AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 18, 1997

REGISTRATION NO. 333-31535

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

DELAWARE	5641	31-1241495
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number)	(I.R.S. employer identification number)

THE CHILDREN'S PLACE RETAIL STORES, INC.
ONE DODGE DRIVE
WEST CALDWELL, NEW JERSEY 07006
(973) 227-8900
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

STEVEN BALASIANO, ESQ.
VICE PRESIDENT AND GENERAL COUNSEL
THE CHILDREN'S PLACE RETAIL STORES, INC.
ONE DODGE DRIVE
WEST CALDWELL, NEW JERSEY 07006
(973) 227-8900
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES OF COMMUNICATIONS TO:

STROOCK & STROOCK & LAVAN LLP	HALE AND DORR LLP
180 MAIDEN LANE	60 STATE STREET
NEW YORK, NEW YORK 10038	BOSTON, MASSACHUSETTS 02109
ATTN.: JEFFREY S. LOWENTHAL, ESQ.	ATTN.: PATRICK J. RONDEAU, ESQ.
(212) 806-5400	(617) 526-6000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
Common Stock, $.10 par value.....	4,600,000 shares(2)	$15.00	$69,000,000	$20,909(3)

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457 under the Securities Act of 1933.

(2) Includes 600,000 shares of Common Stock subject to an over-allotment option granted to the Underwriters.

(3) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED SEPTEMBER 18, 1997

4,000,000 SHARES

[LOGO]
COMMON STOCK

ALL OF THE SHARES OF COMMON STOCK OFFERED HEREBY ARE BEING SOLD BY THE COMPANY.

PRIOR TO THIS OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $13.00 AND $15.00 PER SHARE. SEE "UNDERWRITING" FOR A DISCUSSION OF FACTORS TO BE CONSIDERED IN DETERMINING THE INITIAL PUBLIC OFFERING PRICE. APPROXIMATELY $5.2 MILLION OF THE NET PROCEEDS OF THIS OFFERING (ASSUMING AN INITIAL PUBLIC OFFERING PRICE OF $14.00 PER SHARE) WILL BE USED TO REDEEM TWO-THIRDS OF A WARRANT HELD BY LEGG MASON WOOD WALKER, INCORPORATED, ONE OF THE REPRESENTATIVES OF THE UNDERWRITERS OF THIS OFFERING. SEE "RISK FACTORS--MATERIAL BENEFITS TO AN UNDERWRITER" AND "UNDERWRITING."

THE COMMON STOCK HAS BEEN APPROVED FOR LISTING ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "PLCE." AT THE REQUEST OF THE COMPANY, UP TO 280,000 SHARES OF COMMON STOCK HAVE BEEN RESERVED FOR SALE TO CERTAIN EMPLOYEES OF THE COMPANY AND CERTAIN OTHER PERSONS. SEE "UNDERWRITING."

SEE "RISK FACTORS" BEGINNING ON PAGE 8 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO COMPANY(2)
PER SHARE.....	$	$	$
TOTAL (3).....	$	$	$

(1) SEE "UNDERWRITING" FOR INFORMATION CONCERNING INDEMNIFICATION OF THE UNDERWRITERS AND OTHER MATTERS.

(2) BEFORE DEDUCTING OFFERING EXPENSES PAYABLE BY THE COMPANY, ESTIMATED AT $.

(3) CERTAIN STOCKHOLDERS OF THE COMPANY HAVE GRANTED TO THE UNDERWRITERS A 30-DAY OPTION TO PURCHASE UP TO 600,000 ADDITIONAL SHARES OF COMMON STOCK SOLELY TO COVER OVER-ALLOTMENTS, IF ANY. IF THE UNDERWRITERS EXERCISE THIS OPTION IN FULL, THE TOTAL PROCEEDS TO THE COMPANY WILL REMAIN UNCHANGED, AND THE TOTAL PRICE TO PUBLIC, UNDERWRITING DISCOUNT AND PROCEEDS TO THE SELLING STOCKHOLDERS WILL BE $, $ AND $, RESPECTIVELY. SEE "UNDERWRITING."

THE SHARES OF COMMON STOCK ARE OFFERED BY THE SEVERAL UNDERWRITERS NAMED HEREIN, WHEN, AS AND IF DELIVERED TO AND ACCEPTED BY THE UNDERWRITERS AND SUBJECT TO THEIR RIGHT TO REJECT ANY ORDERS IN WHOLE OR IN PART. IT IS EXPECTED THAT DELIVERY OF THE CERTIFICATES REPRESENTING SUCH SHARES WILL BE MADE AGAINST PAYMENT THEREFOR AT THE OFFICE OF MONTGOMERY SECURITIES ON OR ABOUT , 1997.

MONTGOMERY SECURITIES
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
SMITH BARNEY INC.

LEGG MASON WOOD WALKER

INCORPORATED

, 1997

[The Inside Front Cover Page of the Prospectus consists of a gatefold that shows three photographs of a Company store, along with a large version of the Company's logo. On the inside of the gatefold are numerous photographs of children wearing the Company's apparel and accessories, interspersed with small versions of the Company's logo.]

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SUCH TRANSACTIONS MAY INCLUDE STABILIZING TRANSACTIONS AND THE PURCHASE OF COMMON STOCK TO COVER SYNDICATE SHORT POSITIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO, CONTAINED ELSEWHERE IN THIS PROSPECTUS. EXCEPT AS OTHERWISE INDICATED, ALL INFORMATION IN THIS PROSPECTUS GIVES EFFECT TO A 120-FOR-ONE STOCK SPLIT OF THE COMMON STOCK (THE "STOCK SPLIT") AND THE CONVERSION OF ALL OUTSTANDING SHARES OF THE COMPANY'S SERIES B COMMON STOCK INTO A TOTAL OF 7,659,889 SHARES OF COMMON STOCK (THE "SERIES B CONVERSION"), BOTH OF WHICH WILL BE EFFECTED PRIOR TO CONSUMMATION OF THE OFFERING MADE BY THIS PROSPECTUS. ALL REFERENCES TO THE COMPANY'S FISCAL YEARS REFER TO THE FISCAL YEARS ENDED ON THE SATURDAY NEAREST TO JANUARY 31 OF THE FOLLOWING YEAR. FOR EXAMPLE, REFERENCES TO FISCAL 1996 SHALL MEAN THE FISCAL YEAR ENDED FEBRUARY 1, 1997.

THE COMPANY

The Children's Place Retail Stores, Inc. (the "Company") is a leading specialty retailer of high quality, value-priced apparel and accessories for newborn to twelve year old children. The Company designs, contracts to manufacture and sells its products under "The Children's Place" brand name. As of September 1, 1997, the Company operated 140 stores, primarily located in regional shopping malls in the eastern half of the United States. The Company's net sales have increased from $96.6 million in fiscal 1993 to $143.8 million in fiscal 1996 and operating income has increased from $1.4 million in fiscal 1993 to $12.8 million in fiscal 1996. In the first six months of fiscal 1997, net sales totaled $72.7 million as compared to $56.4 million in the first six months of fiscal 1996. The Company has achieved comparable store sales increases over prior years of 13.2%, 10.0% and 8.6% during fiscal 1994, 1995 and 1996, respectively, and 2.5% in the first six months of fiscal 1997. The Company defines its comparable store sales as net sales from stores that have been open for more than 14 full months and have not been substantially remodeled during that time. The Company's net sales per gross square foot have increased from $226 in fiscal 1993 to $335 in fiscal 1996. These increases are primarily the result of a merchandising and operational repositioning of the Company over the last five fiscal years under the direction of the Company's current management team. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

In fiscal 1996, new stores for which fiscal 1996 was the first full year of operations had average net sales of $1,250,000. The average investment for these new stores, including capital expenditures (net of landlord contribution), initial inventory (net of merchandise payables) and pre-opening costs, was $371,000. New stores have generally achieved profitability within the first full quarter of operations, with average fiscal 1996 store level operating cash flow of $288,000 (23.0% of net sales) for stores for which fiscal 1996 was the first full year of operations. In fiscal 1996, these stores yielded a cash return on investment of 77.6%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In July 1996, following a private financing in which the Company raised $37.4 million of net proceeds through the issuance of senior subordinated notes, Series B Common Stock and warrants, the Company began to implement an aggressive growth strategy designed to capitalize on its business strengths and its strong store economics. From July 1, 1996 through the end of fiscal 1996, the Company opened a total of 16 new stores, growing to 108 stores. During fiscal 1997 through September 1, 1997, the Company has opened 32 stores. The Company intends to continue its expansion program and currently plans to open approximately 15 additional stores during the remainder of fiscal 1997 and at least 60 stores in fiscal 1998. See "Business--Store Expansion Program" and "Certain Relationships and Related Transactions--1996 Private Placement."

BUSINESS STRENGTHS AND STRATEGY

The Company believes that its value-based, proprietary brand business strategy has been and will continue to be the key to its success as a specialty retailer. The following strengths have contributed to the success of the Company's merchandising and operating strategies:

UNIQUE PRICE-VALUE POSITIONING. By offering quality clothing and accessories under "The Children's Place" brand name at prices 20% to 30% below most of its direct mall-based competitors, the Company believes that it has built a loyal base of customers who regularly purchase from the Company as their children grow. The Company believes that the value created by the price and quality of its merchandise has enabled it to establish a unique market position. See "Business--Merchandising" and "--Sourcing and Procurement."

MERCHANDISING STRATEGY. The Company's merchandising strategy is built on the offering of key basic items at prices which the Company believes represent exceptional values, complemented by fashion items and accessories to create a fully coordinated look. The Company designs its merchandise to present a fresh and youthful image that management believes is unique to "The Children's Place" brand. See "Business-- Merchandising" and "--Sourcing and Procurement."

STRONG BRAND IMAGE. The Company believes that it has built a strong brand image for "The Children's Place" by (i) selling its products exclusively in its own stores, (ii) creating a uniform appearance in merchandise presentation, (iii) providing a consistent selection of coordinated separates and accessories for children, and (iv) offering high quality products at value prices. The Company believes that these factors foster consumer loyalty to "The Children's Place" brand name. See "Business--Merchandising" and "--Company Stores."

BROAD CONSUMER APPEAL. The Company believes that its high-quality merchandise assortment, offered at "everyday value prices" so that customers need not wait for special sales, enable it to appeal to a broad range of consumers across all socioeconomic groups and to compete successfully in a wide range of regional shopping malls, outlet centers and other locations. See "Business--Merchandising--Everyday Value Pricing" and "--Company Stores."

VERTICALLY INTEGRATED OPERATIONS. The Company controls the design, sourcing and sale of its private label children's apparel and accessories. The Company believes that the vertical integration of its operations, from in-house design to in-store presentation, enables the Company to identify and respond to market trends, uphold rigorous product quality standards and control the cost of its merchandise. See "Business-- Merchandising" and "--Company Stores."

EXPERT SOURCING. The Company combines management's extensive sourcing experience with a cost-based buying strategy. Management has established close, long-standing and mutually beneficial relationships with numerous manufacturers. Through these relationships and its extensive knowledge of component costs of apparel, the Company believes that it has been able to purchase high quality products at low costs. See "Business--Merchandising" and "--Sourcing and Procurement."

PROVEN MANAGEMENT TEAM. The Company has a seasoned, highly experienced management team, with its 12 most senior members having an average of 17 years in the retail and/or apparel business and an average of eight years with the Company. The Company believes that management's substantial experience favorably positions the Company for future expansion. See "Management."

The Company's principal executive offices are located at One Dodge Drive, West Caldwell, New Jersey 07006. Its telephone number is (973) 227-8900.

THE OFFERING

Common Stock offered by the Company:.....	4,000,000 shares
Common Stock to be outstanding after the offering:.....	24,622,103 shares(1)
Use of proceeds:.....	To repay the Company's 12% Senior Subordinated Notes, to repurchase a portion of the Company's outstanding warrants and to reduce outstanding borrowings under the Company's revolving credit facility.
Nasdaq National Market symbol:.....	PLCE

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(1) Excludes 1,743,240 shares of Common Stock issuable under outstanding options, of which 577,632 are currently exercisable.

RISK FACTORS

Investors should carefully consider the risk factors relating to the Company and this offering described on pages 8 through 14 of this Prospectus. Such factors include the Company's aggressive growth strategy; changes in comparable store sales results from period to period; the Company's ability to anticipate and respond to changing merchandise trends; potential disruptions in receiving and distribution of merchandise; the Company's reliance on information systems; the Company's dependence on unaffiliated manufacturers and independent agents; the risks of using foreign manufacturers; the possible adverse impact of unaffiliated manufacturers' failure to comply with acceptable labor practices; risks of foreign currency fluctuations; the Company's dependence on key personnel; competition; possible adverse effects of future changes in the Company's proprietary credit card program; fluctuations in quarterly results and seasonality; risks associated with changing economic, regional and other business conditions; the adverse tax consequences of any inability of the Company to use certain net operating loss carryforwards; the control of the Company by certain existing stockholders; the possible adverse impact of future sales of Common Stock in the public market by existing stockholders and of certain registration rights; uncertainty as to the future existence of an active trading market for the Common Stock; possible volatility of the Company's stock price; the material benefits of the offering to an Underwriter; dilution; and the potential anti-takeover effect of certain provisions of the Company's Certificate of Incorporation and Bylaws.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OPERATING DATA
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND AVERAGE NET SALES PER GROSS SQUARE FOOT)

The following information is qualified in its entirety by the financial statements appearing elsewhere in this Prospectus.

	FISCAL YEAR ENDED(1)				SIX MONTHS ENDED	
	JANUARY 29, 1994	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 3, 1996	AUGUST 2, 1997
STATEMENT OF OPERATIONS DATA:						
Net sales	$ 96,649	$ 107,953	$ 122,060	$ 143,838	$ 56,412	$ 72,737
Gross profit	28,874	33,724	38,626	54,052	18,112	23,820
Operating income	1,364	2,329	4,062	12,802	120	696
Interest expense, net	1,150	1,303	1,925	2,884	1,182	1,815
Income (loss) before income taxes, extraordinary items and the cumulative effect of accounting change	214	1,026	1,690	9,522	(1,441)	(1,225)
Provision (benefit) for income taxes(2)	53	54	36	(20,919)	21	(492)
Extraordinary gains(3)	15,169	490	0	0	0	0
Net income (loss)(4)	$ 14,780	$ 1,462	$ 1,654	$ 30,441	$ (1,462)	$ (733)
Pro forma net income (loss) per common share(5)				$ 1.28		$ (0.03)
Pro forma weighted average common shares outstanding(5)				23,804,185		23,804,185
Pro forma supplemental net income per common share(6)				$ 1.24		$ 0.01
SELECTED OPERATING DATA:						
Number of stores open at end of period	87	87	91	108	95	134
Comparable store sales increase (decrease)(7)(8)	(2.2%)	13.2%	10.0%	8.6%	8.1%	2.5%
Average net sales per store(8)(9)	$ 1,124	$ 1,264	$ 1,362	$ 1,479	$ 611	$ 618
Average square footage per store(10)	4,954	4,786	4,528	4,284	4,392	4,147
Average net sales per gross square foot(8)(11)	$ 226	$ 259	$ 292	$ 335	$ 138	$ 146

	AT				AT AUGUST 2, 1997	
	JANUARY 29, 1994	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	ACTUAL	AS ADJUSTED(12)
BALANCE SHEET DATA:						
Working capital (deficit)	$ (11,621)	$ (10,398)	$ (17,630)	$ 11,951	$ 2,079	$ 7,052
Total assets	26,600	26,556	32,073	64,479	79,748	79,514
Long-term debt (including current portion)	23,719	21,626	15,735	20,504	18,928	489
Stockholders' equity (deficit)	(15,338)	(13,388)	(11,735)	27,298	26,077	49,255

(FOOTNOTES ON FOLLOWING PAGE)

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(1) All references to the Company's fiscal years refer to the 52- or 53-week year ended on the Saturday nearest to January 31 of the following year. For example, references to fiscal 1996 mean the fiscal year ended February 1, 1997. Fiscal 1995 was a 53-week year.

(2) The provision (benefit) for income taxes for fiscal 1996 reflected the reversal of a valuation allowance of $21.0 million on a net deferred tax asset. See Note 9 of the Notes to Financial Statements.

(3) Extraordinary gains during fiscal 1993 and fiscal 1994 represented forgiveness of debt in connection with a debt restructuring undertaken with the consent of the Company's creditors.

(4) Net income for fiscal 1993 included a $550,000 charge relating to the cumulative effect of a change in accounting for inventory capitalization.

(5) Pro forma net income (loss) per common share is calculated by dividing net income (loss) by the pro forma weighted average common shares outstanding. The pro forma weighted average common shares outstanding used in computing pro forma net income (loss) per common share for fiscal 1996 and the first six months of fiscal 1997 are based on the number of common shares and common share equivalents outstanding after giving effect to (i) the 1996 Private Placement described elsewhere in this Prospectus, (ii) the cancellation of the preferred stock discussed in Note 10 of the Notes to Financial Statements, (iii) the granting of management options in conjunction with the 1996 Private Placement as discussed in Note 11 of the Notes to Financial Statements and (iv) the Stock Split and the Series B Conversion described elsewhere in this Prospectus, as if all such events had occurred on the first day of fiscal 1996.

(6) The pro forma supplemental net income per common share gives effect to the elimination of interest expense on long-term debt to be repaid from the net proceeds of this offering, as if such repayment had occurred on the first day of the period indicated. The pro forma weighted average common shares outstanding of 25,408,102 used in computing pro forma supplemental net income per common share is based upon the number of common shares and common share equivalents outstanding after giving effect to the repurchase of certain warrants, the issuance in this offering of those shares the net proceeds of which are to be used to repay long-term debt and to repurchase such warrants, and the events described in clauses (i) through (iv) of footnote (5).

(7) The Company defines comparable store sales as net sales from stores that have been open for more than 14 full months and have not been substantially remodeled during that time.

(8) For purposes of determining comparable store sales increase (decrease), average net sales per store and average net sales per gross square foot, fiscal 1995 results were recalculated based on a 52-week year.

(9) Represents net sales from stores open throughout the full period divided by the number of such stores.

(10) Average square footage per store represents the square footage of stores open on the last day of the period divided by the number of such stores.

(11) Represents net sales from stores open throughout the full period divided by the gross square footage of such stores.

