

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) January 31, 2007

THE CHILDREN'S PLACE RETAIL STORES, INC.
(Exact name of registrant as specified in charter)

Delaware
(State or Other Jurisdiction
of

0-23071

Number)

(Commission File

31-1241495

(IRS Employer
Identification No.)

Incorporation)

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

(201) 558-2400

(Registrant's telephone number, including area code)

Not applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

On February 1, 2007, The Children's Place Retail Stores, Inc. (the "Company") issued a press release regarding the Company's preliminary financial results for its third fiscal quarter ended October 28, 2006.

A copy of a press release relating to the foregoing is attached hereto as Exhibit 99.1 and is incorporated in this Item 2.02 by reference.

The information contained under this Item 2.02 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) On January 31, 2007, Steve Balasiano resigned as Chief Administrative Officer, General Counsel and Secretary, effective immediately. However, Mr. Balasiano will continue as a Senior Vice President with continued supervisory responsibility for the Company's real estate, store design, re-modeling and maintenance matters.

(c) On January 31, 2007, the new position of Executive Vice President, Finance and Administration has been established and designated as a principal executive officer together with the Chief Executive Officer. Susan Riley, currently the Company's Senior Vice President and Chief Financial Officer, has been selected for this position, effective immediately. In this position, Ms. Riley will be responsible for supervision of the Company's finance, treasury, accounting, internal audit, legal and human resources functions, reporting to the Chief Executive Officer and the Board. She will remain as Chief Financial Officer on an interim basis, pending completion of a search to fill this position. Information regarding Ms. Riley's employment relationship with the Company and other biographical information is contained in Part III of the Company's Annual Report of Form 10-K, for the year ended January 28, 2006. In light of the changes to Ms. Riley's functions, the Company's Compensation Committee is considering appropriate adjustments to her compensation arrangements.

A copy of a press release relating to the foregoing is attached hereto as Exhibit 99.2 and is incorporated in this Item 5.02 by reference.

Item 8.01. Other Events.

On January 31, 2007, the Company announced that the special committee of the Board of Directors previously appointed to investigate the company's stock option grant practices completed its investigation and delivered its report and recommendations for actions to be taken to the Board. In accepting the special committee's report, the Company also announced a series of actions and decisions, including (i) the matters discussed in Item 5.02 hereof, and (ii) the separation of the positions of Chairman of the Board and Chief Executive Officer, effective immediately. An independent director will be selected to serve as non-executive Chair as soon as practicable. Sally Frame Kasaks, currently the Lead Director, will continue in such position and act as Chair until a Chair is selected. Ezra Dabah will continue as Chief Executive Officer and as a member of the Board.

A copy of a press release relating to the foregoing is attached hereto as Exhibit 99.2 and is incorporated in this Item 8.01 by reference.

Item 9.01. Financial Statements and Exhibits.

The following exhibits are furnished herewith:

99.1 Press release of The Children's Place Retail Stores, Inc. dated February 1, 2007

99.2 Press release of The Children's Place Retail Stores, Inc. dated January 31, 2007

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 hereunto duly authorized.

THE CHILDREN'S PLACE RETAIL STORES, INC.

By: /s/ Susan Riley_____

Name: Susan Riley

Title: Executive Vice President, Finance and Administration

Dated: February 1, 2007

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of The Children's Place Retail Stores, Inc. dated February 1, 2007
99.2	Press Release of The Children's Place Retail Stores, Inc. dated January 31, 2007

THE CHILDREN'S PLACE

FOR IMMEDIATE RELEASE

THE CHILDREN'S PLACE RETAIL STORES, INC. REPORTS PRELIMINARY THIRD QUARTER 2006 FINANCIAL RESULTS AND PROVIDES GUIDANCE

Secaucus, New Jersey - February 1, 2007 - The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) today announced preliminary financial results for its fiscal third quarter ended October 28, 2006. These preliminary results may be subject to significant adjustment as a result of the Company's restatement of previously issued financial results to correct the accounting for past stock option grants to reflect the findings of the investigation into the Company's stock option practices, which were announced in a separate press release yesterday. As a result, the Company is not providing year-to-date results, net income on a per share basis or full comparative financial results for the third quarter and nine-months ended October 29, 2005, and is providing only selected balance sheet data.

