was serving at the written request of, or on behalf of, the Company as a director, officer, member, employee or agent of another corporation, limited liability corporation, partnership, joint venture, trust or other person or entity, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is the Executive's alleged action in an official capacity while serving as a director, officer, member, employee, consultant or agent of the Company, any of its subsidiaries or other person or entity, the Executive shall be indemnified, held harmless and advanced expenses by the Company to the fullest extent permitted or authorized by the Company's certificate of incorporation or, if greater, by the Delaware General Corporation Law, against any and all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees reasonably incurred, judgments, fines, excise taxes or penalties and amounts paid or to be paid in settlement and any reasonable costs and fees incurred in enforcing her rights to indemnification or contribution) incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even though she has ceased to be a director, officer, member, employee or agent of the Company or other entity and shall inure to the benefit of the Executive's heirs, executors and administrators. The Company shall reimburse the Executive for all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by her in connection with any Proceeding within thirty (30) days after receipt by the Company of a written request for such reimbursement and appropriate documentation associated with these expenses. Such request shall include an undertaking by the Executive to repay the

amount of such advance except to the extent that the Executive is able to offset the taxes incurred on the advance by tax benefits, if any, attributable to a deduction for repayment.

(b) The Company agrees to continue and maintain a directors' and officers' liability insurance policy covering the Executive in an amount, and on terms and conditions (including without limitation, with respect to scope, exclusions, sub-amounts and deductibles), no less favorable to her than (x) the coverage the Company provides other senior executives and directors from time to time or, if greater, (y) the coverage provided to senior executives and directors on the Effective Date.

(c) Nothing in this Section 10 shall be construed as reducing or waiving any right to indemnification, or advancement of expenses, the Executive would otherwise have under any separate agreement with the Company.

11. **Arbitration.**

(a) Any controversy, dispute or claim between the Executive and the Company, or any of its subsidiaries or affiliates, arising out of or relating to this Agreement, any other agreement or arrangement between the Executive and the Company or any of its subsidiaries, the Executive's employment with the Company, or the termination thereof, including, without limitation, any claims for discrimination under applicable federal, state or local law or regulation, but other than matters subject to Section 12 below (collectively, the "Covered Claims") shall be resolved by binding arbitration, to be held in New York, New York (or such other location as shall be agreed in writing by the parties hereto). The arbitration shall be held before a single arbitrator. Any arbitration may be initiated by either party by written notice ("Arbitration Notice") to the other party specifying the subject of the requested arbitration.

(b) The arbitration proceeding shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). The single arbitrator shall be appointed from the AAA's list of arbitrators by the mutual consent of the parties or, in the absence of such consent, by application of any party to the AAA. The determination of the arbitrator shall be set forth in writing and shall be final and binding upon the parties hereto (without the right to an appeal, unless such appeal is based on fraud by the other party in connection with the arbitration process). Judgment upon any arbitration award may be entered and enforced in any court of competent jurisdiction.

(c) The parties agree that this Section 11 shall be grounds for dismissal of any court action commenced by either party with respect to the Covered Claims, other than (i) post-arbitration actions seeking to enforce an arbitration award and (ii) actions seeking appropriate equitable or injunctive relief, including, without limitation, pursuant to Section 12 below.

(d) The arbitrator's remedial authority shall be equal to the remedial power that a court of competent jurisdiction over the parties and their dispute would have.

(e) Subject to Section 4(f)(iii)(y) above, the Company shall pay the fees of the arbitrator and each party shall be responsible for her or its own legal fees, costs of her or its experts and expenses of witnesses.

12. **Injunctive Relief.** Without limiting the remedies available to the parties and notwithstanding the foregoing provisions of Section 11, the Executive and the Company acknowledge that any breach of any of the covenants or provisions contained in Sections 7, 8 or 9 above could result in irreparable injury to the nonbreaching party for which there might be no adequate remedy at law, and that, in the event of such a breach or threat thereof, the nonbreaching party may seek a temporary restraining order, a preliminary injunction or a permanent injunction from a court of competent jurisdiction, upon sustaining the burden of showing the necessity therefor, restraining the other party hereto from engaging in any activities prohibited by any covenant or provision in Sections 7, 8 or 9 above or such other equitable relief as may be required to enforce specifically any of the covenants or provisions of Sections 7, 8 or 9 above.

13. **Definitions.**

(a) "Cause" (meaning a termination by the Company of the Executive's employment for Cause) shall mean:

(i) in connection with the Executive's employment by the Company, the commission by the Executive of any act involving intentional dishonesty of a material nature or fraud; or

(ii) a material breach by Executive of her fiduciary duties as determined by a court of competent jurisdiction or pursuant to a binding arbitration; or

(iii) any material breach of a material provision of this Agreement by the Executive that the Executive fails to remedy to the reasonable satisfaction of the Company within thirty (30) days after notice to the Executive of such breach setting forth with reasonable detail the basis of the breach; or

(iv) any conduct, action or behavior by Executive involving moral turpitude, gross negligence or willful misconduct, that has or may reasonably be expected to have a material adverse effect on the reputation or interests of the Company; or

(v) Executive shall have been barred by a court order issued under the Securities Exchange Act of 1934 (the "Exchange Act") from serving as a director or officer of a company registered under Section 12 or filing reports under Section 15(d) of the Exchange Act (including an order issued upon consent without any admission of the charge) or shall have been convicted of, or have entered a plea of nolo contendere or the

equivalent in respect of a charge of, any criminal act constituting a felony under the laws of the United States or any state or political subdivision thereof.

For purposes hereof, an act or omission shall not be deemed to be willful if taken or omitted in the good faith belief that such was in, or not opposed to, the best interests of the Company. Anything herein to the contrary notwithstanding, the Executive's employment shall not be terminated for Cause, within the meaning of clauses (i) — (iv) above unless written notice stating the basis for the termination is provided to the Executive and the Executive (together with her own counsel) has an opportunity to be heard before the Board and, after such hearing, a majority of the Board (excluding the Executive) duly votes to terminate her for Cause.

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(b) **“Change in Control”** shall mean and shall be deemed to have occurred:

(i) upon a transaction or series of related transactions pursuant to which a person or entity (**“Person”**) or Persons **“acting as a group”** (as defined in the regulations to Section 409A of the Code) (i) acquires all or substantially all of the assets of the Company, (ii) acquires the beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than fifty percent (50%) of the securities of the Company entitled to vote generally in the election of directors of the Company (other than through merger, consolidation or other business combination), or (iii) consummates a merger, consolidation or other business combination with the Company the result of which is that the shareholders of the Company prior to such merger, consolidation or other business combination own less than fifty percent (50%) of the securities entitled to vote generally in the election of directors of the surviving entity after the consummation of such merger, consolidation or other business combination;

(ii) if the individuals (i) who, as of the Effective Date, constitute the Board (the **“Original Directors”**) and (ii) who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of a majority of the Original Directors then still in office (such directors being called **“Additional Original Directors”**) and (iii) who thereafter are elected to the Board and whose election or nomination for election to the Board was approved by a vote of a majority of the Original Directors and Additional Original Directors then still in office, cease for any reason to constitute a majority of the members of the Board; or

(iii) the Company adopts a plan of liquidation providing for the distribution of all or substantially all of its assets (unless such distribution is to a wholly-owned subsidiary of the Company).

Notwithstanding anything contained herein to the contrary, in no event shall a Change in Control occur solely as a result of a recapitalization or reclassification of the Company's outstanding equity interests. In addition, a transaction shall not constitute a Change in Control if its sole purpose is to create a holding company that will be owned in substantially the same proportions by the Persons who held the Company's equity interests immediately before such transaction.