(12) Adjusted to give effect to the sale of 4,000,000 shares of Common Stock offered by the Company in this offering at an assumed initial public offering price of $14.00 and the application of the estimated net proceeds therefrom, as described in "Use of Proceeds."

RISK FACTORS

BEFORE PURCHASING THE SHARES OF COMMON STOCK OFFERED HEREBY, A PROSPECTIVE INVESTOR SHOULD CONSIDER THE SPECIFIC FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION SET FORTH ELSEWHERE IN THIS PROSPECTUS. SEE "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND "BUSINESS" FOR A DESCRIPTION OF OTHER FACTORS AFFECTING THE BUSINESS OF THE COMPANY GENERALLY.

AGGRESSIVE GROWTH STRATEGY

The Company intends to pursue an aggressive growth strategy over the next several years. From July 1, 1996 through the end of fiscal 1996, the Company opened 16 new stores, growing to 108 stores. The Company has opened 32 stores during fiscal 1997 through September 1, 1997 and expects to open approximately 15 additional stores during the remainder of fiscal 1997. In a typical new store, capital expenditures (net of landlord contribution) approximate $200,000. In addition, a new store typically requires a $100,000 investment in inventory (net of merchandise payables) and other pre-opening expenses. The Company anticipates that it will spend a total of approximately $14.0 million in fiscal 1997 for capital expenditures and inventory relating to new store openings. The Company currently plans to spend at least $19.0 million to open at least 60 new stores in fiscal 1998. The Company reviews its expansion plans on a regular basis, in light of opportunities that may arise, and may determine to open a larger number of stores in fiscal 1998 than currently planned.

The Company's future operating results will depend largely upon its ability to open and operate new stores successfully and to manage a growing business profitably. This will depend upon a number of factors, including (i) the availability of suitable store locations, (ii) the ability to negotiate acceptable lease terms, (iii) the ability to timely complete necessary construction or remodeling, (iv) the ability to obtain an adequate supply of finished products, (v) the ability to hire and train qualified managers and other employees, (vi) the ability to continue to upgrade its management information and distribution systems, (vii) the ability to manage increased distribution, including the ability to relocate the Company's distribution center to a larger facility, (viii) the ability to successfully integrate new stores into the Company's existing operations, and (ix) the ability to recognize and respond to regional differences in customer preferences (such as climate-related preferences). All of the Company's current stores are located in the eastern half of the United States, primarily in regional malls in and around major metropolitan areas. The Company intends to focus its expansion by establishing clusters of stores in states in which it already has stores or in contiguous states.

There can be no assurance that the Company will be able to achieve its planned expansion on a timely and profitable basis or that it will be able to achieve results similar to those achieved in existing locations in prior periods. Operating margins may also be adversely affected during periods in which expenses have been incurred in anticipation of new store openings. Any failure to successfully and profitably execute its expansion plans could have a material adverse effect on the Company.

The Company believes that cash generated from operations and funds available under the Company's revolving line of credit will be sufficient to fund its capital requirements at least through fiscal 1998. However, there can be no assurance that the Company will not be required to seek additional funds for its capital needs. The inability to secure such funds or to obtain such funds on acceptable terms could have a material adverse effect on the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Business--Store Expansion Program."

CHANGES IN COMPARABLE STORE SALES RESULTS FROM PERIOD TO PERIOD

Numerous factors affect comparable store sales results, including among others, weather conditions, fashion trends, the retail sales environment, economic conditions and the Company's success in executing its business strategy. The Company's quarterly comparable store sales results have fluctuated significantly in the past. The Company does not expect its comparable store sales to continue to increase at rates similar

to those achieved in recent periods. Moreover, there can be no assurance that comparable store sales for any particular period will not decrease in the future. Fluctuations in the Company's comparable store sales results could cause the price of the Common Stock to fluctuate significantly and could have a material adverse effect on the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

MERCHANDISE TRENDS

The Company's continued success will depend in part on its ability to anticipate and respond to fashion trends and consumer preferences. The Company's design, manufacturing and distribution process generally requires up to nine months, during which time fashion trends and consumer preferences may change. Any failure by the Company to anticipate, identify or respond to future fashion trends may adversely affect customer acceptance of its products or require substantial markdowns, which could have a material adverse effect on the Company. See "Business--Merchandising."

DISRUPTIONS IN RECEIVING AND DISTRIBUTION

All of the Company's merchandise is currently shipped directly from manufacturers through freight consolidators to the Company's distribution center in West Caldwell, New Jersey. The Company's operating results depend in large part on the orderly operation of this receiving and distribution process, which depends on manufacturers' adherence to shipping schedules and the Company's effective management of the distribution center. In addition, there can be no assurance that the Company has anticipated, or will be able to anticipate, all of the changing demands which its expanding operations will impose on its receiving and distribution system, nor can there be any assurance that events beyond the control of the Company, such as a strike or other disruption affecting the parcel service that delivers substantially all of the Company's merchandise to its stores, will not result in delays in delivery of merchandise to stores.

The Company intends to relocate its distribution facility during fiscal 1998 to accommodate future growth and is in the process of selecting a suitable site. The Company is also seeking additional interim warehouse space to accommodate its growth prior to moving into the new facility. There can be no assurance that delays, cost overruns or other complications in the relocation to a new distribution facility will not result in a significant interruption in the receipt and distribution of merchandise. Any such event could have a material adverse effect on the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity" and "Business--Distribution."

RELIANCE ON INFORMATION SYSTEMS

The Company relies on various information systems to manage its operations and regularly makes investments to upgrade, enhance or replace such systems. During fiscal 1998, the Company intends to install a warehouse management system to facilitate more efficient receiving and distribution of inventory and intends to replace its current point-of-sale ("POS") software with an upgraded system. Any delays or difficulties in executing transitions to these or other new systems, or any other disruptions affecting the Company's information systems, could have a material adverse effect on the Company. See "Business-- Management Information Systems."

DEPENDENCE ON UNAFFILIATED MANUFACTURERS AND INDEPENDENT AGENTS

The Company does not own or operate any manufacturing facilities and is therefore dependent upon independent third parties for the manufacture of all of its products. The Company's products are currently manufactured to its specifications pursuant to purchase orders by more than 50 independent manufacturers located primarily in Asia, principally in Taiwan, Hong Kong, Turkey, China, Thailand, the Philippines and Sri Lanka. In fiscal 1996, approximately 38% of the Company's merchandise was manufactured in Taiwan, 25% in Hong Kong, 8% in Turkey and 7% in China. All the merchandise that the Company purchases from Taiwan is purchased through a single independent agent located in Taiwan which has an exclusive arrangement with the Company. In addition, substantially all merchandise that the Company

purchases from Hong Kong, China and the Philippines, representing approximately 35% of the Company's total purchases in fiscal 1996, is purchased through a single Hong Kong-based trading company which has an exclusive arrangement with the Company. Excluding the approximately 20 manufacturers represented by this trading company, the Company's ten largest manufacturers accounted for 44% of the Company's total purchases during fiscal 1996, with the top four such manufacturers each accounting for between 5% and 8%. The Company has no exclusive or long-term contracts with its manufacturers and competes with other companies for manufacturing facilities. In addition, the Company has no formal written agreement with the Hong Kong-based trading company. Although management believes that it has established close relationships with the Company's principal manufacturers and independent agents, the inability to maintain such relationships or to find additional sources to cover future growth could have a material adverse effect on the Company. See "Business--Sourcing and Procurement."

RISKS OF USING FOREIGN MANUFACTURERS; POSSIBLE ADVERSE IMPACT OF UNAFFILIATED MANUFACTURERS' FAILURE TO COMPLY WITH ACCEPTABLE LABOR PRACTICES

The Company's business is subject to the risks generally associated with purchasing products from foreign countries, such as foreign governmental regulations, political instability (including uncertainty concerning the future of Hong Kong following the transfer of Hong Kong to China on July 1, 1997), currency and exchange risks, quotas on the amounts and types of merchandise which may be imported into the United States from other countries, disruptions or delays in shipments and changes in economic conditions in countries in which the Company's manufacturing sources are located. The Company cannot predict the effect that such factors will have on its business arrangements with foreign manufacturing sources. If any such factors were to render the conduct of business in a particular country undesirable or impractical, or if the Company's current foreign manufacturing sources were to cease doing business with the Company for any reason, the Company's business and operating results could be adversely affected. The Company's business is also subject to the risks associated with changes in United States legislation and regulations relating to imported apparel products, including quotas, duties, taxes and other charges or restrictions on imported apparel. The Company cannot predict whether such changes or other charges or restrictions will be imposed upon the importation of its products in the future, or, generally, the effect any such event would have on the Company. However, if China were to lose its Most Favored Nation trading status with the United States, such event could have a material adverse effect on the Company. See "Business--Sourcing and Procurement."

The Company requires its independent manufacturers to operate in compliance with applicable laws and regulations. While the Company's purchasing guidelines promote ethical business practices, the Company does not control such manufacturers or their labor practices. The violation of labor or other laws by an independent manufacturer of the Company, or the divergence of an independent manufacturer's labor practices from those generally accepted as ethical in the United States, could have a material adverse effect on the Company. See "Business--Sourcing and Procurement."

FOREIGN CURRENCY FLUCTUATIONS

The Company conducts its business in United States dollars. However, because the Company purchases substantially all of its products overseas, the cost of these products may be affected by changes in the values of the relevant currencies. To date, the Company has not considered it necessary to hedge against foreign currency fluctuations. Although foreign currency fluctuations have had no material adverse effect on the Company in the past, there can be no assurance that such fluctuations will not have such an effect on the Company in the future.

DEPENDENCE ON KEY PERSONNEL

The leadership of Ezra Dabah, the Company's Chief Executive Officer and Chairman of the Board, and of Stanley B. Silver, the Company's President and Chief Operating Officer, has been instrumental in the Company's success. The loss of the services of either Mr. Dabah or Mr. Silver could have a material

adverse effect on the Company. The Company has entered into employment agreements with Messrs. Dabah and Silver, but there can be no assurance that the Company will be able to retain their services. In addition, other members of management have substantial experience and expertise in the Company's business and have made significant contributions to its growth and success. The loss of services of one or more of these individuals, or the inability to attract additional qualified managers or other personnel as the Company grows, could have a material adverse effect on the Company. The Company is not protected by any key-man or similar life insurance for any of its executive officers. See "Management."

COMPETITION

The children's apparel retail business is highly competitive. The Company competes in substantially all of its markets with GapKids, BabyGap and Old Navy (each of which is a division of The Gap, Inc.), The Gymboree Corporation, Limited Too (a division of The Limited, Inc.), J.C. Penney Company, Inc., Sears, Roebuck and Co. and other department stores that sell children's apparel and accessories, as well as certain discount stores such as Wal-Mart Stores, Inc. and Kids "R" Us (a division of Toys "R" Us, Inc.). The Company also competes with a wide variety of local and regional specialty stores and with other national retail chains and catalog companies. One or more of its competitors are present in substantially all of the malls in which the Company has stores. Many of the Company's competitors are larger than the Company and have access to significantly greater financial, marketing and other resources than the Company. There can be no assurance that the Company will be able to compete successfully against existing or future competition. See "Business--Competition."

PROPRIETARY CREDIT CARD

Sales under "The Children's Place" credit card program represented approximately 15% of the Company's net sales in fiscal 1996. The Company's private label credit card program is operated by an unaffiliated third party, Hurley State Bank, through its agent, SPS Payment Services, Inc. ("SPS"), on terms that currently do not provide for recourse against the Company. In connection with its efforts to increase the number of cardholders and encourage use of its proprietary credit card, the Company, from time to time, may consider changing these arrangements to provide for either full or partial recourse. Any such changes may subject the Company to losses from unpaid charges and could have a material adverse effect on the Company. See "Business--Marketing."

FLUCTUATIONS IN QUARTERLY RESULTS AND SEASONALITY

As is the case with many apparel retailers, the Company experiences seasonal fluctuations in its net sales and net income, with the greater amount of the Company's net sales and net income typically realized during the third and fourth quarters of the fiscal year, which include the back-to-school and holiday seasons. Net sales and net income are generally weakest during the first two fiscal quarters and are often lower during the second fiscal quarter than during the first fiscal quarter. The Company has experienced first and second quarter losses in prior years and expects to experience second quarter losses, and may experience first quarter losses, in the future.

The Company's quarterly results of operations may also fluctuate significantly from quarter to quarter as a result of a variety of other factors, including the timing of new store openings and related pre-opening and other start-up expenses, net sales contributed by new stores, increases or decreases in comparable store sales, adverse weather conditions, shifts in timing of certain holidays, changes in the Company's merchandise mix and overall economic conditions. Any failure by the Company to meet its business plans for the third and fourth quarter of any fiscal year would have a material adverse effect on the Company's earnings, which in all likelihood would not be offset by satisfactory results achieved in other quarters of the same fiscal year. In addition, because the Company's expense levels are based in part on expectations of future sales levels, a shortfall in expected sales could result in a disproportionate decrease in the Company's net income. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Quarterly Results and Seasonality."

IMPACT OF ECONOMIC, REGIONAL AND OTHER BUSINESS CONDITIONS

The Company's business is sensitive to customers' spending patterns, which in turn are subject to prevailing regional and national economic conditions such as interest rates, taxation and consumer confidence. All of the Company's stores are located in the eastern half of the United States and the Company anticipates that substantially all stores to be opened in fiscal 1997 and fiscal 1998 will be in states where the Company presently has operations or in contiguous states. Therefore, the Company is, and will continue to be, susceptible to changes in regional economic conditions, weather conditions, demographic and population characteristics, consumer preferences and other regional factors. The Company is also dependent upon the continued popularity of malls as shopping destinations and the ability of mall anchor tenants and other attractions to generate customer traffic in the malls where the Company's stores are located. Any economic or other conditions decreasing the retail demand for apparel or the level of mall traffic could have a material adverse effect on the Company. See "Business--Company Stores."

NET OPERATING LOSS CARRYFORWARDS

The Company reported net operating loss carryforwards ("NOLs") of $57.3 million on its fiscal 1995 income tax return. The Company expects that $11.4 million of these NOLs will be utilized to offset taxable income earned by the Company in its 1996 taxable year, leaving $45.9 million to be utilized in subsequent taxable years. The Company does not believe that this offering will affect the Company's ability to utilize these NOLs. However, because the amount and availability of these NOLs are subject to review by the Internal Revenue Service, there can be no assurance that the NOLs would not be reduced or their use limited as the result of an audit of the Company's tax returns. In addition, future events, including certain transactions involving outstanding shares of the Company's Common Stock, could affect the Company's ability to utilize its NOLs. If the amount of these NOLs were reduced or their availability limited, the Company could be liable for additional taxes with respect to its 1996 taxable year, and its tax liability could be increased for its current and subsequent taxable years. See Note 9 of the Notes to Financial Statements.

CONTROL BY CERTAIN STOCKHOLDERS

After the sale of the shares of Common Stock offered hereby, Ezra Dabah and certain members of his family will own beneficially 11,920,440 shares of the Company's Common Stock, constituting approximately 48.3% of the outstanding Common Stock. Two funds managed by Saunders Karp & Megrue, L.P. ("SKM"), The SK Equity Fund, L.P. and SK Investment Fund, L.P. (collectively, the "SK Funds"), together with a former consultant to SKM (collectively with the SK Funds, the "SKM Investors"), will own approximately 7,659,889 shares or 31.1% of the outstanding Common Stock (assuming that the underwriters' over-allotment option is not exercised). See "Security Ownership of Certain Beneficial Owners and Management." Pursuant to a stockholders agreement, the SKM Investors and all the Company's other current stockholders, who will own in the aggregate 82.9% of the outstanding Common Stock after this offering, have agreed to vote for the election of two nominees of the SKM Investors and three nominees of Ezra Dabah to the Company's Board of Directors. As a result, the SKM Investors and Ezra Dabah will be able to control the election of five of the Company's seven directors. In addition, if the SKM Investors and Mr. Dabah were to vote together, they would be able to determine the outcome of any matter submitted to a vote of the Company's stockholders for approval, including the election of the remaining two directors. See "Security Ownership of Certain Beneficial Owners and Management--Stockholders Agreement" and "Description of Capital Stock--Certain Certificate of Incorporation Provisions."

POTENTIAL IMPACT OF SHARES ELIGIBLE FOR FUTURE SALE; REGISTRATION RIGHTS

Sales of substantial amounts of Common Stock in the public market following this offering could have an adverse effect on the market price of the Common Stock. The 4,000,000 shares offered hereby will be freely tradeable in the public market, except to the extent purchased by affiliates of the Company. All of the remaining 20,622,103 shares to be outstanding upon consummation of this offering will become eligible for sale in the public market, subject to compliance with the volume and manner of sale requirements of Rule 144 promulgated under the Securities Act, upon the expiration of "lock-up" agreements with the

Underwriters not to sell such shares until 180 days after the date of this Prospectus. Holders of such shares have contractual rights to have those shares registered with the Securities and Exchange Commission for resale to the public. In addition, following this offering, the Company intends to file a registration statement with the Securities and Exchange Commission covering shares of Common Stock issued or reserved for issuance under the 1996 Stock Option Plan, the Company's 1997 Stock Option Plan and the Company's 1997 Employee Stock Purchase Plan and, upon effectiveness of such registration statement, any shares subsequently issued under such plans will be eligible for sale in the public market, except to the extent restricted by lock-up agreements and subject to compliance with Rule 144 in the case of affiliates of the Company. See "Shares Eligible for Future Sale."

UNCERTAINTY AS TO FUTURE EXISTENCE OF ACTIVE TRADING MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to this offering, there has been no public market for the Common Stock. Although the Common Stock has been approved for listing on the Nasdaq National Market, there can be no assurance that an active trading market in the Common Stock will develop subsequent to this offering or, if developed, that it will be sustained or that the market price of the Common Stock will not decline below the initial public offering price. The initial public offering price will be determined by negotiations between the Company and the Representatives. For a description of the factors to be considered in determining the initial public offering price, see "Underwriting." The Nasdaq National Market has experienced and is likely to experience in the future significant price and volume fluctuations which could adversely affect the market price of the Common Stock without regard to the operating performance of the Company. Furthermore, there can be no assurance that the Company will continue to satisfy the requirements to have its Common Stock listed on the Nasdaq National Market. In addition, the Company believes that factors such as quarterly fluctuations in its financial results, its comparable store sales results, trading prices for common stock of other retailers, the overall economy and the condition of the financial markets could cause the price of the Common Stock to fluctuate substantially.