Fiscal 2006 Third Quarter

- As previously announced, consolidated net sales for the third quarter ended October 28, 2006 increased 25% to \$550.4 million compared to \$441.0 million last year. Third quarter sales were comprised of \$397.2 million from The Children's Place brand, a 24% increase over last year, and \$153.2 million from Disney Store, a 27% increase over last year.
- Consolidated comparable store sales increased 14% in the quarter. The Children's Place brand's comparable store sales increased 15% on top of last year's 6% increase. Disney Store's comparable store sales increased 12%.
- Preliminary operating income was \$61.0 million, or 11.1% of net sales.
- Preliminary net income was \$38.0 million including equity compensation expense of \$3.2 million, pre-tax, under SFAS 123R, which the Company adopted at the beginning of fiscal 2006. Also included in third quarter net income was approximately \$4.2 million in pre-tax expense (\$1.1 million of which is non-cash) primarily due to the cost of conducting the stock option investigation and other stock option related expenses.
- Preliminary diluted shares outstanding in the third quarter were approximately 30 million shares.
- During the third quarter, the Company opened 30 Children's Place stores and closed one. In addition, the Company opened 11 Disney Stores.

- more -

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Guidance

Fourth Quarter 2006

The Company stated that, at this time, it anticipates reporting preliminary fourth quarter fiscal 2006 net income of approximately \$45 to \$48 million, including approximately \$3.5 million, pre-tax, in equity compensation expense under SFAS 123R. This guidance reflects month-to-date January comparable store sales in the negative mid-single digits for The Children's Place and positive mid-twenties for Disney Store.

Also included in the Company's fourth quarter guidance are:

- An approximate \$4 to \$6 million tax benefit due to the utilization of certain foreign tax credits;
- approximately \$9 million, pre-tax, in costs in connection with the stock option investigation and tax implications related to outstanding grants. These costs are subject to significant adjustment pending the review of the Company's determination of the appropriate accounting for its previously issued stock options, related discussions with the staff of the Securities and Exchange Commission, and clarification of certain tax laws and their accounting impact; and
- approximately \$6 to \$8 million in pre-tax write-offs due primarily to: i.) the re-evaluation of a planned 42nd Street store location in New York City to reflect configurations currently under consideration; and ii.) infrastructure investments that had been made in connection with DisneyStore.com, as the Company is in discussions with the Walt Disney Company to form an e-commerce alliance, in which DisneyStore.com would maintain a presence within Disney.com, in an effort to create a seamless experience for the guest.

Excluding the three bulleted items shown above, preliminary fourth quarter net income is anticipated to be approximately \$51 to \$53 million. The Company has excluded these items because it does not believe they are indicative of the core business and that it is a beneficial supplemental disclosure to investors in analyzing its past and future performance.

Fiscal 2006

At this time, the Company anticipates reporting preliminary full year fiscal 2006 net income of approximately \$83 to \$86 million, including approximately \$13 million, pre-tax, in equity compensation expense under SFAS 123R, approximately \$14 million, pre-tax, in stock option investigation and related expenses, and the above referenced tax benefit and write-offs.

The Company anticipates a preliminary diluted share count for the fourth quarter and fiscal 2006 of approximately 30 million shares.

"Third quarter results at both brands were strong, while the fourth quarter was challenging at The Children's Place and strong at Disney Store," said Ezra Dabah, Chief Executive Officer of The Children's Place. "At The Children's Place brand, sales were impacted primarily due to lack of unit inventory ownership and weather patterns. Importantly, the fundamentals and competitive advantages that have made our business successful remain intact."

Mr. Dabah continued, "At The Children's Place, we are excited to announce the launch of our new 'store-within-a-store' shoe concept, which we plan to roll out during the upcoming back-to-school season. We believe our successful formula of great fashion and high quality at value prices will fill a large void in the marketplace, when applied to children's footwear."

- more -

Fiscal 2007

At this time, the Company anticipates fiscal 2007 earnings per share of approximately \$3.55 to \$3.65. The Company anticipates a tax rate of 38% and 31 million diluted shares outstanding. In addition, this guidance includes a provision of approximately \$6 million, in pre-tax expense to address issues with certain recently remodeled Disney Stores. This guidance does not reflect any residual expenses the Company may incur as a result of the conclusion of the stock option investigation.