(c) **“Disability”** shall mean the Executive's inability, due to physical or mental incapacity, to substantially perform her duties and responsibilities for a period of 180 consecutive days or for a period of 240 days in any consecutive 12-month period as determined by a medical doctor selected by the Executive and approved by the Company (which approval shall not be unreasonably withheld). If the parties cannot agree on a medical doctor, each party shall select a medical doctor and the two doctors shall select a third who shall be the approved medical doctor for this purpose. In no event shall any termination of the Executive's employment for Disability occur until the party terminating her employment gives written notice to the other party in accordance with Section 5(e) above.

(d) **“Good Reason”** shall mean the occurrence of any of the following without the Executive's prior written consent:

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(i) a material reduction in the Executive's then current Base Salary, the Threshold Bonus, the Target Bonus or the Maximum Bonus, or the failure to pay any Base Salary, Annual Bonus, or any other amount or award, including an equity award, when such payment is due;

(ii) the taking of any action by the Company that would diminish the aggregate value of all employee benefits provided to the Executive in a material respect, or that results in the diminution or reduction of all perquisites enjoyed by the Executive in any material respect;

(iii) a material diminution of the Executive's duties or responsibilities as set forth herein;

(iv) the failure to nominate the Executive to continue to be a member of the Board, or the removal of the Executive from the position of Chief Executive Officer or President of the Company or any of its subsidiaries;

(v) a material interference with the Executive's carrying out of her duties so that she is unable to carry out her material duties and responsibilities hereunder;

(vi) the assignment to the Executive of duties which are materially inconsistent with her duties or which materially impair the Executive's ability to function as the Chief Executive Officer and President of the Company or of any of its subsidiaries;

(vii) a change in the reporting structure so that (A) the Executive does not report solely and directly to the Board or (B) any employee of the Company or any of the Company's subsidiaries does not report directly or indirectly to the Executive;

(viii) relocation of the Company's headquarters office, or the Executive's own principal office, to a location more than 50 miles from midtown Manhattan, New York City;

(ix) any material breach (not otherwise included in this Section 13(d)) by the Company of any material provision of this Agreement, including without limitation Sections 10 or 15 hereof.

Anything herein to the contrary notwithstanding, the Executive's employment shall not be terminated for Good Reason unless (i) the Executive provides written notice to the Company within sixty (60) days after the Executive obtains knowledge of the event or condition alleged to constitute Good Reason first occurs stating the basis of such termination and the Company is given thirty (30) days after receipt of such notice to cure the action that is the basis of such claim, and if the Company fails to cure such action within such thirty (30) day period the Executive actually terminates her employment within two (2) business days following such thirty (30) day period.

(e) **"Potential Change in Control"** shall mean the earliest to occur of any of the following events: (i) the Company enters into an agreement or letter of intent (or similar document), the consummation of which would constitute a Change in Control; (ii) any person or entity publicly announces an intention to take or to consider taking actions which, if

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consummated, would constitute a Change in Control; or (iii) any other event occurs which is deemed to be a Potential Change in Control by the Board and the Board adopts a resolution to the effect that a Potential Change in Control has occurred.

14. **Interpretation of Restrictive Covenant; Severability.** In the event that any provision of Section 7, 8 or 9 above shall be determined to be invalid or unenforceable, in whole or in part, for any reason, the remaining provisions of the applicable Section shall remain in full force and effect to the fullest extent permitted by law and any such invalid or unenforceable provision shall be reformed, to the extent permitted by law, so as to give it legal effect to the fullest extent permitted by law.

15. **Successors and Assigns.**

(a) This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, and, in the case of the Executive, her heirs and legal representatives. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company without the Executive's prior written consent, except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or a sale, liquidation or other disposition of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and assumes the liabilities, obligations and duties of the Company under this Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of any disposition of its business and assets described in the preceding sentence, it shall cause such assignee or transferee expressly to assume the liabilities, obligations and duties of the Company hereunder. No rights or obligations of the Executive under this Agreement may be assigned or transferred by the Executive, without the Company's prior written consent, other than her rights to compensation, benefits and other entitlements, which may be transferred only by will or operation of law or by designating a beneficiary in accordance with the rules of the applicable plans and programs of the Company.

(b) The Executive shall be entitled, to the extent permitted under applicable law, to select and change a beneficiary or beneficiaries to receive any compensation, benefit or entitlement hereunder following the Executive's death by giving the Company written notice thereof. In the event of the Executive's death or a judicial determination of her incompetence, references in this Agreement to the Executive shall be deemed to refer, where appropriate, to her legal representative, or, where appropriate, to her beneficiary or beneficiaries.

16. **Number and Gender.** Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

17. **Section Headings.** The headings of the sections of this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

18. **Entire Agreement.** This Agreement (and the Exhibits hereto) constitute the entire agreement of the parties with respect to the subject matter hereof (and thereof) and shall supersede all prior agreements, whether written or oral, with respect thereto. In the event of any inconsistency between the terms of this Agreement and the terms of any Company plan, policy,

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arrangement or agreement with the Executive, the provisions most favorable to the Executive shall govern.

19. **Amendments and Waivers.** No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by the Executive and an authorized officer of the Company (other than the Executive). No waiver by either party of compliance by the other party of any condition or provision contained in this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the party to be charged.

20. **Survivorship.** Except as otherwise expressly set forth in this Agreement, upon the expiration or termination of the Term, the respective rights and obligations of the parties shall survive such expiration or termination to the extent necessary to carry out the intentions of the parties as embodied in the rights (such as vested or accrued rights) and obligations of the parties under this Agreement. This Agreement shall continue in effect until there are no further rights or obligations of the parties outstanding hereunder and shall not be terminated by either party without the express prior written consent of both parties.

21. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Photographic, faxed or PDF copies of such signed counterparts may be used in lieu of the originals for any purpose.

22. **Representations.**

(a) The Company represents and warrants to the Executive that (i) the execution, delivery and performance of this Agreement (and the Exhibits hereto) by the Company has been fully and validly authorized by all necessary corporate action, (ii) the officer signing this Agreement (and the Exhibits hereto) on behalf of the Company is duly authorized to do so, (iii) the execution, delivery and performance of this Agreement (and the Exhibits hereto) does not violate any applicable law, regulation, order, judgment or decree or any agreement, plan or corporate governance document to which the Company or any of its subsidiaries is a party or by which it or such subsidiary is bound and (iv) upon execution and delivery of this Agreement (and the Exhibits hereto) by the parties hereto, each shall be a valid, and binding obligation of the Company enforceable against it in accordance with its respective terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

(b) The Executive represents and warrants to the Company that she is under no contractual or other binding legal restriction which would prohibit her from entering into and performing under this Agreement or, except for normal and customary confidentiality provisions, that would limit the performance her duties under this Agreement.

23. **Non-Exclusivity of Rights.** Nothing in the Agreement shall prevent or limit the Executive's continuing or future participation in, or entitlements under, any benefit, bonus, incentive or other plan or program of the Company for which Executive may qualify, nor shall

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anything herein limit or reduce such rights as the Executive may have under any other agreement with the Company. In the event of any conflict between the terms and conditions hereof and those of any plan, program or arrangement of the Company in which the Executive participates, the terms and conditions more favorable to the Executive shall prevail.

24. **Withholding Taxes.** The Company may withhold from any amounts or benefits payable under this Agreement income taxes that are required to be withheld pursuant to any applicable law or regulation.

25. **Internal Revenue Code Section 409A.** The parties hereto intend that all payments and benefits to be made or provided to the Executive hereunder and under any Plan (as defined in clause (f) below) will be paid or provided in compliance with all applicable requirements of Section 409A (as defined in clause (f) below), and the provisions of this Agreement and of each Plan (to the extent they relate to the Executive's entitlements under such Plan) shall be construed and administered in accordance with such intent. In furtherance of the foregoing, the provisions set forth below shall apply notwithstanding any other provision in this Agreement, or (where applicable) any provision in any Plan, to the contrary.