MATERIAL BENEFITS TO AN UNDERWRITER

Approximately $5.2 million of the net proceeds of this offering (assuming an initial public offering price of $14.00 per share) will be used to redeem two-thirds of a warrant (the "Legg Mason Warrant") held by Legg Mason Wood Walker, Incorporated ("Legg Mason"), one of the Representatives of the Underwriters of this offering. To the extent that the initial public offering price is greater or less than $14.00 per share, the redemption price to be paid to Legg Mason will be increased or decreased. As a result, Legg Mason may be deemed to have a conflict of interest with respect to the determination of the initial public offering price of this offering. Accordingly, the initial public offering price will be established at a price no greater than that recommended by Montgomery Securities in its capacity as a "qualified independent underwriter" (as defined in the Conduct Rules of the National Association of Securities Dealers, Inc.). See "Underwriting."

DILUTION

Purchasers of Common Stock in this offering will incur immediate dilution of $12.00 per share in net tangible book value per share of Common Stock (assuming an offering price of $14.00 per share, the midpoint of the range shown on the cover page of this Prospectus). See "Dilution."

ANTI-TAKEOVER EFFECT OF CERTAIN PROVISIONS OF THE COMPANY'S CERTIFICATE OF INCORPORATION AND BYLAWS

Certain provisions of the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated ByLaws (the "ByLaws") may be deemed to have anti-takeover effects and may discourage, delay or prevent a takeover attempt that a stockholder might consider in its best interest. These provisions, among other things, (i) classify the Company's Board of Directors into three classes, each of which will serve for different three year periods, (ii) provide that only the chairman of the Board of Directors may call special meetings of the stockholders, (iii) provide that a director may be removed by stockholders only for cause by a vote of the holders of more than two-thirds of the shares entitled to vote, (iv) provide that all vacancies on the Company's Board of Directors,

including any vacancies resulting from an increase in the number of directors, may be filled by a majority of the remaining directors, even if the number is less than a quorum, (v) establish certain advance notice procedures for nominations of candidates for election as directors and for stockholder proposals to be considered at stockholders' meetings, and (vi) require a vote of the holders of more than two-thirds of the shares entitled to vote in order to amend the foregoing provisions and certain other provisions of the Certificate of Incorporation and ByLaws. In addition, the Board of Directors, without further action of the stockholders, is permitted to issue and fix the terms of preferred stock which may have rights senior to those of the Common Stock. Moreover, the Company is subject to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL") which would require a two-thirds vote of stockholders for any business combination (such as a merger or sale of all or substantially all of the Company's assets) between the Company and an "interested stockholder," unless such transaction is approved by a majority of the disinterested directors or meets certain other requirements. In certain circumstances, the existence of these provisions which inhibit or discourage takeover attempts could reduce the market value of the Common Stock. See "Description of Capital Stock--Certain Certificate of Incorporation and ByLaw Provisions" and "--Delaware Law and Certain Charter Provisions."

COMPANY HISTORY

The Company was founded in 1969 as a children's retailer. In 1989, the Company was purchased by D.G. Acquisition Corp. ("DG Acquisition"), a company owned by Ezra Dabah and certain members of his family, from Federated Department Stores. During fiscal 1990 and 1991, the Company experienced substantial losses due to, among other things, the legacy of its outmoded merchandising strategy of selling brands at discount prices and a poor real estate portfolio, including many stores in need of remodeling. Consequently, in 1991, Mr. Dabah, who was serving as Chairman of the Board of Directors, assumed the position of Chief Executive Officer and became involved in the Company's day-to-day operations. Mr. Dabah also recruited Stanley B. Silver, a seasoned retail executive, as Chief Operating Officer.

Under the leadership of Messrs. Dabah and Silver, the Company's management team recognized that a strategy of selling branded merchandise at discount prices was not sustainable given the high occupancy costs associated with the Company's large, mall-based locations. Accordingly, the Company repositioned its merchandise strategy to one in which it would design, contract to manufacture and sell its own line of private label apparel and accessories under "The Children's Place" brand name at everyday value prices. At the same time, the new management team took steps to stabilize the Company's operations by closing approximately half of the Company's 170 stores and focusing the Company's operations in the eastern half of the United States. The Company also developed a new store prototype that reflected a reduction in average store size from 5,500 square feet to 3,500 square feet. In addition, in July 1992, management commenced negotiations with the Company's creditors, which resulted in a consensual restructuring of the Company's indebtedness by the end of 1993.

By 1993, the Company had fully implemented its merchandising strategy and was exclusively selling its internally designed apparel and accessories under "The Children's Place" brand name at everyday value prices. As a result of the Company's successful implementation of its new merchandising strategy and its restructured real estate portfolio, the Company generated net income in fiscal 1993 and improved its operational performance in each succeeding year as it continued to refine its merchandising and operating strategies. However, debt repayment obligations prevented the Company from investing capital into the expansion of its store base. Accordingly, in late fiscal 1995, the Company began to look for new financing.

In July 1996, the Company consummated private placement transactions with the SKM Investors and Nomura Holding America Inc. (the "Noteholder") (such transactions, collectively, the "1996 Private Placement"), which resulted in net proceeds to the Company of $37.4 million. These proceeds enabled the Company to repay a substantial portion of its outstanding indebtedness, redeem certain outstanding shares of Common Stock and begin to implement an aggressive program of opening new stores. From July 1, 1996 to September 1, 1997, the Company has increased the number of its stores from 93 to 140. For a full description of the 1996 Private Placement, see "Certain Relationships and Related Transactions."

USE OF PROCEEDS

The net proceeds to be received by the Company from the sale of the shares of Common Stock offered hereby, after deducting the estimated underwriting discount and estimated expenses of the offering, are estimated to be $50.7 million, assuming an offering price of $14.00 per share. Of such net proceeds, the Company will use $20.5 million to pay the principal amount of, and accrued interest on, the Company's 12% Senior Subordinated Notes due 2002 (the "Senior Subordinated Notes") held by the Noteholder. In addition, the Company will use $25.8 million of the net proceeds from the offering to repurchase a warrant (the "Noteholder Warrant") held by the Noteholder and two-thirds of the Legg Mason Warrant. The amount to be used to repurchase the Noteholder Warrant and such portion of the Legg Mason Warrant will be adjusted proportionately with any change in the initial public offering price from $14.00 per share. The balance of the net proceeds, estimated to be $4.4 million, will be used to reduce borrowings outstanding (and thus increase borrowing availability) under the Company's senior revolving credit facility (the "Foothill Credit Facility") with Foothill Capital Corporation ("Foothill Capital"). Outstanding borrowings under the Foothill Credit Facility totalled $14.8 million at September 11, 1997. Pending such uses, the Company intends to invest the net proceeds of this offering in investment-grade, interest-bearing securities. See "Certain Relationships and Related Transactions," "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Underwriting."

In the event that the underwriters' over-allotment option is exercised, the Company will not receive any proceeds from the sale of shares pursuant to such option.

DIVIDEND POLICY

The Company has never paid dividends on its Common Stock and does not anticipate paying dividends on its Common Stock in the foreseeable future. It is the present intention of the Company's Board of Directors to retain any future earnings of the Company to finance its operations and the expansion of its business. The Foothill Credit Facility prohibits any payment of dividends. Any determination in the future to pay dividends will depend upon the Company's earnings, financial condition, cash requirements, future prospects, covenants in the Company's credit facility and any future debt instruments and such other factors as the Board of Directors deems appropriate at the time.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of August 2, 1997 (i) on an actual basis (giving effect to the Stock Split), (ii) as adjusted to give pro forma effect to the Series B Conversion and (iii) as further adjusted to give effect to the sale of the 4,000,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $14.00 per share and the application of the estimated net proceeds therefrom as described under "Use of Proceeds" and to the issuance of 201,414 shares upon the exercise of one-third of the Legg Mason Warrant. The table should be read in conjunction with the historical financial statements of the Company and the notes thereto and the other financial information appearing elsewhere in this Prospectus.

	AS OF AUGUST 2, 1997		
	ACTUAL	PRO FORMA	AS ADJUSTED
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
Senior Subordinated Notes	$ 20,000	$20,000	$0
Less: Unamortized discount	(1,561)(1)	(1,561)(1)	0
Other long-term debt and capital lease obligations (less current portion of $477)	12	12	12
Total long-term debt and capital lease obligations (less current portion of $477)	18,451	18,451	12
Stockholders' equity:			
Preferred Stock, $1.00 par value:			
Shares authorized -- 1,000,000(2)			
Shares outstanding -- none			
Series A Common Stock, $.10 par value	1,276	--	--
Shares authorized -- 27,600,000			
Shares outstanding -- actual 12,760,800(3); pro forma 0; as adjusted 0			
Series B Common Stock, $.10 par value	5	--	--
Shares authorized -- 70,000			
Shares outstanding -- actual 47,238; pro forma 0; as adjusted 0			
Common Stock, $.10 par value:			
Shares authorized -- 100,000,000(2)			
Shares outstanding -- actual 0; pro forma 20,420,689(3); as adjusted 24,622,103(4)	--	2,042	2,462
Additional paid-in capital	57,354	56,593	81,146
Accumulated deficit(5)	(32,558)	(32,558)	(34,353)
Total stockholders' equity	26,077	26,077	49,255
Total capitalization	$ 44,528	$44,528	$49,267

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(1) The unamortized discount on the Senior Subordinated Notes is attributable to the issuance of the Noteholder Warrant.

(2) Prior to the consummation of the offering made hereby, the Company's Certificate of Incorporation will be amended to increase the number of authorized shares of Common Stock to 100,000,000 and the number of authorized shares of Preferred Stock to 1,000,000.

(3) Does not include 2,739,348 shares issuable upon exercise of the Noteholder Warrant and the Legg Mason Warrant or shares issuable upon exercise of stock options outstanding on August 2, 1997.

(4) Does not include shares issuable upon exercise of stock options outstanding on August 2, 1997.

(5) The as adjusted retained earnings (deficit) amount reflects the effect of an extraordinary item representing the write-off of unamortized debt issuance costs and unamortized debt discount, net of taxes, as a result of the repayment of the Senior Subordinated Notes in connection with this offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DILUTION

As of August 2, 1997, the Company's net tangible book value (defined as total assets, excluding deferred financing costs, less total liabilities) was $24.6 million, or $1.21 per share of Common Stock (adjusted to give pro forma effect to the Stock Split and to the Series B Conversion). Dilution represents the difference between the amount per share of Common Stock paid by investors in this offering, and the net tangible book value per share of Common Stock after this offering. After giving effect to the sale by the Company of 4,000,000 shares of Common Stock in this offering at an assumed initial public offering price of $14.00 per share and the use of proceeds therefrom as described in "Use of Proceeds" and to the issuance of 201,414 shares upon the exercise of one-third of the Legg Mason Warrant, the pro forma net tangible book value of the Company at August 2, 1997 would have been $49.3 million, or $2.00 per share of Common Stock. This represents an immediate increase in net tangible book value of $0.79 per share of Common Stock to the Company's existing stockholders, and an immediate dilution of $12.00 per share of Common Stock to investors purchasing in this offering. This per share dilution is illustrated in the following table:

Assumed initial public offering price		$ 14.00
Pro forma net tangible book value before this offering	$1.21	
Increase in pro forma net tangible book value attributable to this offering(1)	$0.79	
Pro forma net tangible book value after this offering		$ 2.00
Dilution to investors purchasing in this offering		$ 12.00

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(1) Reflects the receipt of the net proceeds from the sale of 4,000,000 shares of Common Stock in this offering and the use of $25.8 million of such net proceeds to repurchase the Noteholder Warrant and two-thirds of the Legg Mason Warrant.

The following table summarizes, as of August 2, 1997, the differences between the existing stockholders (including Legg Mason) and the investors purchasing in this offering (adjusted to give pro forma effect to the Stock Split and to the Series B Conversion), with respect to the number of shares of Common Stock purchased, the total consideration paid and the average price per share of Common Stock paid. The determination of the total consideration and average price per share paid by existing stockholders has been based upon the consideration paid by stockholders to acquire the Company and subsequent contributions to the capital of the Company, net of amounts paid to redeem shares.

	NUMBER	PERCENT	AMOUNT	PERCENT	AVERAGE PRICE PER SHARE
Existing stockholders	20,622,103	83.8%	$ 58,754,000	51.2%	$ 2.85
New investors	4,000,000	16.2%	$ 56,000,000	48.8%	$ 14.00
Total	24,622,103	100.0%	$ 114,754,000	100.0%	

The foregoing tables assume no exercise of outstanding stock options after August 2, 1997. At August 2, 1997, 1,444,080 shares of Common Stock were subject to outstanding options, at a weighted average exercise price of $2.677 per share, of which options for 577,632 shares were exercisable. To the extent any such stock options are exercised, there will be further dilution to new investors. See "Management--Stock Option and Other Plans for Employees--Stock Option Plans."

SELECTED HISTORICAL AND PRO FORMA FINANCIAL AND OPERATING DATA

The following table sets forth certain historical and pro forma financial and operating data for the Company. The selected historical financial data for the Company is qualified by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the financial statements and notes thereto and other financial information appearing elsewhere in this Prospectus. The statement of operations data set forth below for fiscal 1994, 1995 and 1996, and the balance sheet data as of February 3, 1996 and February 1, 1997, have been derived from the Company's historical financial statements, which statements have been audited by Arthur Andersen LLP, independent public accountants ("Arthur Andersen"), as indicated in their report included elsewhere herein. The statement of operations data set forth below for fiscal 1993, and the balance sheet data as of January 29, 1994 and January 28, 1995, have been derived from the Company's historical financial statements audited and reported on by Arthur Andersen, which are not included in this Prospectus. The historical financial data for fiscal 1992 have been derived from the Company's historical financial statements audited by another independent public accounting firm, which are not included in this Prospectus. The historical information for the six months ended August 3, 1996 and August 2, 1997, and as of August 2, 1997, has been derived from the unaudited financial statements of the Company and reflects, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position as of, and the results for, such interim periods. The results of operations for the six months ended August 2, 1997 are not necessarily indicative of results to be expected for the full fiscal year.

	FISCAL YEAR ENDED(1)					SIX MONTHS ENDED	
	JANUARY 30, 1993	JANUARY 29, 1994	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 3, 1996	AUGUST 2, 1997
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)						
STATEMENT OF OPERATIONS DATA:							
Net sales	$ 114,126	$ 96,649	$ 107,953	$ 122,060	$143,838	$ 56,412	$72,737
Gross profit	28,764	28,874	33,724	38,626	54,052	18,112	23,820
Selling, general and administrative expenses	28,051	24,156	27,873	30,757	36,251	15,926	19,287
Pre-opening costs	41	79	178	311	982	212	1,222
Depreciation and amortization	3,664	3,275	3,344	3,496	4,017	1,854	2,615
Operating income (loss)(2)	(15,670)	1,364	2,329	4,062	12,802	120	696
Interest expense, net	2,562	1,150	1,303	1,925	2,884	1,182	1,815
Other expense, net	0	0	0	447	396	379	106
Income (loss) before income taxes, extraordinary items and cumulative effect of accounting change	(18,232)	214	1,026	1,690	9,522	(1,441)	(1,225)
Provision (benefit) for income taxes(3)	0	53	54	36	(20,919)	21	(492)
Income (loss) before extraordinary items	(18,232)	161	972	1,654	30,441	(1,462)	(733)
Extraordinary gains(4)	0	15,169	490	0	0	0	0
Net income (loss)(5)	$ (18,232)	$ 14,780	$ 1,462	$ 1,654	$ 30,441	$ (1,462)	$ (733)
Pro forma net income (loss) per common share(6)					$ 1.28		$ (0.03)
Pro forma weighted average common shares outstanding(6)					23,804,185		23,804,185
Pro forma supplemental net income per common share(7)					$ 1.24		$ 0.01
SELECTED OPERATING DATA:							
Number of stores open at end of period	87	87	87	91	108	95	134
Comparable store sales increase (decrease)(8)(9)	8.5%	(2.2%)	13.2%	10.0%	8.6%	8.1%	2.5%
Average net sales per store (in thousands)(9)(10)	$ 1,123	$ 1,124	$ 1,264	$ 1,362	$ 1,479	$ 611	$ 618
Average square footage per store(11)	5,049	4,954	4,786	4,528	4,284	4,392	4,147
Average net sales per gross square foot(9)(12)	$ 220	$ 226	$ 259	$ 292	$ 335	$ 138	$ 146

	AT					
	JANUARY 30, 1993	JANUARY 29, 1994	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 2, 1997
	(DOLLARS IN THOUSANDS)					
BALANCE SHEET DATA:						
Working capital (deficit)	$ (52,540)	$ (11,621)	$ (10,398)	$ (17,630)	$ 11,951	$ 2,079
Total assets	31,107	26,600	26,556	32,073	64,479	79,748
Long-term debt	66,311	23,719	21,626	15,735	20,504	18,928
Stockholders' equity (deficit)	(52,061)	(15,338)	(13,388)	(11,735)	27,298	26,077

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(1) All references to the Company's fiscal years refer to the 52- or 53-week year ended on the Saturday nearest to January 31 of the following year. For example, references to fiscal 1996 mean the fiscal year ended February 1, 1997. Fiscal 1995 was a 53-week year.

(2) The operating income (loss) for fiscal 1992 included a reorganization and restructuring charge of $12.7 million related to a strategic operational restructuring plan to close 93 stores, reduce other stores' square footage and reduce other administrative overhead costs.

(3) The provision (benefit) for income taxes for fiscal 1996 reflected the reversal of a valuation allowance of $21.0 million on a net deferred tax asset. See Note 9 of the Notes to Financial Statements.

(4) Extraordinary gains during fiscal 1993 and fiscal 1994 represented forgiveness of debt in connection with a debt restructuring undertaken with the consent of the Company's creditors.

(5) Net income for fiscal 1993 included a $550,000 charge related to the cumulative effect of a change in accounting for inventory capitalization.