The Company has recently commenced discussions with the Walt Disney Company regarding potential modifications to certain terms of the Company's long-term license agreement to operate the Disney Store retail chain in North America, some of which may be material. These discussions are still at an early stage and, as such, the Company cannot predict the specific nature of any modifications to the license agreement. If the Company is unable to reach agreement with Disney on the modifications, Disney may assert that certain defaults exist under the license agreement and Disney may reserve its rights and remedies under the agreement.

The Children's Place will host a conference call to discuss its preliminary third quarter results today at 8:30 a.m. Eastern Time. Interested parties are invited to listen to the call by dialing (785) 830-7975 and providing the Conference ID, PLCE. The call will also be webcast live and can be accessed via the Company's web site, www.childrensplace.com. A replay of the call will be available approximately one hour after the conclusion of the call, until midnight on February 8, 2007. To access the replay, please dial (402) 220-0489, or you may listen to the audio archive on the Company's website, www.childrensplace.com.

The Children's Place Retail Stores, Inc. is a leading specialty retailer of children's merchandise. The Company designs, contracts to manufacture and sells high-quality, value-priced merchandise under the proprietary "The Children's Place" and licensed "Disney Store" brand names. As of December 30, 2006, the Company owned and operated 866 The Children's Place stores and 334 Disney Stores in North America and The Children's Place online store at www.childrensplace.com.

This press release and above referenced call may contain certain forward-looking statements regarding future circumstances. These forward-looking statements are based upon the Company's current expectations and assumptions and are subject to various risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements including, in particular, the risks and uncertainties described in the Company's filings with the Securities and Exchange Commission, as well as the risks and uncertainties relating to the Company's stock option grants and procedures and the recently completed investigation by the special committee of the Company's Board of Directors, the previously announced pending restatement of the Company's historical financial statements, the delays in filing the Company's periodic reports with the Securities and Exchange Commission, the outcome of the informal investigation of the Company being conducted by the Securities and Exchange Commission, potential other governmental proceedings, the shareholder litigation commenced against the Company and certain of its officers and directors, and the potential impact of each of these matters on the Company, as well as matters relating to the Company's discussions with The Walt Disney Company. Actual results, events, and performance may differ. Readers or listeners (on the call) are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake 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 inclusion of any statement in this release does not constitute an admission by The Children's Place or any other person that the events or circumstances described in such statement are material.

Contact: The Children's Place Retail Stores, Inc.
Susan Riley, EVP, Finance & Administration, 201/558-2400
Heather Anthony, Senior Director, Investor Relations, 201/558-2865

(Tables Follow)

THE CHILDREN'S PLACE RETAIL STORES, INC.
PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF INCOME
(In thousands)
(Unaudited)

	13 Weeks Ended October 28, 2006	% of Sales
Net sales	\$ 550,410	100.0%
Cost of sales	<u>309,930</u>	56.3%
Gross profit	240,480	43.7%
Selling, general and administrative expenses	163,336	29.7%
Depreciation and amortization	<u>16,129</u>	2.9%
Operating income	61,015	11.1%
Interest income, net	<u>670</u>	0.1%
Income before income taxes	61,685	11.2%
Provision for income taxes	<u>23,689</u>	4.3%
Net income	<u><u>\$ 37,996</u></u>	6.9%

THE CHILDREN'S PLACE RETAIL STORES, INC.
SELECTED CONSOLIDATED BALANCE SHEET DATA
(In thousands)
(Unaudited)

	<u>October 28, 2006</u>	<u>January 28, 2006</u>	<u>October 29, 2005</u>
Cash and cash equivalents	\$ 147,257	\$ 173,323	\$ 122,428
Inventories	302,394	214,702	261,160
Revolving credit facility	0	0	55,299
Accounts payable	127,673	82,826	87,282

Note: The October 29, 2005 balance sheet includes the retrospective application of FSP FAS 13-1.

THE CHILDREN'S PLACE RETAIL STORES, INC.
PRELIMINARY SEGMENT INFORMATION
(In millions)
(Unaudited)

	<u>Thirteen Weeks Ended October 28, 2006</u>			
	<u>The Children's Place</u>	<u>Disney Store</u>	<u>Shared Services</u>	<u>Total Company</u>
Net sales	\$ 397.2	\$ 153.2	\$ -	\$ 550.4
Segment operating profit (loss)	78.5	10.4	(27.9)	61.0
Operating profit as a percent of net sales	19.8%	6.8%	N/A	11.1%

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**THE CHILDREN'S PLACE RETAIL STORES, INC. CONCLUDES
STOCK OPTIONS INVESTIGATION**

- **Company Implements Various Structural Changes -**
- **Company Commits to Improved Internal Processes and Procedures -**
- **Company Outlines Financial Impact of Investigation -**

SECAUCUS, N. J., January 31, 2007 - The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) announced today that the special committee of its Board of Directors, previously appointed to investigate the Company's stock option granting practices, has completed its investigation. The special committee today presented to the Board of Directors its report of investigation and recommendations and the Board of Directors has accepted the report and approved the findings and recommendations.