(a) All payments to be made to the Executive hereunder or under any Plan, to the extent they constitute a deferral of compensation subject to the requirements of Section 409A (after taking into account all exclusions applicable to such payments under Section 409A), shall be made no later, and shall not be made any earlier, than at the time or times specified herein or in any Plan for such payments to be made, except as otherwise permitted or required under Section 409A.

(b) The date of the Executive's "separation from service", as defined in Section 409A (and as determined by applying the default presumptions in Treas. Reg. §1.409A-1(h)(1)(ii)), shall be treated as the date of her termination of employment for purposes of determining the time of payment of any amount that becomes payable to the Executive hereunder and under any Plan upon her termination of employment and that is properly treated as a deferral of compensation subject to Section 409A after taking into account all exclusions applicable to such payment under Section 409A .

(c) To the extent any payment or delivery otherwise required to be made to the Executive hereunder or under any Plan on account of her separation from service is properly treated as a deferral of compensation subject to Section 409A after taking into account all exclusions applicable to such payment and delivery under Section 409A, and if the Executive is a "specified employee" under Section 409A at the time of her separation from service, then such payment and delivery shall not be made until the first business day after the earlier of (i) the expiration of six months from the date of the Executive's separation from service, or (ii) the date of her death (such first business day, the "Delayed Payment Date"). On the Delayed Payment Date, there shall be paid or delivered to the Executive or, if she has died, to her estate, in a single payment or delivery (as applicable) all entitlements so delayed, and in the case of cash payments, in a single cash lump sum, an amount equal to aggregate amount of all payments delayed pursuant to the preceding sentence, plus interest thereon at the Delayed Payment Interest Rate (as defined below) computed from the date on which each such delayed payment otherwise would have been made to the Executive until the Delayed Payment Date. For purposes of the foregoing, the "Delayed Payment Interest Rate" shall mean the national average annual rate of

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interest payable on jumbo six-month bank certificates of deposit, as quoted in the business section of the most recently published Sunday edition of The New York Times preceding the Executive's Date of Termination.

(d) In the case of any amounts payable to the Executive under this Agreement, or under any Plan, that may be treated as payable in the form of "a series of installment payments", as defined in Treas. Reg. §1.409A-2(b)(2)(iii), (A) the Executive's right to receive such payments shall be treated as a right to receive a series of separate payments for purposes of Treas. Reg. §1.409A-2(b)(2)(iii), and (B) to the extent any such existing Plan does not already so provide, it is hereby amended to so provide, with respect to amounts that may become payable to the Executive thereunder.

(e) The Company agrees that at all times during the Term, it will use its reasonable best efforts to maintain each Plan in documentary and operational compliance with all requirements under Section 409A, in so far as such requirements are applicable to the payments or benefits to be made or provided to the Executive under such Plan. The Company further agrees that to the extent permitted under 409A, this Agreement, and the terms of any Plan (to the extent they relate to the Executive's entitlements under such Plan) shall be modified, as reasonably requested by the Executive, to the extent necessary to comply with all applicable requirements of, and to avoid the imposition of any additional tax, interest and penalties under, Section 409A in connection with, the benefits and payments to be provided or paid to the Executive hereunder or under such Plan. Any such modification shall maintain the original intent and economic benefit to the Executive of the applicable provision of this Agreement or such Plan, to the maximum extent possible without violating any applicable requirement of Section 409A. Any such modification to the terms of any Plan may be made by means of a separate written agreement between the Company and the Executive so as to limit the applicability of such modification to just the payments or benefits to be provided to the Executive under such Plan.

(f) For purposes of the foregoing, the following terms shall have the following meanings:

(1) "Plan" shall mean any plan, program, agreement (other than this Agreement, but including the Exhibits hereto) or other arrangement maintained by the Company or any of its affiliates that is a "nonqualified deferred compensation plan" within the meaning of Section 409A and under which any payments or benefits are to be made or provided to the Executive, to the extent they constitute a deferral of compensation subject to the requirements of Section 409A after taking into account all exclusions applicable to such payments under Section 409A.

(2) "Section 409A" shall mean section 409A of the Code, the regulations issued thereunder and all notices, rulings and other guidance issued by the Internal Revenue Service interpreting same.

(g) The Executive acknowledges and agrees that, while this Agreement is intended to comply with Section 409A, any tax liability incurred by the Executive under Section 409A is solely the responsibility of the Executive provided that the Company complies with its obligations as set forth herein. The Company shall be deemed to have complied with its obligations for purposes of this Section 25(g) if it has made a good faith attempt to comply with

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Section 409A, and the Company shall be deemed to have acted in good faith for such purpose if it reasonably relies upon the advice of tax counsel.

26. **Governing Law.** This Agreement shall be governed, construed, performed and enforced in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

27. **Notices.** Any notice, consent, demand, request, or other communication given to a party in connection with this Agreement shall be in writing and shall be deemed to have been given to such party (a) when delivered personally to such party, (b) three (3) business days after being sent by prepaid certified or registered mail provided that a written acknowledgment of receipt is obtained, or (c) two (2) business days after being sent by an internationally recognized overnight courier, in any instance to the address specified below for such party (or to such other address as such party shall have specified by ten (10) days' advance notice given in accordance with this Section 27).

If to the Company:	500 Plaza Drive Secaucus, New Jersey 07094 Attention of Both: Chief Financial Officer and Director of Human Resources
If to the Executive:	The address of her principal residence as it appears in the Company's records, with a copy to her (during the Term) at her office in Secaucus, New Jersey or such other location to which such office may have been relocated.
If to the estate or a beneficiary of the Executive:	The address most recently specified by the Executive, or her estate or beneficiary.

28. **Golden Parachute Excise Tax.**

(a) If any payment or benefit the Executive would receive pursuant to Section 6(d) above or pursuant to any other agreement with the Company following a Change in Control or otherwise ("Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this Section 28, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall be reduced to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, which, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in the Executive's receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order: (1) cash payments, in the following order: (a) first, severance payments hereunder and (b) second, any other cash payments hereunder or under any other

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agreement between the Company and the Executive, (2) cancellation of the acceleration of vesting of restricted stock, restricted stock units and other equity awards that vest only based on the Executive's continued service to the Company, or any other awards that vest only based on the Executive's continued service to the Company, taking the last ones scheduled to vest (absent the acceleration) first, (3) cancellation of the acceleration of vesting of performance-based restricted stock, restricted stock units and other equity awards, taking the last ones schedule to vest (absent the acceleration) first and (4) other non-cash forms of benefits.

(b) The calculations contemplated in subsection (a) above shall be performed at the expense of the Company by a nationally recognized accounting firm (the "Accounting Firm") selected by the Company and which has not performed services for the Company in the prior two years. The Company will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within thirty (30) calendar days after the Change in Control or at such other time or times as may be reasonably requested by the Company and the Executive. If the Accounting Firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish the Company and the Executive with an opinion reasonably acceptable to the Executive that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the Accounting Firm made hereunder shall be final, binding and conclusive upon the Company and the Executive.

29. **Share Grants.**

(a) (i) On January 30, 2012, February 4, 2013 and February 3, 2014 (each, a "Performance Award Date"), the Company shall grant to the Executive the 2012 Performance Shares (as defined below), the 2013 Performance Shares (as defined below) and the 2014 Performance Shares (as defined below), respectively, pursuant to Performance Stock Award Agreements containing the same terms and conditions as set forth in the Performance Stock Award Agreement between the Company and the Executive in the form of Exhibit B hereto (except that (i) the Operating Income targets set forth in Appendix A of such Performance Stock Award Agreements shall be the threshold, target and maximum targets established by the Board or an appropriate committee thereof for the Company's fiscal years ending February 2, 2013, February 1, 2014 and January 31, 2015, respectively, which targets shall be the same as the targets established for all other senior executive officers of the Company, (it being understood and agreed that in the event that such targets have not been established on any Award Date, (a) the Company shall nonetheless grant the applicable Performance Shares to the Executive and the Company shall nonetheless execute and deliver to the Executive a Performance Stock Award Agreement, all on the applicable Performance Award Date, and (b) the parties agree to attach a completed Appendix A to the applicable Performance Stock Award Agreement setting forth the applicable threshold, target and maximum targets when established), (ii) the "Award Date" in Appendix A shall be the applicable Performance Award Date, (iii) the "Performance Period" in Appendix A shall be the fiscal year commencing on the date which is one day prior to the applicable Performance Award Date, and (iv) the "Delivery Date" in respect of the 2014 Performance Award shall be in April 2017, but in no event later than April 15, 2017).