(6) Pro forma net income (loss) per common share is calculated by dividing net income (loss) by the pro forma weighted average common shares outstanding. The pro forma weighted average common shares outstanding used in computing pro forma net income (loss) per share for fiscal 1996 and the first six months of fiscal 1997 are based on the number of common shares and common share equivalents outstanding after giving effect to (i) the 1996 Private Placement described elsewhere in this Prospectus, (ii) the cancellation of the preferred stock discussed in Note 10 of the Notes to Financial Statements, (iii) the granting of management options in conjunction with the 1996 Private Placement as discussed in Note 11 of the Notes to Financial Statements and (iv) the Stock Split and the Series B Conversion described elsewhere in this Prospectus, as if all such events had occurred on the first day of fiscal 1996.

(7) The pro forma supplemental net income per common share gives effect to the elimination of interest expense on long-term debt to be repaid from the net proceeds of this offering, as if such repayment had occurred on the first day of the period indicated. The pro forma weighted average common shares outstanding of 25,408,102 used in computing pro forma supplemental net income per common share is based upon the number of common shares and common share equivalents outstanding after giving effect to the repurchase of certain warrants, the issuance in this offering of those shares the net proceeds of which are to be used to repay long-term debt and to repurchase such warrants, and the events described in clauses (i) through (iv) of footnote (6).

(8) The Company defines comparable store sales as net sales from stores that have been open for more than 14 full months and have not been substantially remodeled during that time.

(9) For purposes of determining comparable store sales increase (decrease), average net sales per store and average net sales per gross square foot, fiscal 1995 results were recalculated based on a 52-week year.

(10) Represents net sales from stores open throughout the full period divided by the number of such stores.

(11) Average square footage per store represents the square footage of stores open on the last day of the period divided by the number of such stores.

(12) Represents net sales from stores open throughout the full period divided by the gross square footage of such stores.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE PROJECTED IN SUCH FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THIS SECTION, AS WELL AS THOSE DISCUSSED IN "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS. THE COMPANY UNDERTAKES NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. THE FOLLOWING DISCUSSION OF THE COMPANY'S HISTORICAL FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ IN CONJUNCTION WITH THE HISTORICAL FINANCIAL STATEMENTS AND THE NOTES THERETO AND THE OTHER FINANCIAL INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS.

THE COMPANY'S FISCAL YEAR ENDS ON THE SATURDAY CLOSEST TO JANUARY 31 OF THE FOLLOWING YEAR. THE RESULTS FOR FISCAL 1994, 1995, AND 1996 REPRESENT THE 52-WEEK PERIOD ENDED JANUARY 28, 1995, THE 53-WEEK PERIOD ENDED FEBRUARY 3, 1996 AND THE 52-WEEK PERIOD ENDED FEBRUARY 1, 1997, RESPECTIVELY.

GENERAL

The Company is a leading specialty retailer of children's apparel and accessories. As of September 1, 1997, the Company operated 140 stores primarily in regional shopping malls in the eastern half of the United States. In July 1996, following the 1996 Private Placement, the Company began to implement an aggressive growth strategy designed to capitalize on its business strengths and its strong store economics. From July 1, 1996 through the end of fiscal 1996, the Company opened a total of 16 stores, growing to 108 stores. During fiscal 1997 through September 1, 1997, the Company has opened 32 stores. The Company intends to continue its expansion program and currently plans to open approximately 15 additional stores during the remainder of fiscal 1997 and at least 60 stores in fiscal 1998.

As a result of increases in comparable store sales and the opening of new stores, the Company's net sales increased from $108.0 million in fiscal 1994 to $143.8 million in fiscal 1996 and operating income increased from $2.3 million to $12.8 million over the same period. During the past 12 months, the Company has concentrated on building the infrastructure necessary to manage its growth strategy, including the opening and remodeling of stores. During fiscal 1996 and the first six months of fiscal 1997, the Company hired additional management personnel in the areas of store operations, real estate, store construction, merchandising and finance. In fiscal 1998, the Company intends to relocate its distribution center to a larger facility and to install a warehouse management system to accommodate the Company's continued growth.

The Company has achieved comparable store sales increases on an annual basis in each year following fiscal 1993. The Company defines its comparable store sales as net sales from stores that have been open for more than 14 full months and that have not been substantially remodeled during that time. The Company reported comparable store sales growth over prior years of 13.2%, 10.0% and 8.6% during fiscal 1994, fiscal 1995 and fiscal 1996, respectively, and 2.5% in the first six months of fiscal 1997. The Company believes that these increases were primarily the result of a successful merchandising and operational repositioning of the Company, including the restructuring of its real estate portfolio. The Company does not expect comparable store sales to continue to increase at rates similar to those that it has experienced in recent years.

The Company incurs significant store pre-opening costs, consisting primarily of payroll, supply and advertising expenses. The Company's policy is to expense these pre-opening costs as incurred.

The Company anticipates repaying the $20.0 million principal amount of the Senior Subordinated Notes, together with accrued interest, out of the net proceeds of its initial public offering. Consequently, the Company expects to incur a non-cash, extraordinary charge to earnings during the third quarter of fiscal 1997 of approximately $1.7 million, resulting from the write-off of unamortized debt issuance costs

and unamortized debt discount, net of taxes. This charge will negatively impact the Company's third quarter fiscal 1997 results of operations.

During fiscal 1996 and the preceding fiscal years, the Company paid federal income taxes based on the Alternative Minimum Tax ("AMT") at an effective tax rate of 2% and minimum taxes in most states due to its utilization of its NOL carryforwards. At the end of fiscal 1996, management determined, based on the Company's results of operations and projected future results, that it was likely that the NOL carryforwards could be utilized in subsequent years to offset tax liabilities. As a result of this determination, the Company reversed a valuation allowance on the Company's deferred tax asset on its balance sheet. Accordingly, the Company's net income for fiscal 1997 and future years will require calculation of a tax provision based on statutory rates in effect. Until the NOL is fully utilized or expires, this tax provision will not be paid in cash (other than to the extent of the federal AMT and state minimum taxes) but will reduce the deferred tax asset on the balance sheet.

RESULTS OF OPERATIONS

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

	FISCAL YEAR ENDED			SIX MONTHS ENDED	
	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 3, 1996	AUGUST 2, 1997
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	68.8	68.4	62.4	67.9	67.3
Gross profit	31.2	31.6	37.6	32.1	32.7
Selling, general and administrative expenses	25.8	25.2	25.2	28.2	26.5
Pre-opening costs	0.2	0.3	0.7	0.4	1.7
Depreciation and amortization	3.1	2.8	2.8	3.3	3.5
Operating income	2.1	3.3	8.9	0.2	1.0
Interest expense, net	1.2	1.6	2.0	2.1	2.5
Other expense, net	--	0.3	0.3	0.7	0.2
Income (loss) before income taxes and extraordinary item	0.9	1.4	6.6	(2.6)	(1.7)
Income tax provision (benefit)	--	--	(14.5)	--	(0.7)
Extraordinary gain	0.5	--	--	--	--
Net income (loss)	1.4%	1.4%	21.1%	(2.6)%	(1.0)%

SIX MONTHS ENDED AUGUST 2, 1997 COMPARED TO SIX MONTHS ENDED AUGUST 3, 1996

Net sales increased by $16.3 million, or 28.9%, to $72.7 million during the first six months of fiscal 1997 from $56.4 million during the first six months of fiscal 1996. Net sales for the 26 new stores opened and the six stores remodeled during the first six months of fiscal 1997 and for those stores opened or remodeled during fiscal 1996 not yet qualifying as comparable stores contributed $15.2 million of the increase in net sales. During the first six months of fiscal 1997, comparable store sales increased 2.5% and contributed $1.3 million of the increase in net sales. The first six months of fiscal 1997 were compared to a strong first six months of fiscal 1996, in which comparable store sales increased 8.1%. The fiscal 1997 increase in comparable store sales was attributable in part to strength in the Company's big girls', legwear and newborn departments, partially offset by weaker sales in the boys' departments. Net sales were also impacted by the closing of a store during 1996 which contributed $0.2 million to net sales during the first six months of fiscal 1996.

Gross profit increased by $5.7 million to $23.8 million during the first six months of fiscal 1997 from $18.1 million during the first six months of fiscal 1996. As a percentage of net sales, gross profit increased to 32.7% in the first six months of fiscal 1997 from 32.1% in the first six months of fiscal 1996. The increase in gross profit as a percentage of net sales was principally due to the leveraging of distribution expenses over a larger store base and increased sales volume. Gross profit was also favorably impacted by a higher initial markup, partially offset by higher markdowns in the boys' departments.

Selling, general and administrative expenses increased by $3.4 million to $19.3 million during the first six months of fiscal 1997 from $15.9 million during the first six months of fiscal 1996, but decreased as a percentage of net sales to 26.5% in the first six months of fiscal 1997 from 28.2% in the first six months of fiscal 1996. The decrease as a percentage of net sales was primarily due to a reduction in store payroll expense as a percentage of net sales and higher average store sales levels which provided greater leverage of store expenses. The increased sales base also offset the increased investment in the Company's corporate infrastructure to support its planned new store expansion program.

During the first six months of fiscal 1997, pre-opening costs were $1.2 million as compared to $0.2 million during the first six months of fiscal 1996, reflecting the opening of 26 new stores in the first six months of fiscal 1997 as compared to four new stores during the first six months of fiscal 1996.

Depreciation and amortization amounted to $2.6 million in the first six months of fiscal 1997 as compared to $1.9 million in the comparable prior year period. The increase in depreciation and amortization primarily relates to the increase in the number of stores.

Interest expense, net, for the first six months of fiscal 1997 was $1.8 million, or 2.5% of net sales, as compared to $1.2 million, or 2.1% of net sales, in the comparable prior year period. The increase in interest expense was primarily due to interest on the Senior Subordinated Notes, which were outstanding for approximately one month of the prior year period.

Other expense, net, for the first six months of fiscal 1997 amounted to $0.1 million, or 0.2% of net sales, as compared to $0.4 million, or 0.7% of net sales, in the comparable prior year period. During the first six months of fiscal 1997, other expenses primarily consisted of an anniversary fee on the Foothill Credit Facility. During the first six months of fiscal 1996, other expenses primarily comprised anniversary and credit agreement amendment fees relating to the Foothill Credit Facility.

The Company recorded a net loss before income taxes of $1.2 million during the six months ended August 2, 1997 as compared with a net loss of $1.4 million in the comparable prior year period. As a percentage of net sales, the Company's loss before income taxes decreased to 1.7% during the first six months of fiscal 1997 from 2.6% during the first six months of fiscal 1996 due to the factors discussed above.

During the first six months of fiscal 1997, the Company recorded a tax benefit for federal, state and local taxes of $0.5 million, or 0.7% of net sales, which reflected an effective tax rate of approximately 40%. During the first six months of fiscal 1996, the Company recorded a tax provision for state minimum taxes. No federal tax provision was recorded in the first six months of fiscal 1996 due to the Company's NOL.

The Company had net losses of $0.7 million and $1.5 million for the first six months of fiscal 1997 and the first six months of fiscal 1996, respectively.

YEAR ENDED FEBRUARY 1, 1997 COMPARED TO YEAR ENDED FEBRUARY 3, 1996

Net sales increased by $21.8 million, or 17.8%, to $143.8 million during fiscal 1996 from $122.1 million in fiscal 1995. Net sales for the 18 new stores opened and the five stores remodeled during fiscal 1996, and for those stores opened or remodeled during fiscal 1995 not yet qualifying as comparable stores, contributed $17.9 million of the increase in net sales. Comparable store sales, restated to reflect a comparable 52-week period, increased by 8.6% and contributed approximately $8.6 million of the increase

in net sales. Comparable store sales increased by 10.0% in fiscal 1995. The increase in comparable store sales reflected the strength of the Company's newborn, underwear and accessory departments. The above increases were offset by the closure of five stores during fiscal 1995 and one store during fiscal 1996, which in the aggregate generated a net sales decrease of $3.5 million in fiscal 1996 as compared to fiscal 1995. In addition, fiscal 1995 was a 53-week year, with the extra week contributing $1.2 million to fiscal 1995 net sales.

Gross profit increased by $15.4 million to $54.1 million during fiscal 1996 from $38.6 million during fiscal 1995. As a percentage of net sales, gross profit increased to 37.6% during fiscal 1996 from 31.6% during fiscal 1995. Merchandise margins improved 4.9% from the previous year primarily due to higher initial markups and a reduction in the markdown rate. In addition, the Company's buying, distribution and occupancy expenses decreased as a percentage of net sales due to the increased store base and sales volume.

Selling, general and administrative expenses increased by $5.5 million to $36.3 million during fiscal 1996 from $30.8 million during fiscal 1995, but remained constant at 25.2% of net sales in both fiscal years. The $5.5 million increase was primarily due to the operation of an increased number of stores. In addition, there were increased management incentive bonuses, advertising costs and expenses related to the expansion of the real estate and store construction functions to support the Company's growth strategy. However, as a result of the increased store base and sales volume, these additional expenses did not increase selling, general and administrative expenses as a percentage of net sales.

During fiscal 1996, pre-opening costs were $1.0 million, or 0.7% of net sales, as compared to $0.3 million, or 0.3% of net sales, during fiscal 1995. The increase in pre-opening costs reflects the opening of 18 stores in fiscal 1996 as compared to nine stores in fiscal 1995.

Depreciation and amortization amounted to $4.0 million in fiscal 1996, or 2.8% of net sales, as compared to $3.5 million, or 2.8% of net sales, in fiscal 1995. The increase in depreciation and amortization was primarily due to new stores.

Interest expense, net, for fiscal 1996 totaled $2.9 million, or 2.0% of net sales, as compared to $1.9 million, or 1.6% of net sales, in the prior year. The increase in interest expense in fiscal 1996 was due primarily to interest on the Senior Subordinated Notes issued during fiscal 1996, partially offset by reduced borrowings under the Foothill Credit Facility and the elimination of interest expense on various loans repaid by the Company with proceeds from the 1996 Private Placement.

Other expense, net, for fiscal 1996 amounted to $0.4 million, or 0.3% of net sales, as compared to $0.4 million, or 0.3% of net sales, in fiscal 1995. During fiscal 1996, other expenses consisted primarily of anniversary and credit agreement amendment fees related to the Foothill Credit Facility. During fiscal 1995, other expenses consisted primarily of $0.4 million in fees and related legal and professional costs associated with the Foothill Credit Facility.

Income before income taxes and extraordinary items increased by $7.8 million to $9.5 million during fiscal 1996 from $1.7 million during fiscal 1995 and increased to 6.6% of net sales in fiscal 1996 from 1.4% of net sales in fiscal 1995 due to the factors discussed above.

During fiscal 1996, the Company recorded an income tax benefit of $20.9 million. This income tax benefit primarily resulted from the reversal of a valuation allowance of $21.0 million on a net deferred tax asset, based on the Company's results of operations in fiscal 1996 and projected future results. For fiscal 1995, the Company recorded a tax provision for state minimum taxes and the federal AMT. No other federal tax provision was recorded by the Company in fiscal 1995 due to its NOL.

The Company had net income of $30.4 million and $1.7 million for fiscal 1996 and fiscal 1995, respectively.

YEAR ENDED FEBRUARY 3, 1996 COMPARED TO YEAR ENDED JANUARY 28, 1995

Net sales increased by $14.1 million, or 13.1%, to $122.1 million during fiscal 1995 from $108.0 million in fiscal 1994. Net sales for the nine new stores opened and the 12 stores remodeled during fiscal 1995, and for those stores opened or remodeled during fiscal 1994 not yet qualifying as comparable stores, contributed $9.0 million of the increase in net sales. Comparable store sales during fiscal 1995 increased by 10.0% and contributed $8.3 million of the increase in net sales. Comparable store sales had increased by 13.2% in fiscal 1994. The fiscal 1995 increase in comparable store sales reflected the strength of the Company's newborn and baby boy and big girl departments along with the expansion of the underwear/ legwear departments. The above increases were offset by the closing of five stores during fiscal 1995 and six stores during fiscal 1994, which in the aggregate generated a net sales decrease of $4.8 million in fiscal 1995 as compared to fiscal 1994. In addition, fiscal 1995 was a 53-week year, with the extra week contributing $1.6 million to fiscal 1995 net sales.

Gross profit increased by $4.9 million to $38.6 million during fiscal 1995 from $33.7 million during fiscal 1994. As a percentage of net sales, gross profit increased to 31.6% during fiscal 1995 from 31.2% in fiscal 1994. The increase as a percentage of net sales during fiscal 1995 was attributable to increased leverage of store occupancy costs resulting from the higher sales volume and a higher initial markup, partially offset by a higher markdown rate and increased merchandise design expenses.

Selling, general and administrative expenses increased by $2.9 million to $30.8 million during fiscal 1995 from $27.9 million during fiscal 1994, but decreased as a percentage of net sales to 25.2% in fiscal 1995 from 25.8% in fiscal 1994. The increase in selling, general and administrative expenses was primarily due to the increased number of stores in operation and the introduction of the Company's proprietary credit card program. The decrease in selling, general and administrative expenses as a percentage of net sales was primarily the result of improved store payroll productivity and a reduction in corporate overhead expenses as a percentage of net sales due to the Company's larger store base and increased sales volume.

During fiscal 1995, pre-opening costs were $0.3 million, or 0.3% of net sales, as compared to $0.2 million, or 0.2% of net sales, in fiscal 1994, reflecting the opening of nine stores in fiscal 1995 as compared to six stores in fiscal 1994.

Depreciation and amortization amounted to $3.5 million in fiscal 1995, or 2.8% of net sales, as compared to $3.3 million, or 3.1% of net sales, in fiscal 1994. The increase in depreciation and amortization was primarily due to new and remodeled stores.

Interest expense, net, for fiscal 1995 was $1.9 million, or 1.6% of net sales, as compared to $1.3 million, or 1.2% of net sales, in fiscal 1994. The increase in fiscal 1995 interest expense was due primarily to interest on borrowings under the Foothill Credit Facility.

Other expense, net, for fiscal 1995 amounted to $0.4 million, or 0.3% of net sales. During fiscal 1995, other expenses were comprised primarily of fees and related legal and professional costs associated with the Foothill Credit Facility.

Income before income taxes and extraordinary items increased by $0.7 million to $1.7 million during fiscal 1995 from $1.0 million during fiscal 1994 and increased to 1.4% of net sales in fiscal 1995 from 0.9% of net sales in fiscal 1994 due to the factors discussed above.