Summary of Investigation and Key Findings

The comprehensive investigation was directed by a special committee of the Board of Directors and was undertaken in conjunction with independent legal counsel from Weil Gotshal & Manges LLP and forensic accounting assistance from FTI Consulting, Inc. During the two month independent investigation, which continued an earlier investigation commenced in August 2006, all the Company's option grants since the Company's IPO in 1997 through the last grant made by the Company in February 2006, involving grants on more than 120 occasions, were considered. Based on statistical analysis and other information obtained in the investigation, 21 grants were analyzed in detail. The investigation involved the review and analysis of tens of thousands of emails and other documents, including the restoration of documents to the extent available from the Company's information technology systems, and included interviews of 14 current and former officers, directors, and employees of the Company.

The special committee's report included the following key findings:

- There was no conclusive evidence of intentional backdating of options or other misconduct in connection with the option grant process.
 - There was no evidence of an intent to mislead about option grant dates or exercise prices.
 - No member of management and no director engaged in improper self-dealing in connection with the option grants made by the Company.
 - All Company personnel cooperated fully with the investigation.
 - The Company did not maintain appropriate governance and other internal controls, which resulted in errors in the dating of options and other irregularities in option grants. In many instances options were dated before all grant-making processes were finalized. Consequently, in such instances the option exercise price was lower than it should have been based on the trading price on the date the grant process was completed and incorrect charges were taken for the options for financial reporting purposes. Also, in a few instances, the Company may have selected grant dates with a view toward upcoming disclosures.
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A copy of the report is also being provided to the SEC in connection with the previously announced informal investigation by the SEC of the Company's option grant practices.

Key Near-Term Actions

Following specific recommendations by the special committee, the Board of Directors will implement the following initiatives to improve the Company's governance, internal controls and option grant practices:

Governance and Management Changes:

- The positions of Chair of the Board and Chief Executive Officer will be separated, effective immediately. An independent director will be selected to serve as non-executive Chair of the Board as soon as practicable. Sally Frame Kasaks, currently the Lead Director, will continue in such position and act as Interim Chair until a permanent Chair is selected. Ezra Dabah will continue as Chief Executive Officer and as a member of the Board of Directors.
- The Board of Directors will be expanded to include two new independent directors, as soon as practicable. It is anticipated that, after this expansion of the Board of Directors, an independent director will be selected to serve as Chair of the Board on an ongoing basis.
- The new position of Executive Vice President, Finance and Administration has been established and Susan Riley, the Company's Senior Vice President and Chief Financial Officer, since April 2006, has been elected to this position. Ms. Riley will be responsible for supervising the Company's finance, treasury, accounting, legal and human resource functions, reporting to the Chief Executive Officer and the Board of Directors.
- At the Board of Directors' request, Steve Balasiano has relinquished his responsibilities as Chief Administrative Officer, General Counsel and Secretary, effective immediately. However, Mr. Balasiano will continue as a Senior Vice President with supervisory responsibility for the Company's real estate, construction and facilities, store design, and non-merchandise purchasing. The Company will commence a search for a new General Counsel and Secretary immediately.
- The Board of Directors has commenced a comprehensive review, with the assistance of independent counsel, of the Company's governance system and processes and its internal controls, and will make appropriate improvements in the near-term.