(ii) For purposes hereof, "2012 Performance Shares" shall mean a number of shares of Common Stock, par value \$0.10 per share (the "Common Stock") determined by dividing no less than \$5,000,000 by the closing price of the Common Stock as

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reported on the Nasdaq Stock Market on the January 30, 2012 Performance Award Date, "2013 Performance Shares" shall mean a number of shares of Common Stock determined by dividing no less than \$5,000,000 by the closing price of the Common Stock as reported on the Nasdaq Stock Market on the February 4, 2013 Performance Award Date, and "2014 Performance Shares" shall mean a number of shares of Common Stock determined by dividing no less than \$5,000,000 by the closing price of the Common Stock as reported on the Nasdaq Stock Market on the February 3, 2014 Performance Award Date.

(b) (i) On the earlier to occur of (1) March 30, 2012 and (2) the date which is five (5) business days prior to the date on which a Change in Control occurs (the "Deferred Award Date"), the Company shall grant to the Executive the 2012 Deferred Shares (as defined below) pursuant to a Deferred Stock Award Agreement containing the same terms and conditions as set forth in the Deferred Stock Award Agreement between the Company and the Executive in the form of Exhibit A hereto (except that the 2012 Deferred Shares under such Deferred Stock Award Agreement shall vest as to 1/4 of the 2012 Deferred Shares on the first anniversary of the Deferred Award Date, 1/4 of the 2012 Deferred Shares on the second anniversary of the Deferred Award Date and 1/2 of the 2012 Deferred Shares on the third anniversary of the Deferred Award Date).

(ii) For purposes hereof, "2012 Deferred Shares" shall mean a number of shares of Common Stock determined by dividing no less than \$5,000,000 by the closing price of the Common Stock as reported on the Nasdaq Stock Market on the Deferred Award Date (or if such date is not a business day, on the business day immediately preceding such date).

* * *

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IN WITNESS WHEREOF, the parties have duly executed this Amended and Restated Employment Agreement as of the date first above written.

Jane T. Elfers

THE CHILDREN'S PLACE RETAIL STORES, INC.

By:
Title:

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Exhibit A

DEFERRED STOCK AWARD AGREEMENT

THE CHILDREN'S PLACE RETAIL STORES, INC.

This Deferred Stock Award Agreement (the "Agreement") is entered into on the 28th day of March 2011 (the "Award Date") by and between The Children's Place Retail Stores, Inc., a Delaware corporation (the "Company"), and Jane T. Elfers (the "Awardee").

WHEREAS, the Company has retained Awardee as its President and Chief Executive Officer pursuant to the Amended and Restated Employment Agreement dated as of March 28, 2011 between the Company and the Awardee (the "Employment Agreement"); and

WHEREAS, the Company desires to provide the Awardee an incentive to participate in the success and growth of the Company through the opportunity to earn a proprietary interest in the Company; and

WHEREAS, to give effect to the foregoing intentions, the Company desires to grant the Awardee an award of Deferred Stock with respect to the Company's common stock, par value \$.10 per share (the "Common Stock") pursuant to Section 15 of the Amended and Restated 2005 Equity Incentive Plan of The Children's Place Retail Stores, Inc. (the "Plan");

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. Award. Subject to Sections 2 and 3 hereof, the Company shall issue and deliver to the Awardee (i) [1/2 of \$5M valued on the Award Date] shares of Common Stock on or within 10 days after the first anniversary of the Award Date (the "First Vesting Date"), (ii) [1/4 of \$5M valued on the Award Date] shares of Common Stock on or within 10 days after the second anniversary of the Award Date (the "Second Vesting Date") and (iii) [1/4 of \$5M valued on the Award Date] shares of Common Stock on or within 10 days after the third anniversary of the Award Date (the "Third Vesting Date"); provided, however, that, except as provided in Sections 2 and 3 hereof, the shares of Common Stock deliverable in accordance with the foregoing on or following each of the First Vesting Date, the Second Vesting Date and Third Vesting Date, respectively, shall not be so delivered unless the Awardee is in the employ of the Company or a Subsidiary on the last day of the fiscal year of the Company occurring immediately prior to the First Vesting Date, Second Vesting Date or Third Vesting Date, as applicable. The total number of shares of Common Stock that may be earned if Awardee remains employed by the Company or a Subsidiary as aforesaid is [5M valued on the Award Date] shares (the "Deferred Shares"). Capitalized terms used but not otherwise defined in this Agreement shall have the meanings as set forth in the Plan.

2. Accelerated Vesting in the Event of Termination Due to Death, Disability, Termination Without Cause or Resignation Due to Good Reason. In the event that the Awardee's employment with the Company terminates in accordance with Sections 5(b), 5(c) or 5(d) of the Employment Agreement, or under the circumstances set forth in Section 6(d)(iii) of the Employment Agreement, all of the Deferred Shares, to the extent not previously issued and delivered, shall be issued and delivered to Awardee (or Awardee's estate, in the event of Awardee's death) within 10 days after Awardee's Date of Termination (as defined in the Employment Agreement).

3. Accelerated Vesting in the Event of a Change in Control. In the event that

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a "Change in Control" (as defined in the Employment Agreement) occurs before the Awardee's employment with the Company terminates, all of the Deferred Shares, to the extent not previously issued and delivered, shall be issued and delivered to Awardee immediately prior to such Change in Control.

4. Transfer Restrictions. Prior to delivery of any Common Stock with respect to the Deferred Shares, the Awardee shall not be deemed to have any ownership or shareholder rights (including without limitation dividend and voting rights) with respect to such shares, nor may the Awardee sell, assign, pledge or otherwise transfer (voluntarily or involuntarily) any of the Deferred Shares prior to delivery thereof.

5. Adjustment of Shares. Notwithstanding anything contained herein to the contrary, in the event of any change in Common Stock resulting from a corporate transaction including, but not limited to, a subdivision or consolidation, reorganization, recapitalization, merger, share split, reverse share split, share distribution, combination of shares or the payment of a share dividend, the Deferred Shares shall be treated in the same manner in any such transaction as other Common Stock.

6. Government Regulations. Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Deferred Shares shall be subject to the terms of all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required; provided that the Company shall use commercially reasonable best efforts to ensure that the terms of all applicable laws, rules and regulations and approvals by any governmental agencies or national securities exchanges as may be required are timely satisfied or obtained, as applicable.

7. Transferable Shares. All shares of Common Stock delivered by the Company to the Awardee hereunder shall (i) not contain any legends and (ii) shall be freely transferable (including in publicly traded open market transactions) by the Awardee upon receipt.

8. Withholding Taxes. The Company shall have the right to withhold from amounts payable to the Awardee, as compensation or otherwise, or alternatively, to require the Awardee to remit to the Company, an amount sufficient to satisfy all federal, state and local withholding tax requirements. Notwithstanding the foregoing, the Company shall provide for such withholding through sale of the Deferred Shares through a broker or such other arrangement as is reasonably acceptable to the Company.