The Company's recorded income tax provision for fiscal 1995 and fiscal 1994 represented a provision for state minimum taxes and the federal AMT. No other federal tax provision was recorded due to the use of the Company's NOL.

In fiscal 1994, the Company recorded an extraordinary gain of $0.5 million relating to the forgiveness of debt.

The Company had net income of $1.7 million and $1.5 million for fiscal 1995 and fiscal 1994, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During its three most recent fiscal years and the first six months of fiscal 1997, the Company's primary uses of cash have been to finance new store openings, purchase inventory, provide for working capital and make required principal and interest payments on its debt. Until the 1996 Private Placement, the Company met its cash requirements through cash flow from operations, the sale of equity securities and borrowings under its lines of credit. Since the 1996 Private Placement, the Company has been able to meet its cash needs, including those associated with the opening of new stores, principally by using cash flow from operations and borrowings under the Foothill Credit Facility.

Cash flows provided by operating activities were $1.3 million, $7.7 million and $7.8 million in fiscal 1994, 1995 and 1996, respectively. During the first six months of fiscal 1996 and 1997, cash flows used in operating activities were $4.5 million and $2.9 million, respectively. The increase in cash flows from operating activities in fiscal 1995 was primarily the result of an increase in accounts payable. In fiscal 1996, cash flows from operating activities increased primarily as a result of an increase in net income, partially offset by a decrease in payables. The decrease in net cash used in operating activities during the first six months of fiscal 1997 was due primarily to an increase in accounts payable partially offset by an increase in inventory resulting from the Company's store expansion program.

Cash flows used in investing activities were $2.7 million, $6.9 million and $8.5 million in fiscal 1994, 1995 and 1996, respectively, and $2.8 million and $10.2 million in the first six months of fiscal 1996 and 1997, respectively. Cash flows used in investing activities relate primarily to store openings and remodelings and computer equipment for the Company's executive offices. In fiscal 1994, 1995 and 1996, the Company opened 6, 9 and 18 stores while remodeling 3, 12 and 5 stores, respectively. In the first six months of fiscal 1996 and 1997, the Company opened 4 and 26 stores while remodeling 5 and 6 stores, respectively.

Cash flows provided by (used in) financing activities were $1.2 million, ($0.5) million and $3.5 million in fiscal 1994, 1995 and 1996, respectively, and $7.2 million and $10.2 million in the first six months of fiscal 1996 and 1997, respectively. The decrease in cash flows from financing activities in fiscal 1995 was primarily the result of the net repayments on long-term debt, partially offset by higher borrowings under the Foothill Credit Facility and lower payments on obligations under capital leases. In fiscal 1996, cash flows from financing activities increased as a result of the 1996 Private Placement with the SKM Investors and the Noteholder. The net proceeds of the 1996 Private Placement were used to redeem certain outstanding shares of Common Stock, repay existing long-term debt and reduce outstanding borrowings under the Foothill Credit Facility. The increase in cash flows from financing activities during the first six months of fiscal 1997 related primarily to the utilization of the Foothill Credit Facility to fund seasonal working capital needs and the Company's store expansion program partially offset in the prior year by the net proceeds resulting from the 1996 Private Placement.

The Company has a working capital revolving credit facility with Foothill Capital. As of February 1, 1997, there were no amounts borrowed under the Foothill Credit Facility and, as of August 2, 1997, a total of $12.5 million had been borrowed under the Foothill Credit Facility. In addition, as of February 1, 1997 and August 2, 1997, the Company had outstanding $4.7 million and $7.0 million, respectively, in letters of credit under the Foothill Credit Facility. Availability under the Foothill Credit Facility as of February 1, 1997 and August 2, 1997 was $11.9 million and $5.8 million, respectively. As of February 1, 1997 and August 2, 1997 the interest rates charged under the Foothill Credit Facility were 10.75% and 8.5% per annum, respectively.

The Company amended its credit facility with Foothill Capital on July 31, 1997 to increase the Foothill Credit Facility from $20.0 million to $30.0 million (including an increase in the sublimit for letters of credit from $10.0 million to $20.0 million). The amount that may be borrowed by the Company under the amended Foothill Credit Facility depends upon the levels of inventory and accounts receivable. Amounts outstanding under the amended facility bear interest at a floating rate equal to the reference rate of

Norwest Bank Minnesota N.A. or, at the Company's option, the 30-day LIBOR Rate plus a pre-determined spread. The LIBOR spread is 1 1/2% or 2%, depending upon the Company's financial performance from time to time. Borrowings under the amended facility mature in July 2000 and provide for one year automatic renewal options. The amended Foothill Credit Facility contains certain financial covenants including, among others, the maintenance of minimum levels of tangible net worth, working capital and current ratios, and imposes certain limitations on the Company's annual capital expenditures, as defined in the amended Foothill Credit Facility. Management believes that the Company will be able to comply with the financial covenants contained in the amended facility and does not believe that compliance with these covenants will interfere with its business or the implementation of its growth strategy. Credit extended under the amended Foothill Credit Facility continues to be secured by a first priority security interest in the Company's present and future assets, intellectual property and other general intangibles.

In July 1996, the Company consummated the 1996 Private Placement with the SKM Investors and the Noteholder, which resulted in net proceeds to the Company of $37.4 million. These net proceeds were used to repay certain outstanding indebtedness and to redeem certain outstanding shares of Common Stock. The successful completion of the 1996 Private Placement enabled the Company to implement a growth strategy built on opening new stores through the reinvestment of operating cash flow which had previously been dedicated to debt repayment obligations. See "Certain Relationships and Related Transactions--1996 Private Placement."

The Company obtained a waiver from Foothill Capital and an amendment from the Noteholder with respect to the capital expenditure limitations for fiscal 1996 under the Foothill Credit Facility and the Senior Subordinated Notes. The waiver and amendment enabled the Company to open additional stores in connection with its expansion.

During fiscal 1995, fiscal 1996 and the first six months of fiscal 1997, the Company incurred capital expenditures of $6.9 million, $8.5 million and $10.2 million, respectively. In a typical new store, capital expenditures (net of landlord contribution) approximate $0.2 million. In addition, a new store typically requires a $0.1 million investment in inventory (net of merchandise payables) and other pre-opening expenses. Management anticipates that total capital expenditures in fiscal 1997, relating primarily to new and remodeled stores and ongoing store maintenance programs, will be approximately $15.2 million. Management plans to fund these capital expenditures from cash flow from operations.

The Company currently has no material commitments for capital other than the Foothill Credit Facility. The Company expects, however, to enter into a commitment with respect to a new distribution center and corporate headquarters. The Company's lease for its current distribution center and headquarters facility is scheduled to expire in March 1999. In addition, as a result of its continuing growth, the Company believes that it will require additional space by the third or fourth quarter of fiscal 1998. Consequently, the Company is seeking a suitable site to relocate its distribution center and headquarters. The Company has not selected a site or determined whether it would purchase or lease such a facility. However, the Company has received and is considering a proposal for the Company to purchase a facility comprising 147,000 square feet with expansion capability for an additional 60,000 to 80,000 square feet. If the Company were to proceed with such purchase, it would anticipate consummating the purchase during the first quarter of fiscal 1998. Based on its preliminary discussions with respect to this proposal, the Company estimates that the cost of purchasing the facility, together with the costs of outfitting the facility, would be approximately $8.0 million to $9.0 million. The Company would likely also incur costs of approximately $200,000 for additional interim warehouse space, which it is currently seeking, to accommodate its growth prior to moving into the new facility. If the Company were unable to reach agreement with respect to the purchase of this potential facility or another new facility, the Company may consider renewing its current lease and leasing additional space for a distribution center or leasing an entirely new facility.

If the Company purchases a new facility for its distribution center and corporate headquarters, the Company would expect to finance most of the purchase price through a mortgage. The Company believes that its current financing arrangements under the Foothill Credit Facility and its anticipated level of internally generated funds will be adequate to fund its other capital requirements for at least the next 18 to 24 months. The Company's capital needs consist of working capital expenditures, including inventory and capital expenditures relating to new and remodeled stores, expenditures for computer hardware and software required in connection with the Company's growth, and interest payments on indebtedness. The Company's ability to meet these capital requirements, and its continued need for external financing, will depend on its ability to generate cash from operations and successfully implement its store expansion plans.

QUARTERLY RESULTS AND SEASONALITY

The Company's quarterly results of operations have fluctuated and are expected to continue to fluctuate materially depending on a variety of factors, including the timing of new store openings and related pre-opening and other startup expenses, net sales contributed by new stores, increases or decreases in comparable store sales, adverse weather conditions, shifts in timing of certain holidays, changes in the Company's merchandise mix and overall economic conditions.

The Company's business is also subject to seasonal influences, with heavier concentrations of sales during the holiday and back-to-school seasons. As is the case with many retailers of apparel and related merchandise, the Company typically experiences lower net sales during the first two fiscal quarters and are often lower during the second fiscal quarter than during the first fiscal quarter. The Company has experienced first and second quarter losses in the past and may experience such losses in the future. Because of these fluctuations in net sales and net income (loss), the results of operations of any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year or any future quarter. See "Risk Factors--Fluctuations in Quarterly Results and Seasonality."

The following table sets forth certain statement of operations data and operating data for each of the Company's last ten fiscal quarters and the percentage of net sales represented by the line items presented. The quarterly statement of operations data and selected operating data set forth below were derived from unaudited financial statements of the Company and reflect, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results of operations for these fiscal quarters.

	FISCAL 1995				FISCAL 1996		
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER
	(DOLLARS IN THOUSANDS)						
STATEMENT OF OPERATIONS DATA:							
Net sales	$ 25,433	$ 23,181	$ 33,713	$ 39,733	$ 30,438	$ 25,974	$ 40,353
Gross profit	7,224	5,530	11,640	14,232	10,238	7,873	16,976
Operating income (loss)	(440)	(2,423)	3,065	3,860	1,557	(1,438)	6,347
AS A PERCENTAGE OF NET SALES:							
Gross profit	28.4%	23.9%	34.5%	35.8%	33.6%	30.3%	42.1%
Operating income (loss)	(1.7)	(10.5)	9.1	9.7	5.1	(5.5)	15.7
SELECTED OPERATING DATA:							
Comparable store sales increase (decrease)	25.6%	19.0%	0.8%	3.5%	9.8%	6.2%	8.1%
Stores open at end of period	90	90	94	91	93	95	104

	FISCAL 1996	FISCAL 1997	
	FOURTH QUARTER	FIRST QUARTER	SECOND QUARTER
STATEMENT OF OPERATIONS DATA:			
Net sales	$ 47,073	$ 39,203	$ 33,534
Gross profit	18,965	14,018	9,802
Operating income (loss)	6,336	2,618	(1,922)
AS A PERCENTAGE OF NET SALES:			
Gross profit	40.3%	35.8%	29.2%
Operating income (loss)	13.5	6.7	(5.7)
SELECTED OPERATING DATA:			
Comparable store sales increase (decrease)	9.7%	5.0%	(0.5%)
Stores open at end of period	108	119	134

OVERVIEW

The Company is a leading specialty retailer of high quality, value-priced apparel and accessories for newborn to twelve year old children. The Company designs, contracts to manufacture and sells its products under "The Children's Place" brand name. As of September 1, 1997, the Company operated 140 stores, primarily located in regional shopping malls in the eastern half of the United States. The Company's net sales have increased from $96.6 million in fiscal 1993 to $143.8 million in fiscal 1996 and operating income has increased from $1.4 million in fiscal 1993 to $12.8 million in fiscal 1996. In the first six months of fiscal 1997, net sales totaled $72.7 million as compared to $56.4 million in the first six months of fiscal 1996. The Company has achieved comparable store sales increases over prior years of 13.2%, 10.0% and 8.6% during each of fiscal 1994, 1995 and 1996, respectively, and 2.5% in the first six months of fiscal 1997. Net sales per gross square foot have increased from $226 in fiscal 1993 to $335 in fiscal 1996. These increases are primarily the result of a merchandising and operational repositioning of the Company over the last five fiscal years under the direction of the Company's current management team.

In fiscal 1996, new stores for which fiscal 1996 was the first full year of operations had average net sales of $1,250,000. The average investment for these new stores, including capital expenditures (net of landlord contribution), initial inventory (net of merchandise payables) and pre-opening costs, was $371,000. New stores have generally achieved profitability within the first full quarter of operations, with average fiscal 1996 store level operating cash flow of approximately $288,000 (23.0% of net sales) for stores for which fiscal 1996 was the first full year of operations. In fiscal 1996, these stores yielded a cash return on investment of 77.6%.

In July 1996, following a private financing in which the Company raised $37.4 million of net proceeds, the Company began to implement an aggressive growth strategy designed to capitalize on its business strengths and its strong store economics. From July 1, 1996 through the end of fiscal 1996, the Company opened a total of 16 new stores, growing to 108 stores. During fiscal 1997 through September 1, 1997, the Company has opened 32 stores. The Company intends to continue its expansion program and currently plans to open approximately 15 additional stores during the remainder of fiscal 1997 and at least 60 stores in fiscal 1998.

The Company and other children's retailers capitalize on the fact that children typically require new clothes every season, and often more than once within a season. The Company believes that the children's apparel market generated approximately $26.9 billion in retail purchases in calendar 1996. Management estimates that total sales of children's apparel grew at a compound annual rate of approximately 4.6% between calendar 1991 and calendar 1996. In addition, there are approximately four million births in the United States each year. The Company believes that the size and growth of its market, coupled with its business strengths and expansion strategies, should provide significant opportunities for growth in the future.

The Company believes that its value-based, proprietary brand business strategy has been and will continue to be the key to its success as a specialty retailer. The Company also believes that the combination of its unique price-value positioning, merchandising strategy, strong brand image, broad consumer appeal, vertically integrated operations, expert sourcing and proven management team have contributed to the success of the Company's merchandising and operating strategies.

MERCHANDISING

MERCHANDISE OFFERING. The Company's merchandise is divided into four divisions--girlswear, boyswear, newborn and accessories. The Company's merchandise offers a balanced assortment of styles in fashionable colors and patterns, with the aim of consistently creating a fresh, youthful look that the Company believes is unique to "The Children's Place" brand. Each year the Company presents four major

seasonal lines (spring, summer, back-to-school, holiday) and two transitional lines. Within each season, the Company offers a fresh assortment of coordinated basic and fashion apparel with complementary accessories designed to encourage multiple item purchases.

EVERYDAY VALUE PRICING. The Company's pricing strategy is to set prices that the Company believes provide value to its customers and are below those of comparable quality products sold by most of its direct mall-based competitors. The Company employs this everyday value pricing strategy to attract and retain customers by allowing customers to make purchases without having to wait for special sales. The Company's mark-down policy is to systematically reduce prices on slow-moving merchandise.

MERCHANDISE EXPANSION STRATEGY. The Company periodically evaluates opportunities for selective product extensions. In fiscal 1997, the Company introduced a new layette line and expanded its big boy and big girl departments to include size 16. The Company expects to continue to seek opportunities to expand its customer base and enhance the productivity of its stores through further development of existing merchandise categories and the continued introduction of new merchandise classifications.

DESIGN AND PRODUCT DEVELOPMENT. Each of the Company's seasonal lines begins with the compilation of market intelligence regarding fashion trends approximately nine months before the season, through extensive European and domestic market research, the purchase of prototype samples, media, trade shows, fashion magazines, the services of fashion and color forecast organizations and analysis of prior season performance. Potential items are designed using computer aided design ("CAD") technology, giving the Company the opportunity to consider a wide range of style and fashion options.

PLANNING AND ALLOCATION. The merchandise planning team creates a detailed purchasing plan for each season covering each department, each category and each key basic item, based on historical and current selling trends. The Company typically orders 90% of the purchasing plan five months before the season, saving 10% to respond quickly to new fashion trends and reorders of key basic items. The production process takes approximately four to five months from order confirmation to receipt of merchandise at the Company's distribution facility. The merchandise planning team also monitors current and future inventory levels on a weekly basis and analyzes sales patterns to predict future demand for various categories. The Company regularly monitors sales of each style and color and maintains some flexibility to adjust merchandise on order for future seasons or to accelerate delivery of merchandise. The merchandise planning team is also responsible for planning and allocating merchandise to each store based on sales volume levels for each department, category and key basic item and other factors. See "Risk Factors-- Merchandise Trends."

SOURCING AND PROCUREMENT

After a product line is conceptualized and purchase levels are determined, the Company's sourcing team makes on-site visits to the Company's independent agents and various manufacturers to negotiate product costs and arrange delivery of merchandise manufactured to the Company's specifications.

COST-BASED BUYING. The Company combines management's extensive sourcing experience with a cost-based buying strategy in order to lower costs and increase margins. Management believes it has a thorough understanding of the economics of apparel manufacturing, enabling the Company to determine the most cost-effective country and manufacturer from which to source each particular item. Relying on its supplier relationships and management's knowledge of component costs, the Company believes it has been able to arrange for the manufacture of high quality products at low cost. One important aspect of the Company's sourcing strategy is that its Chief Executive Officer, Ezra Dabah, who has over 25 years of merchandising, apparel and buying experience, frequently travels to meet with the Company's agents and manufacturers.

MANUFACTURERS. The Company's apparel is produced to its specifications by more than 50 independent manufacturers located primarily in the Far East and elsewhere in Asia. In fiscal 1996, the majority of

the Company's merchandise was produced in Taiwan and Hong Kong. The remainder of the Company's merchandise was produced in Turkey, China, the United States and certain other countries. To broaden its sourcing base, the Company also has begun to source from manufacturers located in lower cost markets, such as the Philippines, Thailand and Sri Lanka. These three markets accounted for approximately 12% of the Company's total purchases in fiscal 1996, as compared to approximately 6% in fiscal 1995.

The Company has no exclusive or long-term contracts with its manufacturers and typically transacts business on an item-by-item basis under purchase orders at freight on board ("FOB") cost in United States dollars. The Company purchases merchandise through a Hong Kong-based trading company, with which the Company has no formal written agreement, for most of its procurements from manufacturers located in China, Hong Kong and the Philippines. In addition, the Company has entered into agreements with commissioned independent agents elsewhere in the Far East and in Turkey to assist in sourcing and pre-production approval, production, inspection and ensuring timely delivery of merchandise. The Company has developed long-term, continuous relationships with key individual manufacturers and raw material suppliers which management believes have yielded numerous benefits, including quality control and favorable costs, and have afforded it flexible working arrangements and a steady flow of merchandise supply. In addition, although they are not contractually obligated to do so, the Hong Kong-based trading company and a commissioned independent agent in Taiwan each have exclusive arrangements with the Company. See "Risk Factors--Dependence on Unaffiliated Manufacturers and Independent Agents."