New Option Grant Practices and Amended Option Grants:

- Under the supervision of the Compensation Committee, the Company will institute new policies, procedures and controls governing the grant of options and other equity incentives and related accounting and internal controls based on recognized best practices. No further equity grants will be made until these new policies, procedures and controls are instituted.
- To avoid any potential for benefit from the errors made in the option grant process, all non-management members of the board of directors, and Messrs. Dabah, Balasiano and Neal Goldberg, executive officers of the Company, have voluntarily agreed to increase the exercise price of each of their outstanding options to the trading price on the correct measurement date for the option grants for financial reporting purposes as determined by the Company. In addition, any non-management director who received an option grant that was not implemented in accordance with best practices has agreed to increase further the exercise price of such options to the average of the highest and lowest closing price of the shares during the remainder of the year of grant, even though such price may be above the trading price on the correct measurement date of the grant.
- The Company intends to honor all other original option grants made to employees but expects to make an offer to the holders of options that vested after 2004 to amend their options so as to increase the exercise price to the trading price on the correct measurement date determined by the Company (or in certain instances to make certain other amendments limiting the holders' rights under the options). In addition, as part of such offer, the Company will pay to such employees, other than members of senior management, cash bonuses in the amount of the difference. These amendments to outstanding options are expected to permit the holders to qualify under certain transitional tax rules, so that an excise tax and certain other unfavorable tax consequences instituted in 2004 that might otherwise apply to such options will not be applicable.

Ms. Kasaks, the Lead Director, stated, "We are very pleased that after an exhaustive review we have brought the investigation to a conclusion. We believe that the Board's actions will position The Children's Place as a leader in adopting and executing best practices in governance, compensation policies, and internal controls and will enable the Company to maintain its position as one of the nation's leading children's specialty retailers. We have full confidence in Chief Executive Officer, Ezra Dabah, who has done an extraordinary job in growing and evolving the Company's business for more than a decade. We believe that under Ezra's able leadership, along with the help of Sue Riley in her new position and the full talented management team, the Company will be stronger and more successful than ever."

Ezra Dabah, Chief Executive Officer of the Company, added, "The thorough investigation by the special committee brought to the Company's attention various errors in our option granting process, which we are committed to correcting. I regret that this happened on my watch and, as CEO, I take responsibility. As a Board, the actions we are taking today will strengthen the Company's ability to expand its business as one of the nation's leading children's specialty retailers and to become a leader in adopting and executing best practices in governance, internal controls and compensation policies. We look forward to working together to maximize shareholder value."

Summary of Financial Implications

Based on the results of the investigation and its own additional review, management has concluded that incorrect measurement dates were used for financial reporting purposes in respect to option grants. As previously announced, the Company will restate its previously issued financial statements for the fiscal years 2003, 2004, 2005 and the first fiscal quarter 2006 and may amend the financials disclosed in its fiscal 2006 second quarter press release. At this time, the Company does not expect this cumulative restatement to exceed \$24 million, pre-tax, or \$17 million, after tax, with the majority of the restatement impacting fiscal 2005. Approximately \$22 million of the total pre-tax restatement amount is expected to be non-cash. As stated previously, the amounts of the restatement and related expenses are subject to significant adjustment pending the review of the Company's determination of the appropriate accounting for its previously issued stock options, related discussions with the staff of the SEC, and clarification of certain tax laws and their accounting impact. The Company intends to complete the restatement of its financial statements as soon as practicable. There is no assurance that, when finally determined, the Company will not be required to make adjustments in a greater amount.

At this time, the Company also expects to incur in fiscal 2006 costs in connection with the investigation estimated at approximately \$7 million. As recently announced, the Company and certain of its current and former directors and officers have been named as defendants in a lawsuit relating to the Company's past option grant practices. The costs and any potential liabilities that the Company may incur in connection with such lawsuit and the pending SEC investigation have not been included in the charges and costs referred to above.

The Company plans to report its preliminary information regarding its financial results for the fiscal third quarter ended October 28, 2006 shortly.

The Children's Place Retail Stores, Inc. is a leading specialty retailer of children's merchandise. The Company designs, contracts to manufacture and sells high-quality, value-priced merchandise under the proprietary "The Children's Place" and licensed "Disney Store" brand names. As of December 30, 2006, the Company owned and operated 866 The Children's Place stores and 334 Disney Stores in North America and The Children's Place online store at www.childrensplace.com.

This press release contains certain forward-looking statements regarding future circumstances. These forward-looking statements are based upon the Company's current expectations and assumptions and are subject to various risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements including, in particular, the risks and uncertainties described in the Company's filings with the Securities and Exchange Commission. Actual results, events, and performance may differ. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertake no obligation to release publicly any revisions to these forward-looking statements in order to reflect events or circumstances after the date hereof. The inclusion of any statement in this release does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.

CONTACTS: The Children's Place Retail Stores, Inc.

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Susan LaBar, Manager, Investor Relations, (201) 453-6955

Media:

Financial Dynamics

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