9. Awardee Representations. The Awardee has reviewed with her own tax advisors the federal, state, local and foreign tax consequences of the transactions contemplated by this Agreement. The Awardee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents, if any, made to the Awardee. The Awardee understands that the Awardee (and, subject to Section 8 above, not the Company) shall be responsible for the Awardee's own tax liability arising as a result of the transactions contemplated by this Agreement.

10. Employment. Neither this Agreement nor any action taken hereunder shall be construed as giving the Awardee any right of continuing employment by the Company.

11. Notices. Notices or communications to be made hereunder shall be in writing and shall be made in accordance with the Employment Agreement.

12. Governing Law. This Agreement shall be construed under the laws of the

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13. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings relating to the subject matter of this Agreement. Notwithstanding the foregoing, this Agreement and the award made hereby shall be subject to the terms of the Plan. However, in the event of a conflict between this Agreement and the terms of the Plan, the terms and conditions most favorable to the Awardee shall control. To the extent that there is any conflict between the terms and provisions of this Agreement and/or the Employment Agreement and any other agreement between the Awardee and the Company, the terms and provisions most favorable to the Awardee shall control.

14. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and the Awardee and their respective permitted successors, assigns, heirs, beneficiaries and representatives. This Agreement is personal to the Awardee and may not be assigned by the Awardee without the prior consent of the Company. Any attempted assignment in violation of this Section shall be null and void.

15. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Awardee.

16. Survivorship. Upon the expiration or termination of the Term (as defined in the Employment Agreement), the respective rights and obligations of the parties hereto shall survive such expiration or termination. This Agreement shall continue in effect until there are no further rights or obligations of the parties outstanding hereunder and shall not be terminated by either party without the express written consent of both parties.

* * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused their duly authorized officer to execute this Agreement on the date first written above.

THE CHILDREN’S PLACE RETAIL STORES, INC.

By: _____
Name:
Title:

AWARDEE:

Name: Jane T. Elfers

Exhibit B

PERFORMANCE STOCK AWARD AGREEMENT

THE CHILDREN’S PLACE RETAIL STORES, INC.

This Performance Stock Award Agreement (the “Agreement”) is entered into on the 28th day of March 2011 (the “Award Date”) by and between The Children’s Place Retail Stores, Inc., a Delaware corporation (the “Company”), and Jane T. Elfers (the “Awardee”).

WHEREAS, the Company has retained Awardee as its President and Chief Executive Officer pursuant to the Amended and Restated Employment Agreement dated as of March 28, 2011 between the Company and the Awardee (the “Employment Agreement”); and

WHEREAS, the Company desires to provide the Awardee an incentive to participate in the success and growth of the Company through the opportunity to earn a proprietary interest in the Company; and

WHEREAS, to give effect to the foregoing intentions, the Company desires to grant the Awardee a performance stock award with respect to the Company’s common stock, par value \$.10 per share (the “Common Stock”) pursuant to the Amended and Restated 2005 Equity Incentive Plan of The Children’s Place Retail Stores, Inc. (the “Plan”);

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. Award. Subject to Sections 2, 3 and 4 hereof, in April 2014, but in no event later than April 15, 2014, the Company shall issue and deliver (the date of the actual delivery of the Performance Shares, the “Delivery Date”) to the Awardee the number of shares of Common Stock determined in accordance with Appendix A (the “Performance Shares”); provided that, subject to Sections 2, 3 and 4 hereof, the Awardee is in the employ of the Company or a Subsidiary on February 1, 2014. Capitalized terms used but not otherwise defined in this Agreement shall have the meanings as set forth in the Plan.

2. Termination of Employment Due to Death or Disability.

(i) In the event that Awardee's employment with the Company terminates in accordance with Section 5(b) or 5(c) of the Employment Agreement, before the Performance Goal has been determined to have been achieved or exceeded, the Awardee (or Awardee's estate, as applicable) shall, if the Performance Goal determined pursuant to Appendix A is achieved or exceeded, be entitled to the number of Performance Shares earned as set forth in Appendix A multiplied by a fraction, the numerator of which is the number of days the Awardee was employed by the Company during the Performance Period and the denominator of which is 365. Such Performance Shares shall be issued and delivered to the Awardee (or Awardee's estate, as applicable) within 10 days following a determination by the Board or an appropriate committee thereof that the Performance Goal set forth on Appendix A has been achieved or exceeded, but in no event later than March 15th of the year following the date of termination.

(ii) In the event that the Awardee's employment with the Company terminates in accordance with Section 5(b) or 5(c) of the Employment Agreement after the Performance Goal has been determined to have been achieved or exceeded, but prior to the Delivery Date, the Company shall issue and deliver to the Awardee (or Awardee's estate, as applicable) within 10 days following the Awardee's date of death or Date of Termination (as defined in the Employment Agreement), as applicable, the number of Performance Shares determined to have been earned by the Awardee in accordance with the provisions set forth in Appendix A.

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3. Accelerated Vesting in the Event of Termination Without Cause or Resignation Due to Good Reason.

(i) In the event that the Awardee's employment with the Company terminates pursuant to Section 5(d) of the Employment Agreement or under the circumstances set forth in Section 6(d)(iii) of the Employment Agreement before the Performance Goal has been determined to have been achieved or exceeded, the Awardee shall, if the Performance Goal set forth in Appendix A is achieved or exceeded, be entitled to the number of Performance Shares which would have been earned (as determined pursuant to Appendix A) if the Awardee had remained in the employ of the Company. Such Performance Shares shall be issued and delivered to the Awardee within 10 days following a determination by the Board or an appropriate committee thereof that the Performance Goal set forth on Appendix A has been achieved or exceeded, but in no event later than March 15th of the year following the date of termination; provided, however, that if a "Change in Control" (as defined in the Employment Agreement) occurs after a termination of the Awardee's employment under the circumstances set forth in Sections 5(d) or 6(d)(iii) of the Employment Agreement but before such a determination has been made by the Board or an appropriate committee thereof, then the Target Performance Shares shall be issued and delivered to Awardee immediately prior to such Change in Control, without regard to whether or not the Performance Goal has been achieved or exceeded.

(ii) In the event that the Awardee's employment with the Company terminates pursuant to Section 5(d) of the Employment Agreement or under the circumstances set forth in Section 6(d)(iii) of the Employment Agreement after the Performance Goal has been determined to have been achieved or exceeded, but prior to the Delivery Date the Company shall issue and deliver to the Awardee within 10 days following the Awardee's Date of Termination (as defined in the Employment Agreement) the number of Performance Shares determined to have been earned by the Awardee in accordance with the provisions set forth in Appendix A.

4. Acceleration of Target Performance Shares Upon a Change in Control. In the event that a "Change in Control" (as defined in the Employment Agreement) occurs either (i) prior to a determination by the Board or an appropriate committee thereof as to whether the Performance Goal set forth in Appendix A has been achieved or exceeded or (ii) after a determination by the Board or an appropriate committee thereof that the Performance Goal has been achieved or exceeded, but prior to the Delivery Date (and, in either case, the Awardee is then employed by the Company), in the case of clause (i) above, the Awardee shall be entitled to receive the number of Target Performance Shares set forth in Appendix A or, in the case of clause (ii) above, the Awardee shall be entitled to receive a number of Performance Shares determined to have been earned by the Awardee in accordance with the provisions set forth in Appendix A. Such Target Performance Shares or Performance Shares, as applicable, shall be issued and delivered to the Awardee immediately prior to the Change in Control.

5. Transfer Restrictions. Prior to vesting of any Performance Shares, the Awardee shall not be deemed to have any ownership or shareholder rights (including without limitation dividend and voting rights) with respect to such shares, nor may the Awardee sell, assign, pledge or otherwise transfer (voluntarily or involuntarily) any of the Performance Shares prior to delivery thereof.