SYSTEMS. The Company employs a work-in-process tracking system that enables it to anticipate potential delivery delays and take action to mitigate the impact of such delays. By using this system together with the Company's purchase order and advanced shipping notification systems, the Company and its independent agents actively monitor the status of each purchase order from order confirmation to merchandise receipt. The Company has experienced occasional shipment delays, but no such delay has had a material adverse effect on the Company. The Company is pursuing software technologies to further enhance communication of the production and pre-approval status of its work-in-process directly from its overseas agents.

QUALITY ASSURANCE. To ensure quality and promote consumer confidence in "The Children's Place" products, the Company utilizes its own, in-house quality assurance laboratory to test and evaluate all fabric and trimming materials against a comprehensive range of physical performance standards before bulk production can begin. The Company's director of quality control and/or the quality control personnel of the Company's independent agents visit the various manufacturing facilities to monitor and improve the quality control and production process. With this focus on pre-production quality approval, the Company is generally able to detect and correct quality related problems before bulk production begins. The Company does not accept its finished apparel products until each purchase order receives formal certification of compliance from its agents' inspectors.

COMPANY STORES

EXISTING STORES. As of September 1, 1997, the Company operated 140 stores, all of which are located in the eastern half of the United States. Most of the Company's stores are clustered in and around major metropolitan areas. The Company's stores are concentrated in major regional malls, with the exception of seven outlet stores and two urban street stores. The map and store list below set forth by state and city the number and location of stores operated by the Company:

[The Prospectus contains a graphic of a Map of the United States which sets forth the number of stores operated by the Company in each state in which it has stores.]

CONNECTICUT-6
Danbury
Manchester
Meriden
Waterford
Trumbull
West Hartford

DELAWARE-2
Newark
Wilmington

FLORIDA-1
Coral Springs

ILLINOIS-13
Vernon Hills
Bloomingdale
Norridge
N. Riverside
Lincolnwood
St. Charles
Schaumburg
Orland Park
Gurnee
Chicago
Calumet City
Aurora
West Dundee

INDIANA-6
Merrillville
Lafayette
Ft. Wayne
Greenwood
Indianapolis
Evansville

KENTUCKY-1
Florence

MAINE-2
Kittery
S. Portland

MARYLAND-9
Gaithersburg
Baltimore
Columbia
Parkville
Annapolis
Owings Mills
Waldorf
Glen Burnie
Towson

MASSACHUSETTS-13
N. Attleboro
Kingston
East Taunton
Braintree
Natick
Saugus
Worcester
Marlborough
Burlington
Watertown
Peabody
Cambridge
Holyoke

MICHIGAN-7
Grand Rapids
Novi
Dearborn
Troy
Sterling Heights
Harper Woods
Portage

MINNESOTA-4
Bloomington
Maplewood
Minnetonka
Burnsville

NEW HAMPSHIRE-3
Salem
Manchester
Nashua

NEW JERSEY-19
E. Brunswick
Deptford
Princeton
Freehold
Lawrenceville
Eatontown
Cherry Hill
Mays Landing
Wayne
Paramus (2)
Woodbridge
Rockaway
Livingston
Secaucus
Jersey City
Bridgewater
Voorhees
Toms River

NEW YORK-26
Rochester (3)
Buffalo
Syracuse (2)
Albany
Niagara Falls
Garden City
White Plains
Huntington Station
Valley Stream
Massapequa
Lake Grove
Bay Shore
Riverhead
New York (7)
Yorktown Heights
Middletown
Nanuet

NORTH CAROLINA-3
Winston-Salem
Raleigh
Greensboro

OHIO-6
Columbus (2)
Dayton
Cincinnati (3)

PENNSYLVANIA-12
Springfield
Willow Grove
Philadelphia (4)
Exton
North Wales
Langhorne
King of Prussia
York
Pittsburgh

SOUTH CAROLINA-1
Myrtle Beach

TENNESSEE-1
Nashville

VIRGINIA-5
Fairfax
Virginia Beach
Richmond
Winchester
Woodbridge

STORE ENVIRONMENT. The Company's prototype store measures approximately 3,500 square feet and features a design that incorporates light maple wood floors, fixtures and trim set against a white color scheme, accented by the hunter green used in the Company's logo. The Company believes that the environment created by its "apple-maple" prototype store promotes a shopping experience that is inviting and friendly. The store is brightly lit, featuring floor-to-ceiling glass windows that allow the Company's colorful fashions to attract customers from the outside. A customized grid system throughout the store's upper perimeter displays featured merchandise, marketing photographs and key basic item prices. Suspended signs direct customers to departments within the store where each merchandise line is displayed as a separate collection of coordinated basic and fashion items, with matching accessories. The Company believes that its merchandise presentation effectively displays "The Children's Place" look and creates a visually attractive selling environment that maximizes customer convenience and encourages the purchase of multiple items.

To achieve uniform merchandise presentation and to maximize sales of coordinating items, store management is provided with detailed written and visual store plans that specify merchandise placement. Standardization of store design and merchandise presentation also promotes effective usage and productivity of selling space and maximizes customer convenience in merchandise selection. By seeking a uniform appearance in store design and merchandise presentation, the Company believes that it is able to maintain and enhance "The Children's Place" brand image.

As of September 1, 1997, approximately 75% of the Company's stores (excluding outlet stores) are based on the new "apple-maple" prototype. The Company generally remodels its stores to the new prototype specifications as their leases are renewed. In many cases, conversion to the new prototype involves relocation within a mall as well as a significant reduction in space.

STORE OPERATIONS. The Company's store operations are directed by the Company's Vice President of Store Operations, three regional managers and 15 district managers. Individual stores are managed by a store manager and up to three co-managers depending on sales volume. A typical store employs a number of full time and part time sales associates, and hires additional part time associates based on seasonal needs.

Regional and district managers spend a majority of their work week on store selling floors, providing direction, motivation, training and support to field personnel. Store managers are responsible for supervising customer service, store presentation, staff scheduling, shrinkage control and seeing that the store achieves its planned sales goals. Customer service is a major focus for store management and sales associates, and continuing efforts are made to maximize selling productivity.

The Company engages in an ongoing process of training management and sales associates in the areas of customer service, selling skills, merchandising, procedures and controls, utilizing visual aids, training manuals and training workshops.

Management maintains a high level of communication between the central office and stores. Frequent downloads through the POS registers, biweekly mail packs to each store, voicemail and district manager conference calls augment the frequent store visits by the regional and district managers. In addition, quarterly home office and district manager meetings engender a strong team culture. The Company is continuing to improve the communication between the central office and its stores with the use of new technology.

STORE EXPANSION PROGRAM

In mid-1996, the Company began implementing an aggressive growth strategy designed to capitalize on its business strengths and its strong store economics. From July 1, 1996 to the end of fiscal 1996, the Company opened 16 stores. During fiscal 1997 through September 1, 1997, the Company has opened 32 stores. The Company intends to continue its store expansion program and currently plans to open

approximately 15 additional stores during the remainder of fiscal 1997 and at least 60 stores in fiscal 1998. The Company believes that its value pricing and its merchandise assortment appeal to customers in all socioeconomic groups, affording it substantial expansion opportunities. There are hundreds of regional malls, street locations and outlet centers in the United States that the Company believes would be suitable sites for the Company's stores.

The Company's expansion strategy focuses primarily on mall-based locations. The regional malls which the Company targets are typically high volume centers, generally measuring one million square feet or more, having at least three department stores or other anchor tenants and various specialty retailers, as well as several entertainment features (such as restaurants, a food court and/or movie theaters). The Company conducts extensive analyses of potential store sites, taking into account the performance of other specialty retail tenants, the existing anchor stores and other stores, the size, type and average sales per square foot of the mall and the demographics of the surrounding area. The most important consideration for the Company in evaluating a store location within a mall is placement of the store relative to mall traffic patterns. In addition, the Company continuously evaluates opportunities to add stores in other types of locations, such as outlet centers and urban street locations. The Company intends to focus its expansion by establishing clusters of stores in states in which it already has stores or in contiguous states in order to strengthen "The Children's Place" brand name recognition. See "Risk Factors--Aggressive Growth Strategy."

MARKETING

ADVERTISING AND PROMOTION. The Company strives to enhance its reputation and image in the marketplace and build recognition and equity in "The Children's Place" brand name by advertising its image, product and message through in-store photographs and product displays, direct mail and, to a lesser extent, regional and national print media. The Company's point of purchase marketing strategy uses high image visuals to highlight the individual departments and seasonal fashion looks, promoting key basic items at price points representing exceptional value, and focusing on store-front and window displays to attract customers into the stores. The Company primarily relies on mall-based traffic and its reputation, loyal customer base and brand image to generate sales. Moreover, instead of relying on special holiday or one-day promotions to stimulate sales, the Company relies on its everyday value pricing strategy to attract customers. To encourage larger purchases, the Company periodically distributes coupons providing a discount on purchases above a specified minimum.

PROPRIETARY CREDIT CARD. The Company views the use of a proprietary credit card as an important marketing and communication tool and introduced "The Children's Place" credit card in January 1995. Pursuant to a merchant services agreement with the Company, Hurley State Bank issues to the Company's customers private label credit cards for use exclusively at the Company's stores and extends credit to such customers. Hurley State Bank's agent, SPS, administers the approval, issuance and administration of the credit card program. For these services, the Company pays to Hurley State Bank a merchant fee which is calculated as a percentage of sales under the credit card. In fiscal 1996, the Company paid $0.9 million to Hurley State Bank in merchant fees. The number of holders of the Company's proprietary credit card has grown to over 250,000, and these customers accounted for approximately 15% of the Company's fiscal 1996 net sales. The Company believes that its proprietary credit card promotes affinity and loyalty among those customers who use the card and facilitates communication with such customers through delivery of coupons and promotional materials. The Company markets its proprietary credit card by offering customers who apply for a card a 15% discount on their initial purchase using the card. The Company's average dollar sale to customers using "The Children's Place" card has been substantially higher than the Company's overall average dollar sale. The Company's credit card operations are conducted through a third party credit card service. See "Risk Factors--Proprietary Credit Card."

MANAGEMENT INFORMATION SYSTEMS

The Company's management information and electronic data processing systems consist of a full range of retail, financial and merchandising systems, including purchase order management, importing, inventory planning and control, inventory distribution, sales reporting and accounts payable. These systems operate on a Hitachi EX/27 platform mainframe computer and utilize a combination of third party and proprietary software packages. Management views technology as an important tool in efficiently supporting its rapid growth and maintaining a competitive industry position.

Unit and dollar sales information is updated daily in the merchandise reporting systems by polling each store's POS terminals. Through automated nightly two-way electronic communication with each store, sales information, payroll hours and other store initiated transfers are uploaded to the host system, and price changes and other information are downloaded through the POS devices. Information obtained from such daily polling generally results in automatic merchandise replenishment in response to the specific stock keeping unit ("SKU") requirements of each store. The Company evaluates information obtained through daily reporting to identify sales trends and to implement merchandising decisions regarding markdowns and allocation of merchandise.

The Company is committed to utilizing technology to further enhance its competitive position. In this regard, the Company is scheduled to install a warehouse management system during fiscal 1998 in connection with the planned relocation of its distribution center. The Company also intends to replace its POS software during fiscal 1998 to enhance customer service and communication between the Company's central office and its stores. See "Risk Factors--Reliance on Information Systems."

DISTRIBUTION

All merchandise is currently received, inspected, processed and distributed through the Company's 65,000 square foot leased distribution facility at its headquarters in West Caldwell, New Jersey. In light of its stringent quality assurance procedures implemented during the manufacturing process, the Company has been able to substantially reduce the physical inspection of garments received at the distribution facility. Accordingly, most merchandise "flows through" within one business day of its receipt at the distribution facility and is shipped directly to stores each weekday by commercial carrier, reducing costs and expediting delivery to the Company's stores. The Company has experienced occasional shipment delays, but no such delay has had a material adverse effect on the Company. The Company intends to move its distribution center to a larger facility during fiscal 1998 to accommodate the Company's continued growth and is evaluating suitable sites for, and whether to purchase or lease, such new facility. See "Risk Factors--Disruptions in Receiving and Distribution."

COMPETITION

The children's apparel retail business is highly competitive. The Company competes in substantially all of its markets with GapKids, BabyGap and Old Navy (each of which is a division of The Gap, Inc.), The Gymboree Corporation, Limited Too (a division of The Limited, Inc.), J.C. Penney Company, Inc., Sears, Roebuck and Co. and other department stores that sell children's apparel and accessories, as well as certain discount stores such as Wal-Mart Stores, Inc. and Kids "R" Us (a division of Toys "R" Us, Inc.). The Company also competes with a wide variety of local and regional specialty stores and with other national retail chains and catalog companies. One or more of its competitors are present in substantially all of the malls in which the Company has stores. Many of the Company's competitors are larger than the Company or have access to significantly greater financial, marketing and other resources than the Company.

The Company believes that the principal factors of competition in the Company's marketplace are perceived value, price, quality, merchandise assortment, brand name recognition, customer service, and a friendly store environment. Management believes that the Company has been able to effectively compete

against other retailers of children's apparel because of its reputation in the marketplace and consistent merchandise offering of high quality, everyday value-priced childrenswear, sold in a friendly environment. See "Risk Factors--Competition."

TRADEMARKS AND SERVICE MARK

Each of "The Children's Place," "Baby Place," "The Place," "TCP" and "Authentic Tiny Tee" has been registered as a trademark and/or a service mark with the United States Patent and Trademark Office. The registration of the trademarks and the service marks may be renewed to extend the original registration period indefinitely, provided the marks are still in use. The Company intends to continue to use and protect its trademarks and service marks and maintain their registrations. The Company also intends to take action to protect its trademarks in certain foreign countries. The Company believes its trademarks and service marks have received broad recognition and are of significant value to the Company's business.

PROPERTIES

The Company's executive offices and distribution center are located in West Caldwell, New Jersey, and are occupied under the terms of a lease covering approximately 91,000 square feet. The Company expects to relocate its offices and distribution center during fiscal 1998 but may continue to be obligated on its current lease until its expiration in March 1999. Many of the Company's store leases contain provisions requiring landlord consent to a change in control of the Company. Such provisions may be triggered by this offering or future offerings of securities by the Company. However, the Company believes that because of its good relations with its landlords and because most of its leases are at market rents, these provisions should not have a material adverse effect on the Company.

All of the Company's existing store locations are leased by the Company, with lease terms expiring between 1998 and 2008 and with an average unexpired lease term of 7.5 years. The leases for most of the existing stores are for terms of ten years and provide for contingent rent based upon a percent of sales in excess of specified minimums. Leases for future stores will likely include similar contingent rent provisions. For a map and list of the geographic locations of the Company's existing stores, see "--Company Stores-- Existing Stores."

EMPLOYEES

As of August 2, 1997, the Company had approximately 680 full-time employees, of whom approximately 180 are based at the Company's headquarters and distribution center, and approximately 1,370 part-time employees. None of the Company's employees is covered by a collective bargaining agreement. The Company believes its relations with its employees are good.

LEGAL PROCEEDINGS

The Company is involved in various legal proceedings from time to time incidental to the conduct of its business. In the opinion of management, any ultimate liability arising out of such proceedings will not have a material adverse effect on the financial condition or results of operations of the Company.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the executive officers and directors of the Company:

NAME	AGE	POSITION
Ezra Dabah	44	Chairman of the Board of Directors and Chief Executive Officer
Stanley B. Silver	59	President, Chief Operating Officer and Director
Seth L. Udasin	41	Vice President, Chief Financial Officer and Treasurer
Steven Balasiano	34	Vice President, General Counsel and Secretary
Mario A. Ciampi	37	Vice President -- Real Estate & Construction
Ed DeMartino	46	Vice President -- Management Information Systems
Robert Finkelstein	45	Vice President -- Merchandising Planning and Allocation
Nina L. Miner	48	Vice President -- Design and Product Development
Salvatore W. Pepitone	50	Vice President -- Distribution Center
Mark L. Rose	32	Vice President -- Sourcing and Production
Susan F. Schiller	36	Vice President -- Store Operations
Diane M. Timbanard	52	Vice President -- Merchandising Manager
Stanley Silverstein	72	Director
John F. Megrue	39	Director
David J. Oddi	27	Director

EZRA DABAH has been Chief Executive Officer of the Company since 1991 and Chairman of the Board and a Director since purchasing the Company in 1989 with certain members of his family. Mr. Dabah has more than 25 years of apparel merchandising and buying experience. From 1972 to May 1993, Mr. Dabah was a director and an executive officer of The Gitano Group, Inc. and its affiliates (collectively, "Gitano"), a company of which Mr. Dabah and certain members of his family were principal stockholders and which became a public company in 1988. From 1973 until 1983, Mr. Dabah was in charge of product design, merchandising and procurement for Gitano. In 1983, Mr. Dabah founded and became President of a children's apparel importing and manufacturing division for Gitano which later became an incorporated subsidiary, Eva Joia Incorporated. Mr. Dabah is Stanley Silverstein's son-in-law and Nina Miner's brother-in-law. See "Certain Relationships and Related Transactions--Dabah Family and Gitano Legal Proceedings" for information concerning certain legal proceedings involving Mr. Dabah.

STANLEY B. SILVER has been President and Chief Operating Officer of the Company since June 1996 and prior to that served as the Company's Executive Vice President and Chief Operating Officer since joining the Company in 1991. Mr. Silver has been a Director of the Company since July 1, 1996. Before joining the Company in 1991, Mr. Silver held various posts at Grand Met PLC and Mothercare PLC in the United Kingdom and The Limited, Inc. in the United States. Mr. Silver has over 25 years of retailing experience in Europe and the United States and currently serves as Chairman of the Retail Council of New York State.

SETH L. UDASIN has been Vice President, Chief Financial Officer and Treasurer since 1996. Since joining the Company in 1983, Mr. Udasin has held various other positions, including Controller from 1988 to 1994 and Vice President -- Finance from 1994 to 1996.