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6. Adjustment of Shares. Notwithstanding anything contained herein to the contrary, in the event of any change in Common Stock resulting from a corporate transaction including, but not limited to, a subdivision or consolidation, reorganization, recapitalization, merger, share split, reverse share split, share distribution, combination of shares or the payment of a share dividend, the Performance Shares shall be treated in the same manner in any such transaction as other Common Stock.

7. Government Regulations. Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Performance Shares shall be subject to the terms of all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required; provided that the Company shall use commercially reasonable best efforts to ensure that the terms of all applicable laws, rules and regulations and approvals by any governmental agencies or national securities exchanges as may be required are timely satisfied or obtained, as applicable.

8. Transferable Shares. All shares of Common Stock delivered by the Company to the Awardee hereunder shall (i) not contain any legends and (ii) shall be freely transferable (including in publicly traded open market transactions) by the Awardee upon receipt.

9. Withholding Taxes. The Company shall have the right to withhold from amounts payable to the Awardee, as compensation or otherwise, or alternatively, to require the Awardee to remit to the Company, an amount sufficient to satisfy all federal, state and local withholding tax requirements. Notwithstanding the foregoing, the Company shall provide for such withholding through sale of the Performance Shares through a broker or such other arrangement as is reasonably acceptable to the Company.

10. Awardee Representations. The Awardee has reviewed with her own tax advisors the federal, state, local and foreign tax consequences of the transactions contemplated by this Agreement. The Awardee is relying solely on such advisors and not on any statements or

representations of the Company or any of its agents, if any, made to the Awardee. The Awardee understands that the Awardee (and, subject to Section 9 above, not the Company) shall be responsible for the Awardee's own tax liability arising as a result of the transactions contemplated by this Agreement.

11. Employment. Neither this Agreement nor any action taken hereunder shall be construed as giving the Awardee any right of continuing employment by the Company.

12. Notices. Notices or communications to be made hereunder shall be in writing and shall be made in accordance with the Employment Agreement.

13. Governing Law. This Agreement shall be construed under the laws of the State of Delaware, without regard to conflict of laws principles.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings relating to the subject matter of this Agreement. Notwithstanding the foregoing, this Agreement and the award made hereby shall be subject to the terms of the Plan. However, in the event of a conflict between this Agreement and the terms of the Plan, the terms and conditions most favorable to the Awardee shall control. To the extent that there is any conflict between the terms and provisions of this Agreement and/or the Employment Agreement and any other agreement between the Awardee and the Company, the terms and provisions most favorable to

the Awardee shall control.

15. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and the Awardee and their respective permitted successors, assigns, heirs, beneficiaries and representatives. This Agreement is personal to the Awardee and may not be assigned by the Awardee without the prior consent of the Company. Any attempted assignment in violation of this Section shall be null and void.

16. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Awardee.

17. Survivorship. Upon the expiration or termination of the Term (as defined in the Employment Agreement), the respective rights and obligations of the parties hereto shall survive such expiration or termination. This Agreement shall continue in effect until there are no further rights or obligations of the parties outstanding hereunder and shall not be terminated by either party without the express written consent of both parties.

* * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused their duly authorized officer to execute this Agreement on the date first written above.

THE CHILDREN'S PLACE RETAIL STORES, INC.

By: _____
Name:
Title:

AWARDEE:

Name: Jane T. Elfers

APPENDIX A

1. (a) **Awardee's Name:** Jane T. Elfers
- (b) **Award Date:** March 28, 2011
- (c) **Performance Period:** The Company's fiscal year ending January 28, 2012 (the "Performance Period")
- (d) **Performance Shares available to be earned at target:** [\$5M of shares valued on the Award Date] (the "Target Performance Shares")
- (e) **Performance Requirements:**

Subject to the terms and conditions set forth in the Performance Stock Award Agreement, Awardee shall earn and receive the percentage of the number of the Target Performance Shares set forth in the following table, if the Company's "Operating Income" (as defined in the Employment Agreement) for the Performance Period set forth above is as set forth in the following table:

Percentage	Operating Income
50%	As determined by the Compensation Committee of the Board of Directors.
("Threshold Performance Shares")	
100%	
200%	
("Maximum Performance Shares")	

The number of Performance Shares to be issued to Awardee between the number of Threshold Performance Shares and the number of Maximum Performance Shares shall be determined on a straight line interpolated basis. The determination of the amount of Operating Income for the Performance Period shall be made by the Board or an appropriate committee thereof; provided that, the Performance Shares shall be earned by the Awardee on the last day of the Performance Period regardless of when the above-referenced determination is made.

(Initials)

 Jane Elfers

(Initials)

 Company Signatory

Exhibit C

Release of Claims

RELEASE

WHEREAS, Jane T. Elfers (the "Executive") and The Children's Place Retail Stores, Inc. (the "Company") are parties to an Employment Agreement, dated as of December , 2009, as amended and restated as of March 28, 2011 (the "Employment Agreement"), which provided for the Executive's employment on the terms and conditions specified therein; and

WHEREAS, capitalized terms used in this Release and not defined herein shall have the meanings ascribed to them in the Employment Agreement;

WHEREAS, Executive's employment with the Company and the Employment Agreement has been terminated [by the Executive for Good Reason] [by the Company without Cause (other than as a result of the Executive's death or Disability)] [by the Company as a result of Executive's Disability] [as a result of the expiration of the Term due to the Company's issuance of a Non-Renewal Notice]

WHEREAS, this Release is the "Release" referred to in Section 6(g) of the Employment Agreement; and

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration received or to be received in accordance with the terms of the Employment Agreement, it is agreed as follows:

1. Without prejudice to enforcement of the covenants, promises and/or rights reserved herein, the Executive (on her own behalf and on behalf of her heirs and legal representatives) hereby irrevocably and unconditionally releases, acquits and forever discharges the Company, each of its past, present, and future direct and indirect affiliated entities, subsidiaries, related companies and divisions and each of their respective past, present and future stockholders, trustees, members, partners, employee benefit plans (and such plans' fiduciaries, agents, administrators and insurers), directors, officers employees, agents and attorney (individually and in their official capacities), as well as any predecessors, future successors and assigns or estates of any of the foregoing (collectively, "Releasees"), or any of them, from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, arising out of the Employment Agreement or the termination of the Term thereunder or Executive's employment by the Company or the termination thereof, including, without limitation, under Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act, the Lilly Ledbetter Fair Pay Act of 2009, the Federal Age Discrimination in Employment Act of 1967 ("ADEA"), as amended, the Employee Retirement Income Security Act ("ERISA"), as amended, the Civil Rights Act of 1991, as amended, the

Rehabilitation Act of 1973, as amended, the Older Workers Benefit Protection Act ("OWBPA"), as amended, the Worker Adjustment Retraining and Notification Act ("WARN"), as amended, the Fair Labor Standards Act ("FLSA"), as amended, the Occupational Safety and Health Act of 1970 ("OSHA"), and the Sarbanes-Oxley Act of 2002, that the Executive now has, or has ever had, or ever will have, against each or any of the Releasees, by reason of any and all acts, omissions, events, circumstances or facts existing or occurring up through the date of the Executive's execution and delivery hereof. Anything to the contrary notwithstanding, nothing herein shall release the Company or any other Releasees from any claims or damages based on (i) any right the Executive may have to enforce this Release or the provisions of the Employment Agreement which survive a termination of employment, (ii) any right or claim that arises after the date this Release is executed, (iii) any right the Executive may have to vested or accrued benefits or entitlements under any applicable plan, agreement, program, award, policy or arrangement of the Company, (iv) the Executive's right to indemnification and advancement of expenses in accordance with applicable laws and/or the certificate of incorporation and by-laws of the Company or Section 10 of the Employment Agreement, or any applicable insurance policy or (v) any right the Executive may have to obtain contribution as permitted by law in the event of entry of judgment against the Executive as a result of any act or failure to act for which the Executive, on the one hand, and the Company or any other Releasees, on the other hand, are jointly liable.

2. Subject to Executive's execution, delivery within 21 days(1) of the date of delivery and non-revocation of this Agreement, in accordance with Section [6(b)] [6(c)] [6(d)] [6(e)] of the Employment Agreement the Company shall make the following payments and provide the following benefits to Executive:

[Enumerate amounts and benefits set forth in the applicable subsection of Section 6 of the Employment Agreement and in all applicable equity award agreements]

3. The Executive understands that she has been given a period of 21 days to review and consider this Release before signing it pursuant to ADEA. The Executive further understands that she may use as much of this 21-day period as the Executive wishes prior to signing.

4. The Executive acknowledges and represents that she understands that she may revoke this Release within 7 days of signing this Release. Revocation can be made by delivering a written notice of revocation to []. For this revocation to be effective, written notice must be received no later than the close of business on the seventh day after the Executive signs this Release. If the Executive revokes this Release, the Company shall have no obligations to the Executive under Section 6 of the Employment Agreement.

5. The Executive represents and acknowledges that in executing this Release she is not relying upon, and has not relied upon, any representation or statement not set forth herein made by any of the agents, representatives or attorneys of the Company with regard to the subject matter of this Release.

(1) Substitute 45 days for 21 days if applicable in accordance with the ADEA or OWBPA. Corresponding change to paragraph 3 to be made and applicable schedule(s) of other terminated employees to be included if applicable.

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6. This Release shall not in any way be construed as an admission by the Company or any of the Releasees that it or they have acted wrongfully.

7. Should any provision hereof be invalid or otherwise unenforceable under any law, such provision affected will be curtailed and limited to the extent necessary to bring it within the requirements of law, and the remaining provisions of this Release will remain in full force and effect and be fully valid and enforceable.

8. The Executive represents and agrees (a) that the Executive has, to the extent she desires, discussed all aspects of this Release with her attorney, (b) that the Executive has carefully read and fully understands all of the provisions of this Release, and (c) that the Executive is voluntarily entering into this Release.

9. This Release shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to the conflict of laws principles thereof.

PLEASE READ CAREFULLY. THIS RELEASE INCLUDES
A RELEASE OF CERTAIN KNOWN AND UNKNOWN CLAIMS.

This Release is executed as of the day of , 20 .

Jane T. Elfers

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Mr. Eric P. Bauer
47 Main Drive
San Rafael, CA 94901

May 3, 2011

Dear Eric:

On behalf of The Children's Place, it is my pleasure to confirm our offer of employment for the position of Chief Operating Officer, reporting to me. Your offer of employment is contingent upon the successful completion of your background check. Details of our offer are as follows:

- COMMENCEMENT OF EMPLOYMENT: May 16, 2011
- ANNUAL BASE SALARY: \$700,000
- BONUS: You will be eligible to participate in our annual management incentive bonus plan (the "Bonus Plan"). Your bonus is based on company performance. Your target bonus will be 75% of your annual salary. Your actual bonus may be from 0% to 200% of your target bonus based upon actual performance. Notwithstanding the foregoing, for the 2011 Fiscal Year, you shall receive an annual bonus of no less than \$525,000.
- SIGN-ON EQUITY AWARD. Effective May 17, 2011 (the "Grant Date"), you will receive a sign-on equity grant of 10,000 Deferred Shares (as defined in the 2005 Equity Plan), subject to the following contingency: you execute and deliver to the Company the Deferred Stock Award Agreement within the requisite period of time. (The Deferred Stock Award Agreement will be provided to you following your execution and return of this offer letter.) These Deferred Shares vest ratably over three years based on your continued employment.
- EQUITY AWARD. Based upon your position with the Company, you will receive an equity award, in addition to the above sign-on award. All equity awards are subject to the Company's Amended and Restated 2005 Equity Incentive Plan ("2005 Equity Plan") and must be awarded in accordance with the Company's Policy Regarding the Award of Equity-Based Incentives to Executives Officers and Other Employees (the "Equity Award Policy").
 - Number of Shares. An award of 30,000 shares (as defined in the 2005 Equity Plan).
 - Type of Award. The 30,000 shares will be awarded in the form of a 40% Deferred Shares and 60% Performance Shares (as defined in the 2005 Equity Plan). Depending on the attainment of the Performance Metric for fiscal year 2011, the total amount of Performance Shares awarded to you may range of 0% to 200% of your Performance Share Award.
 - Grant Date. The grant date for this award will be May 17, 2011 (the "Grant Date"), provided that you execute and deliver to the Company the Deferred Stock Award Agreement and Performance Stock Award Agreement within the requisite period of

time. (The Deferred Stock Award Agreement and Performance Stock Award Agreement will be provided to you following your execution and return of this offer letter.)

- Vesting. The Deferred Stock Award vests ratably over three years based on continued employment. If earned, the Performance Shares will vest at the end of three years.
- 401(k) PLAN: Following 90 days of service, you will be eligible to participate in The Children's Place 401(k) Savings Plan. After one year of service, you will be eligible for company matching contributions equal to 50% of your own contributions up to 5% of covered compensation. Company matching contributions are subject to graduated vesting over five years.
- RELOCATION: You will be eligible to receive relocation assistance in accordance with The Children's Place Retail Stores, Inc. Relocation Policy (Executive) which is included with this offer letter. As exceptions to this policy, we will provide you with up to 90 days Temporary Housing for you and your family during your transition and a Miscellaneous Allowance of up to \$30,000 to cover reasonable and actual expenses not provided for elsewhere in the policy.
- OTHER BENEFITS: You will be eligible as of the first of the month following your hire date for other benefits (long term disability, health and life insurance) available to other associates at your level.
- PAID TIME OFF: You will be entitled to 22 days of Paid Time Off (PTO) in every fiscal year (February through January). You may not carry over PTO days from year to year. Your PTO days do not include eight Company paid holidays and one floating holiday. These Company paid holidays are subject to change annually.
- CHANGE IN CONTROL: Subject to your execution and delivery to the Company of an amended and restated Change in Control Severance Agreement (the "Change in Control Severance Agreement"), you will be protected if you should be terminated other than for Cause (as defined in the Change in Control Severance Agreement) or resign for Good Reason (as defined in the Change in Control Severance Agreement) in anticipation of, or subsequent to a change in control. Under the Change in Control Severance Agreement, the severance period is 24 months. During the severance period, you will be paid your salary and target bonus, as well as continue to be covered under the Company's health plan. In addition, if a change in control occurs within one year of the date of your equity compensation award, 50% of your Deferred Stock Award will vest. If a change in control occurs after one year but within 18 months of such award date, 75% of your Deferred Stock Award will vest; and 100% of your Deferred Stock Award will vest if termination occurs more than 18 months following the award date. Unless the Change in Control Severance Agreement is otherwise terminated earlier pursuant to its terms, it will remain in force for two years from the execution thereof and it will renew for additional one year periods unless the Company provides you with notice of nonrenewal at least 90 days prior to the second anniversary date thereof or, if renewed, at least 90 days prior to each subsequent renewal.

- **SEVERANCE:** You will be eligible to receive a severance payment in the amount available to other associates at your level under the Company's severance guidelines. In the event that you are terminated from the Company without Cause (as such term is defined in the Change in Control Severance Agreement), the amount you will entitled to receive will be the greater of the

amount provided under the severance guidelines in effect at the time of your termination or eighteen month's severance at your then current salary. Further, the Company agrees to waive the applicable premium cost that you would otherwise be required to pay for continued group health benefit coverage under COBRA for a period of not more than eighteen months following your date of termination unless otherwise prohibited under applicable law. All such payments are intended to comply with Section 409A of the Code and the regulations there under such that no payment made, or benefit provided, to you hereunder shall be subject to an "additional tax" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended. The Company is authorized to withhold from any payment to be made hereunder to you such amounts for income tax, social security, unemployment compensation, excise taxes and other taxes and penalties as in the Company's judgment is required to comply with applicable laws and regulations. Receipt of the payments set forth herein are conditioned upon the execution and delivery of a release in such form as the Company shall reasonably determine, which shall, to the extent permitted by law, waive all claims and actions against the Company and its affiliates and such other related parties and entities as the Company chooses to include in the release.