STEVEN BALASIANO has been Vice President and General Counsel since joining the Company in December 1995 and Secretary since January 1996. Prior to joining the Company, Mr. Balasiano practiced law in the New York offices of the national law firms of Stroock & Stroock & Lavan LLP from 1992 to 1995 and Kelley Drye & Warren from 1987 to 1992.

MARIO A. CIAMPI has been Vice President -- Real Estate and Construction since joining the Company in June 1996. Prior to joining the Company, Mr. Ciampi was a principal of a private consulting firm, specializing in retail and real estate restructuring, from 1991 to 1996, in which capacity he was retained as an outside consultant on the Company's real estate activities since 1991.

ED DEMARTINO has been Vice President -- Management Information Systems since 1991. Mr. DeMartino began his career with the Company in 1981 as a System Development Project Manager and was subsequently promoted to Director -- MIS in 1989.

ROBERT FINKELSTEIN joined the Company in 1989 as Vice President -- Merchandise Planning and Allocation. Immediately prior to joining the Company, Mr. Finkelstein was a Director of Distribution for Payless Shoe Stores.

NINA L. MINER has been Vice President -- Design and Product Development since joining the Company in 1991. Before joining the Company, Ms. Miner held various management positions at E.J. Gitano. Ms. Miner is Stanley Silverstein's daughter and Ezra Dabah's sister-in-law.

SALVATORE W. PEPITONE has been Vice President -- Distribution Center since joining the Company in 1991. Prior to joining the Company, Mr. Pepitone was employed in a similar capacity by E.J. Gitano.

MARK L. ROSE has been Vice President -- Sourcing and Production since 1992. Mr. Rose joined the Company in 1990 and was promoted to Senior Product Buyer that year. Prior to joining the Company, Mr. Rose held various positions at Macy's.

SUSAN F. SCHILLER has been Vice President -- Store Operations since 1994. Ms. Schiller began her career with the Company as an Assistant Store Manager in 1985 and subsequently served in various positions, including Director of Store Communications from 1991 to 1993 and Director of Store Operations from 1993 to 1994.

DIANE M. TIMBANARD has been Vice President -- Merchandising Manager since joining the Company in 1990. Prior to joining the Company, Ms. Timbanard held various merchandising and management positions, including Vice President of Merchandising for Macy's.

STANLEY SILVERSTEIN has been a Director of the Company since July 1, 1996. Mr. Silverstein also serves as Chairman of the Board of Directors of Nina Footwear, a company he founded with his brother in 1952. Mr. Silverstein is Nina Miner's father and Ezra Dabah's father-in-law.

JOHN F. MEGRUE has been a Director of the Company since July 1996. Mr. Megrue has been a partner of SKM Partners, L.P., which serves as the general partner of SKM and the SK Funds, since 1992. From 1989 to 1992, Mr. Megrue was a Vice President and Principal at Patricof & Co. and prior thereto he served as a Vice President at C.M. Diker Associates. Mr. Megrue also serves as Vice Chairman of the Board and Director of Dollar Tree Stores, Inc. and Chairman of the Board and Director of Hibbett Sporting Goods, Inc.

DAVID J. ODDI has been a Director of the Company since April 1997. Mr. Oddi joined SKM as an Associate in 1994 and is currently a Principal of SKM. Prior to joining SKM, Mr. Oddi was a financial analyst in the Leveraged Finance Group at Salomon Brothers Inc.

The Company has a Board of Directors comprised of three classes, each of which serves for three years, with one class being elected each year. See "Description of Capital Stock--Certain Certificate of Incorporation and Bylaw Provisions." The terms of Mr. Oddi and Mr. Silverstein will expire at the 1998 Annual Meeting of Stockholders. The terms of Mr. Dabah and Mr. Megrue will expire at the 1999 Annual Meeting of Stockholders. The term of Mr. Silver will expire at the 2000 Annual Meeting of Stockholders. Following this offering, the Company expects that two additional directors, who will be independent directors, will be elected to the Board of Directors. For a description of certain voting agreements relating to the selection of directors, see "Security Ownership of Certain Beneficial Owners and Management-- Stockholders Agreement.

EXECUTIVE COMPENSATION

The following table summarizes the compensation for fiscal 1996 for the Company's Chief Executive Officer and each of its four other most highly compensated executive officers:

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION(1)		LONG-TERM COMPENSATION(2)	ALL OTHER COMPENSATION
	SALARY($)	BONUS($)	SECURITIES UNDERLYING OPTIONS(#)	($)
Ezra Dabah..... Chairman of the Board and Chief Executive Officer	$ 490,403	$ 383,604	0	$ 708(3)
Stanley B. Silver..... President and Chief Operating Officer	$ 325,778	$ 203,934	249,000	$ 133,980(4)
Diane M. Timbanard..... Vice President -- Merchandising Manager	$ 228,846	$ 89,396	99,600	$ 590(3)
Nina L. Miner..... Vice President -- Design and Product Development	$ 191,461	$ 77,957	149,400	$ 456(3)
Mark L. Rose..... Vice President -- Sourcing and Production	$ 173,634	$ 68,544	149,400	$ 647(3)

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(1) Includes bonuses earned in fiscal 1996, portions of which were paid in fiscal 1997. Other annual compensation did not exceed $50,000 or 10% of the total salary and bonus for any of the named executive officers.

(2) Each of the options granted becomes exercisable at the rate of 20% on or after six months following the date of grant and 20% on or after each of the first, second, third and fourth anniversaries of the date of grant. See "--Stock Option and Other Plans for Employees--Stock Option Plans."

(3) Amounts shown consist of the Company's matching contributions under The Children's Place 401(k) Savings and Investment Plan.

(4) Reflects the value of (i) the purchase for $50,000, of shares of Common Stock valued at approximately $173,600 at the time of purchase, pursuant to an exercise of an option, and (ii) insurance premiums of $10,380 paid by the Company with respect to term life insurance for the benefit of Mr. Silver.

OPTIONS GRANTED IN LAST FISCAL YEAR

The following table sets forth certain information concerning options granted during fiscal 1996 to each executive officer named in the Summary Compensation Table. To date, no options have been exercised.

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1)	% OF TOTAL GRANTED IN FISCAL 1996	EXERCISE PRICE(2)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(3)	
					5%	10%
Ezra Dabah.....	0	0%	$ 0	N/A	$ 0	$ 0
Stanley B. Silver.....	249,000	17.2%	2.677	6/28/06	420,400	1,064,262
Diane M. Timbanard.....	99,600	6.9%	2.677	6/28/06	168,160	425,705
Nina L. Miner.....	149,400	10.4%	2.677	6/28/06	252,240	638,557
Mark L. Rose.....	149,400	10.4%	2.677	6/28/06	252,240	638,557

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(1) Each of the options granted becomes exercisable at the rate of 20% on or after six months following the date of grant and 20% on or after each of the first, second, third and fourth anniversaries of the date of grant. See "--Stock Option and Other Plans for Employees--Stock Option Plans."

(2) The exercise price was fixed at the date of the grant and represented the fair market value per share of Common Stock on such date.

(3) In accordance with the rules of the Commission, the amounts shown on this table represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on assumed rates of stock appreciation of 5% and 10% compounded annually from the date the respective options were granted to their expiration date and do not reflect the Company's estimates or projections of future Common Stock prices. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise. Actual gains, if any, on stock option exercises will depend on the future performance of the Common Stock, the option holders' continued employment through the option period, and the date on which the options are exercised.

COMPENSATION OF DIRECTORS

Beginning with the consummation of the offering made hereby, each member of the Company's Board of Directors who is not an officer of the Company or an affiliate of the SKM Investors (any such director, an "Eligible Director") will receive an annual fee of $15,000 for serving on the Board. Such independent directors also will receive $1,000 for each Board or committee meeting attended plus reimbursement of expenses for each such meeting. All directors will be entitled to receive options under the Company's stock option plans. See "--Stock Option and Other Plans for Employees -- Stock Option Plans." Directors of the Company received no compensation, as directors, during the Company's last fiscal year.

COMMITTEES OF THE BOARD OF DIRECTORS

To date, the Company has not had a formal Compensation Committee of the Board of Directors and all compensation-related decisions have been made by the entire Board based upon the recommendations of Messrs. Dabah and Silver. Subsequent to this offering, the Company intends to create a Compensation Committee and an Audit Committee of the Board of Directors. The Company expects that, following the completion of this offering, two independent directors will be elected to the Company's Board of Directors. At least a majority of the members of each of the Audit Committee and the Compensation Committee will be independent directors.

EMPLOYMENT AGREEMENTS

The Company is a party to employment agreements with certain executive officers.

EZRA DABAH

Mr. Dabah's employment agreement (the "Dabah Agreement") provides that he will serve as Chairman and Chief Executive Officer of the Company from June 27, 1996 through June 27, 1999, at an initial salary of $480,000 per year, subject to annual review. Mr. Dabah's service after June 27, 1999 shall continue for successive three year periods, subject to termination in accordance with the termination provisions of the Dabah Agreement. Mr. Dabah is also entitled to receive a semi-annual bonus in an amount equal to the product of (x) 50% of his semi-annual base salary multiplied by (y) a pre-determined bonus percentage fixed by the Board of Directors for any stated six-month period of not less than 20% nor more than 200%, based on the Company's performance during such six-month period. The Dabah Agreement also provides for certain insurance and other benefits to be maintained and paid by the Company.

The Dabah Agreement provides that if Mr. Dabah's employment is terminated by the Company without cause or for disability, or by Mr. Dabah for good reason or following a change in control (as each such term is defined in the Dabah Agreement), the Company will be required to pay Mr. Dabah three times his base salary then in effect, which amount will be payable within 30 days following his termination. Mr. Dabah also will be entitled to receive any accrued but unpaid bonus compensation and all outstanding stock options under the Company's stock option plans will immediately vest. If Mr. Dabah's employment is terminated for any of the above reasons, the Company also will be required, with certain exceptions, to continue to maintain life insurance, medical benefits and other benefits for Mr. Dabah for three years. The Dabah Agreement also provides that Mr. Dabah will not, with certain exceptions, engage or be engaged in a competing business for a period of five years following termination of his employment.

STANLEY B. SILVER

Mr. Silver's employment agreement (the "Silver Agreement") provides that he will serve as President and Chief Operating Officer of the Company from June 27, 1996, and that such service shall continue unless terminated in accordance with the termination provisions of the Silver Agreement, at an initial salary of $320,000 per year, subject to annual review. Mr. Silver also is entitled to receive a semi-annual bonus in an amount equal to the product of (x) 40% of his semi-annual base salary multiplied by (y) the pre-determined bonus percentage fixed by the Board of Directors for any stated six-month period of not less than 20% nor more than 200%, based on the Company's performance during such six-month period. The Silver Agreement also provides for certain insurance and other benefits to be maintained and paid by the Company.

The Silver Agreement provides that if Mr. Silver's employment is terminated without cause by the Company (as such term is defined in the Silver Agreement), the Company will be required to pay Mr. Silver an amount equal to his base salary then in effect for two years, which amount is payable in equal monthly installments over a two year period following his termination. Mr. Silver will also be entitled to receive any accrued but unpaid bonus compensation and the Company will be required, with certain exceptions, to continue to maintain life insurance, medical benefits and other benefits for Mr. Silver for two years. If Mr. Silver's employment is terminated without cause following a change in control, all outstanding stock options issued to Mr. Silver under the Company's stock option plans shall immediately vest. The Silver Agreement also provides that Mr. Silver will not, with certain exceptions, engage or be engaged in a competing business for a period of two years following termination of his employment.

OTHER EMPLOYMENT AGREEMENTS

The Company has also entered into employment agreements with certain of its other executive officers which provide for the payment of severance equal to the officer's salary for a period of six to nine months following any termination without cause.

STOCK OPTION AND OTHER PLANS FOR EMPLOYEES

STOCK OPTION PLANS

The 1996 Stock Option Plan of The Children's Place Retail Stores, Inc. (the "1996 Plan") was adopted by the Company and approved by the Company's stockholders as of June 28, 1996. All key executive officers of the Company, as determined by a committee consisting of Messrs. Dabah and Silver, were eligible to receive options under the 1996 Plan. A total of 1,743,240 shares were authorized for issuance under the 1996 Plan. Options with respect to all of these shares will have been granted under the 1996 Plan prior to this offering. Effective with this offering, the Board of Directors of the Company will discontinue any future grants of options under the 1996 Plan.

The 1997 Stock Option Plan of The Children's Place Retail Stores, Inc. (the "1997 Plan") was adopted by the Company and approved by the Company's stockholders prior to this offering. The 1996 Plan and the 1997 Plan (collectively, the "Plans") will be administered by a Stock Option Plan Committee of the Company's Board of Directors which solely consists of two or more directors, except that prior to the offering the Plans were administered by a committee consisting of Messrs. Dabah and Silver. All employees and directors of the Company, as may be determined from time to time by the Stock Option Plan Committee, will be eligible to receive options under the 1997 Plan. In addition, Eligible Directors of the Company will automatically receive a limited number of options, as described below.

A total of 1,000,000 shares will be authorized for issuance under the 1997 Plan. Not more than 250,000 shares of Common Stock may be the subject of options granted to any individual during any calendar year. Upon consummation of the offering, the Company will grant options with respect to approximately 250,000 shares at exercise prices equal to the initial public offering price to certain eligible employees under the 1997 Plan, none of which will be granted to executive officers.

The exercise price of an incentive stock option and a non-qualified stock option is fixed by the Stock Option Plan Committee at the date of grant; however, the exercise price under an incentive stock option must be at least equal to the fair market value of the Common Stock at the date of grant, and 110% of the fair market value of the Common Stock at the date of grant for any incentive stock option granted to any individual who owns more than 10% of the voting power or value of all classes of stock of the Company (a "10% Owner").

Stock options are exercisable for a duration determined by the Stock Option Plan Committee, but in no event more than ten years after the date of grant (or five years after the date of grant in the case of an incentive stock option granted to a 10% Owner). Unless otherwise determined by the Stock Option Plan Committee at the time of grant, options granted under the 1996 Plan are exercisable cumulatively at the rate of 20% on or after six months following the date of grant and 20% on or after each of the first, second, third and fourth anniversaries of the date of grant and options granted under the 1997 Plan will be exercisable cumulatively at the rate of 20% on or after December 31st of the year of grant and 20% on or after each of the first, second, third and fourth anniversaries of the date of grant. The aggregate fair market value (determined at the time the option is granted) of the Common Stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year (under all stock option plans of the Company) shall not exceed $100,000; to the extent this limitation is exceeded, such excess options shall be treated as non-qualified stock options for purposes of the Plans and the Internal Revenue Code of 1986, as amended (the "Code").

At the time a stock option is granted, the Stock Option Plan Committee may, in its sole discretion, designate whether the stock option is to be considered an incentive stock option or a non-qualified stock option, except that incentive stock options can be granted only to employees. Stock options granted to employees with no such designation shall be deemed incentive stock options.

The 1997 Plan will also provide for automatic grants of non-qualified stock options to Eligible Directors. Upon the consummation of the offering, each Eligible Director will be granted an option to purchase 5,000 shares of Common Stock for a purchase price equal to the initial public offering price. Each Eligible Director who is initially elected to the Board of Directors of the Company following the consummation of the offering will be granted an option to purchase 5,000 shares of Common Stock upon such director's initial election to the Board, for a purchase price equal to the fair market value of the Common Stock on the date of grant. On the last day of each fiscal year of the Company (beginning with the fiscal year commencing on a date following the offering), each Eligible Director will be granted an additional option for 5,000 shares of Common Stock, for a purchase price equal to the fair market value of the Common Stock on the date of grant; provided that any Eligible Director initially elected to the Board during a fiscal year will be granted an option for a prorated portion of 5,000 shares on the last day of the fiscal year during which such person was elected. Each of the foregoing options granted to Eligible Directors will have a duration of ten years and will become exercisable cumulatively at the rate of one-third on or after each of the first, second and third anniversaries of the date of grant.

Payment of the purchase price for shares acquired upon the exercise of options may be made by any one or more of the following methods: in cash, by check, by delivery to the Company of shares of Common Stock already owned by the option holder, or by such other method as the Stock Option Plan Committee may permit from time to time, including by furnishing a promissory note to the Company or by a "cashless" exercise method. However, a holder may not use previously owned shares of Common Stock to pay the purchase price under an option, unless the holder has beneficially owned such shares for at least six months.

Stock options become immediately exercisable in full upon (i) the holder's retirement at or after age 65, (ii) the holder's disability or death, (iii) a "Change in Control" (as defined in the Plans) or (iv) the occurrence of such special circumstances as in the opinion of the Stock Option Plan Committee merit special consideration.

Stock options terminate at the end of three months following the holder's termination of employment or service. This period is extended to one year in the case of the disability or death of the holder and, in the case of death, the stock option is exercisable by the holder's estate. However, stock options terminate immediately upon a holder's termination of employment or service for cause.

The options granted under the Plans contain anti-dilution provisions which will automatically adjust the number of shares subject to the option in the event of a stock dividend, split-up, conversion, exchange, reclassification or substitution. In the event of any other change in the corporate structure or outstanding shares of Common Stock, the number of shares and the class of shares available for grants under the 1997 Plan or upon the exercise of any outstanding options granted under either of the Plans shall be adjusted so as to prevent dilution or enlargement of rights.

The Company shall obtain such consideration for granting options under the 1997 Plan as the Stock Option Plan Committee in its discretion may request. Each option may be subject to provisions to assure that any exercise or disposition of Common Stock will not violate federal and state securities laws. No option may be granted under the 1997 Plan after the day preceding the tenth anniversary of the adoption of the 1997 Plan.

The Board of Directors or the Stock Option Plan Committee may at any time withdraw or amend the Plans and may, with the consent of the affected holder of an outstanding option at any time withdraw or amend the terms and conditions of outstanding options. Any amendment which would increase the

maximum number of shares issuable pursuant to the Plans, or to any individual under the 1997 Plan, or change the class of individuals to whom options may be granted, shall be subject to the approval of the stockholders of the Company.