- **BOARDS:** With the prior written consent of the Company's President and Chief Executive Officer, you may serve on the board of directors (or similar body) of one public company and one not-for-profit entity, provided that such service does not involve a conflict of interest and does not materially interfere with your duties and responsibilities to the Company.
- **CONFIDENTIALITY:** During your employment and thereafter, you shall not, without the prior written consent of the Company, disclose to anyone Confidential Information. "Confidential Information" shall include, without limitation, all information that is not known or available to the public concerning the business of the Company or any subsidiary relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies.
- **EXECUTIVE COVENANTS:** In consideration of employment by the Company on the terms and conditions set forth in this Offer Letter, you hereby agree to be bound by and to abide by the covenants set forth in Attachment A to this Offer Letter, which covenants are incorporated herein by reference.
- **409A COMPLIANCE:** Notwithstanding anything in this letter to the contrary, if you are a "specified employee" (determined in accordance with Section 409A of the Code and Treasury Regulation Section 1.409A-3(i)(2)) as of the termination of your employment with the Company, and, if any payment, benefit or entitlement provided for in this letter or otherwise both (i) constitutes a "deferral of compensation" within the meaning of Section 409A of the Code and (ii) cannot be paid or provided in a manner otherwise provided herein or otherwise without subjecting you to additional tax, interest, and/or penalties under Section 409A of the Code, then any such payment, benefit or entitlement that is payable during the first six months following the date of your termination of employment shall be paid or provided to you (or your estate, if applicable) in a lump sum cash payment (together with interest on such amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of termination)

on the earlier of (x) your death or (y) the first business day of the seventh calendar month immediately following the month in which your termination of employment occurs.

Unless specifically stated in this letter, all terms and conditions of your employment are as provided by the policies and practices of The Children's Place Retail Stores, Inc. and its affiliates.

This offer of employment is not to be construed as an employment contract, expressed or implied, and it is specifically understood that your employment is at-will (this means that either you or the Company may terminate your employment at any time with or without cause) and further that there is no intent on the part of the Company or yourself, for continued employment of any specified period of time.

Please indicate your acceptance of and agreement with the foregoing by executing this offer letter and returning a copy to me.

Eric, please give this offer your utmost consideration. We look forward to your joining our team. We are confident that you will make a strong contribution to our continued growth and success. Should you have any questions concerning the specifics of our offer to you, or the benefit programs, please do not hesitate to call.

Sincerely,

Jane T. Elfers
President & Chief Executive Officer

Accepted and agreed as of the date above written.

Eric P. Bauer

ATTACHMENT A

Executive Covenants

(a) Executive agrees during the course of his employment with the Employer and for a period of twelve (12) months following the termination of his employment with the Employer (for any reason or no reason) (the "Restricted Period"), he will not, without the express prior written consent of the Company, anywhere, either directly or indirectly, whether alone or as an owner, shareholder, partner, member, joint venturer, officer, director, consultant, independent contractor agent, employee or otherwise of any company or other business enterprise, assist in, engage in or otherwise be connected to or benefit from any business competitive with that of the Company. A "business competitive with that of the Company" is one that (i) designs, manufactures, contracts to manufacture or sells, or intends to design, manufacture, contract to manufacture or sell, children's apparel and accessories and other children's-oriented merchandise, or (ii) engages in or provides or intends to engage in or provide any products, services or other business which is of the same nature as a product, service or other business of the Company or a product, service or other business which the Company is developing and of which Executive has knowledge. Notwithstanding the foregoing, nothing herein shall be deemed to prohibit Executive's ownership of less than 1% of the outstanding shares of any publicly traded corporation that conducts a business competitive with that of the Company.

(b) Executive further agrees that, during the Restricted Period, he will not, without the express prior written consent of the Company, directly or indirectly: (i) contact, communicate, solicit, transact business with or perform services for (or assist any third party in contacting, communicating, soliciting, transacting business with or performing any services for) any person or entity that is or was (at any time within 12 months prior to the contact, communication, solicitation, transaction of business, or performance of services), a vendor of the Company; (ii) solicit, recruit, hire, engage, or refer (or assist any third party in soliciting, recruiting, hiring, engaging or referring) any person or entity who or which either is, or during the twelve (12) months immediately preceding the termination of his employment was, an employee, agent, consultant or independent contractor of the Company; or (iii) interfere with, disrupt or attempt to interfere with or disrupt the relationship, contractual or otherwise, between the Company and any of its vendors, lessors, independent contractors, agents or employees. Notwithstanding the foregoing, subject to Executive's compliance with the other provisions of this Attachment A, nothing in this Section (b) shall be deemed to prohibit Executive from, after the termination of his employment with the Company, being directly employed by a vendor of the Company for the purpose of performing services for such vendor that are unrelated to the services performed or to be performed by vendor for the Company.

(c) Executive acknowledges and agrees that the restrictions on the activities in which he may engage that are set forth in Sections (a) and (b) of this Attachment A and the location and period of time for which such restrictions apply are reasonable and necessary to protect the Company's legitimate business interests and shall survive the termination of his

employment. Executive understands that the Company's business is global and, accordingly, the restrictions cannot be limited to any particular geographic area. Executive further acknowledges that the restrictions contained in this Attachment A will not prevent him from earning a livelihood.

Certificate of Principal Executive Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Jane T. Elfers, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

5. The registrant's other certifying 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: June 6, 2011

By: /S/ JANE T. ELFERS
JANE T. ELFERS
Chief Executive Officer and President
(A Principal Executive Officer)

Certificate of Principal Accounting Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Bernard L. McCracken, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

5. The registrant's other certifying 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: June 6, 2011

By: /S/ BERNARD L. MCCRACKEN
BERNARD L. MCCRACKEN
*Interim Principal Accounting Officer and Vice
President, Corporate Controller
(A Principal Accounting Officer)*

**Certificate of Principal Financial Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, John E. Taylor, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying 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 the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2011

By: /S/ JOHN E. TAYLOR

JOHN E. TAYLOR

*Interim Principal Financial Officer and Vice President,
Finance*

(A Principal Financial Officer)

**Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant
to Section 906 of the Sarbanes-Oxley Act of 2002.**

I, Jane T. Elfers, Chief Executive Officer and President of The Children's Place Retail Stores, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify that to my knowledge:

1. The Quarterly Report of the Company on Form 10-Q for the quarter ended April 30, 2011 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 6th day of June, 2011.

By: /S/ JANE T. ELFERS
Chief Executive Officer and President
(A Principal Executive Officer)

I, Bernard L. McCracken, Interim Principal Accounting Officer and Corporate Controller of The Children's Place Retail Stores, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify that to my knowledge:

1. The Quarterly Report of the Company on Form 10-Q for the quarter ended April 30, 2011 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 6th day of June, 2011.

By: /S/ BERNARD L. MCCRACKEN
Vice President, Corporate Controller
(A Principal Accounting Officer)

I, John E. Taylor, Interim Principal Financial Officer and Vice President, Finance of The Children's Place Retail Stores, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify that to my knowledge:

1. The Quarterly Report of the Company on Form 10-Q for the quarter ended April 30, 2011 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 6th day of June, 2011.

By: /S/ JOHN E. TAYLOR
Vice President, Finance
(A Principal Financial Officer)

This certification accompanies the Quarterly Report on Form 10-Q of The Children's Place Retail Stores, Inc. for the quarter ended April 30, 2011 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original copy of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission and its staff upon request.