401(K) SAVINGS PLAN

The Company has adopted The Children's Place 401(k) Savings and Investment Plan (the "401(k) Plan"), which is intended to be a qualified plan under Sections 401(a) and 401(k) of the Code. Employees of the Company generally are eligible to participate in the 401(k) Plan following the date any such employee attains the age of twenty-one and completes one year of service with the Company. Each participant may elect to defer the receipt of between 1% and 15% of such participant's compensation (a "Deferral Election") and have the Company contribute such compensation to the 401(k) Plan, on such participant's behalf, up to an annual statutory limitation. For 1997, a participant cannot elect to defer more than $9,500. This amount is adjusted by the Secretary of the Treasury to reflect increases in the cost of living.

In addition to the contribution made pursuant to each participant's Deferral Election, the Company makes a matching contribution (a "Matching Contribution") in an amount equal to the lesser of 50% of the participant's deferral election or 2.5% of the participant's salary.

The Company's Matching Contributions and earnings thereon generally become nonforfeitable upon the participant's completion of five years of service. However, such contributions will become fully vested regardless of years of service if the participant's employment terminates by reason of retirement at or after age 55, disability or death. A participant is always 100% vested in such participant's other benefits under the 401(k) Plan.

All of the contributions under the 401(k) Plan are held in trust (the "Trust") and allocated to one or more accounts maintained on behalf of each participant. The Trust is divided into various investment vehicles, one of which will be the Common Stock of the Company.

When a participant leaves the employ of the Company for any reason, the participant will be entitled to receive an amount equal to the vested value of such participant's accounts. A participant's benefit will be paid to such participant, or, in the case of his or her death, to such participant's beneficiary, in a lump sum payable in either cash or Common Stock, to the extent that any funds have been invested in Common Stock Fund under the 401(k) Plan. Also, all or a part of certain amounts contributed to the 401(k) Plan may be withdrawn, in the case of financial hardship, or for any reason after age 59 1/2. Finally, a participant may borrow the vested amounts allocated to such participant's account, up to certain specified limits. Interest is payable to the 401(k) Plan on any amounts borrowed.

The expenses of administering the 401(k) Plan are paid by the Company.

EMPLOYEE STOCK PURCHASE PLAN

The Company's Board of Directors expects to adopt, and anticipates that the Company's stockholders will approve, The Children's Place Retail Stores, Inc. Employee Stock Purchase Plan (the "Employee Stock Purchase Plan"). Under the Employee Stock Purchase Plan, a maximum of 360,000 shares of Common Stock may be purchased from the Company by employees through payroll withholding pursuant to monthly offerings under the Employee Stock Purchase Plan, following the consummation of this offering. The purchase price of the Common Stock will be 85% of the fair market value of the Common Stock on the date of the termination of such offerings. The Employee Stock Purchase Plan will be established pursuant to the provisions of Section 423 of the Code. All employees of the Company (or of any future subsidiaries of the Company designated by the Compensation Committee), who have completed at least 90 days of employment, except for employees who own Common Stock of the Company or options on such stock which represent 5% or more of the Common Stock of the Company, will be eligible to

participate. The Employee Stock Purchase Plan will be administered by the Compensation Committee. The Compensation Committee shall have discretion to administer, interpret and construe any and all provisions of the Employee Stock Purchase Plan. The Compensation Committee's determinations will be conclusive. In the event of certain corporate transactions or events affecting the Common Stock or structure of the Company, the Compensation Committee shall make certain adjustments as described in the Employee Stock Purchase Plan. The Board may amend, alter or terminate the Plan at any time; provided, however, that stockholder approval will be required for any amendment that would increase the maximum number of shares issuable pursuant to the Employee Stock Purchase Plan. The shares of Common Stock which may be purchased pursuant to the Employee Stock Purchase Plan will be made available from authorized but unissued shares of Common Stock or from treasury shares. No employee will be granted any right to purchase Common Stock with a value in excess of $25,000 per year.

MANAGEMENT INCENTIVE PLAN

The Company has a Management Incentive Plan under which key executives of the Company with significant operating and financial responsibility are eligible to earn seasonal cash incentive compensation payments that are paid twice each year.

Prior to the beginning of each six month period, operating income objectives are established by the Compensation Committee. Any objectives set anticipate a "stretch" performance level, and are based on an analysis of historical performance and growth expectations for the business. These objectives and determination of results are based entirely on financial measures.

Annual incentive compensation targets established for eligible executives range from 10% to 50% of base salary, as established by the Compensation Committee. Executives earn their target incentive compensation if the Company achieves the established operating income. The amount of incentive compensation paid to executives can range from zero to double their targets, based upon the extent to which operating income objectives are achieved. The minimum level at which an executive would earn any incentive payment, and the level at which an executive would earn the maximum incentive payment of double the target, are established by the Compensation Committee prior to the commencement of each bonus period, and actual payouts are based on a straight-line interpolation based on these minimum and maximum levels and the target operating income objectives. Payouts under the Management Incentive Plan based on fiscal 1996 performance amounted to $1.2 million.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During its most recent fiscal year, the Company did not have a formal Compensation Committee. However, Messrs. Dabah and Silver participated in deliberations of the Company's Board of Directors concerning executive officer compensation. See "--Committees of the Board of Directors."

LIMITATION OF LIABILITY AND INDEMNIFICATION

As permitted by the DGCL, the Company has adopted provisions in its Certificate of Incorporation and ByLaws which eliminate, subject to certain exceptions, the personal liability of directors to the Company and its stockholders for monetary damages for breach of the directors' fiduciary duties. The Certificate of Incorporation and ByLaws also provide for the indemnification of directors and officers of the Company and require the Company to advance expenses to its officers and directors as incurred in connection with proceedings against them for which they may be indemnified. The Company also has entered into agreements to indemnify its directors which are intended to provide the maximum indemnification permitted by the DGCL. These agreements, among other things, indemnify each of the Company's directors for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by such director in any action or proceeding, including any action by or in the right of the Company, on account of such director's service as a director of the Company. The Company believes that these indemnification provisions are necessary to attract and retain qualified persons as directors. The Company intends to obtain insurance for the benefit of the directors and officers of the Company insuring such persons against certain liabilities, including liabilities under federal and state securities laws.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information at September 1, 1997, with respect to ownership of Common Stock by (i) each beneficial owner of five percent or more of the Company's Common Stock, (ii) each director of the Company, (iii) each of the Company's five most highly compensated executive officers in fiscal 1996 and (iv) all directors and executive officers as a group. For the purpose of computing the percentage of the shares of Common Stock owned by each person or group listed in this table, any shares not outstanding which are subject to options or warrants exercisable within 60 days after September 1, 1997 have been deemed to be outstanding and owned by such person or group, but have not been deemed to be outstanding for the purpose of computing the percentage of the shares of Common Stock owned by any other person. Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED	PERCENT OF CLASS	
		BEFORE OFFERING	AFTER OFFERING(1)
The SK Equity Fund, L.P. (2)(3)	7,659,889	37.5%	31.1%
SK Investment Fund, L.P. (2)(3)	7,659,889	37.5%	31.1%
John F. Megrue (2)(3)	7,659,889	37.5%	31.1%
Allan W. Karp (2)(3)	7,659,889	37.5%	31.1%
Thomas A. Saunders III (2)(3)	7,659,889	37.5%	31.1%
Christopher K. Reilly (2)(3)	7,659,889	37.5%	31.1%
David Oddi (2)(4)	0	0%	0%
Ezra Dabah (5)(6)	9,893,400	48.4%	40.2%
Stanley B. Silver (5)(7)	603,600	2.9%	2.4%
Stanley Silverstein (5)(8)	6,249,360	30.6%	25.4%
Diane M. Timbanard (9)	39,840	*	*
Nina L. Miner (9)	59,760	*	*
Mark L. Rose (9)	59,760	*	*
Nomura Holding America Inc. (10) 2 World Financial Center New York, New York 10281	1,992,252	8.9%	0%
All Directors and Executive Officers as a Group (15 persons)(11)	19,733,401	94.0%	78.3%

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* Less than 1%.

(1) Does not give effect to the exercise of the Underwriters' over-allotment option. The SKM Investors have granted an option to the Underwriters, exercisable during the 30-day period after the date of this Prospectus, to purchase up to an aggregate of 600,000 shares of Common Stock, solely to cover over-allotments, if any. If such option is exercised in full, the SKM Investors will own 7,059,889 shares, or 28.7% of the Common Stock. Of the 600,000 shares to be sold if the over-allotment option is exercised in full, 584,221 shares are to be sold by The SK Equity Fund, L.P., 8,468 shares are to be sold by SK Investment Fund, L.P. and 7,311 shares are to be sold by a former consultant to SKM.

(2) The address of this person is Two Greenwich Plaza, Suite 100, Greenwich, CT 06830.

(3) Includes (i) 7,458,445 shares owned by The SK Equity Fund, L.P., (ii) 108,108 shares owned by SK Investment Fund, L.P. and (iii) 93,336 shares owned by a former consultant to SKM, as to which The SK Equity Fund, L.P. has certain rights. SKM Partners, L.P. is the general partner of each of The SK

Equity Fund, L.P. and SK Investment Fund, L.P. Messrs. Karp, Megrue, Reilly and Saunders are general partners of SKM Partners, L.P., and therefore may be deemed to have beneficial ownership of the shares shown as being owned by the SK Funds. Messrs. Karp, Megrue, Reilly and Saunders disclaim beneficial ownership of such shares, except to the extent that any of them has a limited partnership interest in SK Investment Fund, L.P.

(4) Does not include shares owned by The SK Equity Fund, L.P. or SK Investment Fund, L.P. Mr. Oddi is a principal of SKM and has a limited partnership interest in SK Investment Fund, L.P.

(5) The address of this person is c/o The Children's Place Retail Stores, Inc., One Dodge Drive, West Caldwell, New Jersey 07006.

(6) Includes (i) 6,549,000 shares held by trusts or custodial accounts for the benefit of Mr. Dabah's children and certain other family members, of which Mr. Dabah or his wife is a trustee or custodian and as to which Mr. Dabah or his wife, as the case may be, has voting control, and as to which shares Mr. Dabah disclaims beneficial ownership, and (ii) 39,600 shares held by Mr. Dabah's wife. Does not include (i) 1,098,480 shares beneficially owned by Stanley Silverstein, Mr. Dabah's father-in-law, (ii) a total of 868,800 shares beneficially owned by other members of Mr. Dabah's family and (iii) 59,760 shares subject to options exercisable within 60 days after September 1, 1997, which are beneficially owned by Nina Miner, Mr. Dabah's sister-in-law.

(7) Includes 99,600 shares issuable upon exercise of outstanding stock options exercisable within 60 days of July 17, 1997.

(8) Includes 5,150,880 shares held by trusts for the benefit of Mr. Silverstein's children and grandchildren, of which Mr. Silverstein's wife is a trustee, and as to which Mrs. Silverstein has voting control, and as to which shares Mr. Silverstein disclaims beneficial ownership. Does not include (i) 4,742,520 shares beneficially owned by Ezra Dabah, Mr. Silverstein's son-in-law, or Mr. Dabah's wife and (ii) 59,760 shares subject to options exercisable within 60 days after September 1, 1997, which are beneficially owned by Nina Miner, Mr. Silverstein's daughter.

(9) Reflects shares issuable upon exercise of outstanding stock options exercisable within 60 days of July 17, 1997.

(10) Reflects shares issuable upon exercise of a warrant, which will be repurchased by the Company upon consummation of the offering.

(11) Includes shares issuable upon exercise of outstanding stock options exercisable within 60 days of July 17, 1997.

After the sale of the shares of Common Stock offered hereby, (i) Ezra Dabah and certain members of his family will own beneficially 11,920,440 shares of the Company's Common Stock, constituting approximately 48.3% of the outstanding Common Stock and (ii) the SKM Investors will own 7,659,889 shares or approximately 31.1% of the outstanding Common Stock (assuming that the underwriters' over-allotment option is not exercised). Pursuant to the Amended Stockholders Agreement described below, the SKM Investors and certain other stockholders, who will own in the aggregate 82.9% of the outstanding Common Stock, have agreed to vote for the election of two nominees of the SKM Investors and three nominees of Ezra Dabah to the Company's Board of Directors. As a result, the SKM Investors and Ezra Dabah will be able to control the election of five of the Company's directors. In addition, if the SKM Investors and Mr. Dabah were to vote together, they would be able to determine the outcome of any matter submitted to a vote of the Company's stockholders for approval, including the election of the remaining directors. See "--Stockholders Agreement" and "Description of Capital Stock--Certain Certificate of Incorporation Provisions."

STOCKHOLDERS AGREEMENT

Prior to consummation of this offering, the Company and all of its existing stockholders, who will own in the aggregate 82.9% of the Common Stock immediately after this offering, will enter into an Amended and Restated Stockholders Agreement (the "Amended Stockholders Agreement"). The Amended Stockholders Agreement will place certain limitations upon the transfer in privately negotiated transactions of shares of Common Stock beneficially owned by Ezra Dabah, Stanley Silver and the SKM Investors. In addition, the Amended Stockholders Agreement will provide that (i) so long as Ezra Dabah, together with members of his family, beneficially owns shares representing at least 25% of the shares of Common Stock owned by such parties on the date of the Amended Stockholders Agreement, the Company's existing stockholders will be obligated to vote all shares as to which they have voting rights in a manner such that the Board will at all times include three directors nominated by Ezra Dabah and (ii) so long as the SKM Investors beneficially own shares representing at least 25% of the shares of Common Stock owned by such parties on the date of the Amended Stockholders Agreement, the Company's existing stockholders will be obligated to vote all shares as to which they have voting rights in a manner such that the Board will at all times include two directors nominated by the SKM Investors. Nominees for the remaining director positions will be designated by the Company's Board of Directors, subject to the approval of the SKM Investors, which approval may not be unreasonably withheld. Pursuant to the Amended Stockholders Agreement, Ezra Dabah, Stanley Silver and Stanley Silverstein were designated as director nominees by Mr. Dabah and were elected to the Board, and John Megrue and David Oddi were designated as director nominees by the SKM Investors and were elected to the Board.

The Amended Stockholders Agreement will provide that so long as the SKM Investors beneficially own shares representing at least 25% of the outstanding Common Stock, the Company will not, without the affirmative vote of at least one director nominated by the SKM Investors, engage in specified types of transactions with certain of its affiliates (not including the SKM Investors), take action to amend the Company's Bylaws or Certificate of Incorporation or increase the size of the entire Board of Directors beyond seven directors. The Amended Stockholders Agreement will also provide that certain specified types of corporate transactions and major corporate actions will require the approval of at least two-thirds of the members of the Board of Directors.

Under the terms of the Amended Stockholders Agreement, the rights of any party thereunder will terminate at the time that such party's Common Stock constitutes less than 25% of the shares of Common Stock owned by such party on the date the Amended Stockholders Agreement. All the provisions of the Amended Stockholders Agreement will terminate when no party to the Amended Stockholders Agreement beneficially owns shares representing at least 25% of the outstanding Common Stock owned by such party on the date of the Amended Stockholders Agreement.

The Amended Stockholders Agreement is a revised version of a Stockholders Agreement that was originally entered into by all of the Company's stockholders in June 1996 as a condition to the 1996 Private Placement.

CERTAIN INDEBTEDNESS

On December 28, 1993, the Company agreed to be a co-maker of two installment notes issued as of that date by Ezra Dabah and certain of his family members in connection with their bankruptcy proceedings. Although the Company was a co-maker of the installment notes, the notes expressly provided that they were non-recourse to the Company. The Company agreed to be a co-maker of these installment notes in consideration for the waiver of certain claims in the amount of $20.0 million for repayment of funds previously loaned to the Company by its stockholders. One such installment note, in the principal amount of $2,650,000 ("Note A"), was non-interest bearing and provided for three annual principal payments. Note A was secured by a pledge of shares of the Company's Common Stock held by Ezra Dabah and certain of his family members. Note A was repaid by the Company on July 1, 1996 with a portion of the net proceeds from the 1996 Private Placement. The other installment note, in the principal amount of $2,110,000 ("Note B" and, collectively with Note A, the "Installment Notes"), provided for monthly principal payments of $50,000, commencing November 30, 1995 and continuing through October 31, 1998, with the remaining balance of $310,000 due on November 30, 1998. Interest on Note B accrued at the rate of 5% per annum for the first two years only, of which 3% per annum was payable monthly and the remaining 2% was added to the principal balance, to be paid at final maturity. Note B was secured by a lien on certain personal assets of Ezra Dabah and certain of his family members. The Company repaid Note B on May 28, 1997.

Management believes that the transactions described in the preceding paragraph were upon terms and conditions at least as favorable to the Company as could have been obtained from unaffiliated third parties.

1996 PRIVATE PLACEMENT

In July 1996, the SKM Investors purchased shares of the Company's newly issued Series B Common Stock for an aggregate purchase price of $20.5 million. Under the terms of the Series B Common Stock, such shares were entitled to a liquidation preference over the outstanding Series A Common Stock held by the Company's other stockholders and carried certain special voting and other rights. The shares of Series B Common Stock purchased by the SKM Investors are convertible into 7,659,889 of Common Stock. Such conversion will be effected immediately prior to consummation of the offering made by this Prospectus.

Concurrently with the issuance of the Series B Common Stock to the SKM Investors, the Company sold the Senior Subordinated Notes and the Noteholder Warrant to the Noteholder for a purchase price of $20.0 million. The Company also paid the Noteholder funding and structuring fees in the aggregate amount of $300,000. The Noteholder Warrant expires in 2006 and represents the right to purchase 1,992,252 shares of Common Stock at an exercise price of $2.677 per share, which is equal to the per share purchase price paid by the SKM Investors. The Senior Subordinated Notes are governed by the terms of a note and warrant purchase agreement which provides for certain operating restrictions and financial covenants. Upon consummation of this offering, the Senior Subordinated Notes will be repaid in full at 100% of their principal amount and the Company will repurchase the Noteholder Warrant for an aggregate purchase price determined by multiplying (a) the initial public offering price per share minus the underwriting discount per share (assumed to be 7% of the initial public offering price per share) minus the $2.677 exercise price per share of such warrant by (b) the 1,992,252 shares of Common Stock subject to such warrant. See "Use of Proceeds."

As compensation for Legg Mason's services as placement agent in connection with the 1996 Private Placement, the Company granted Legg Mason the Legg Mason Warrant and paid Legg Mason a cash fee of $1,645,000. The Legg Mason Warrant expires in 2006 and represents the right to purchase 747,096 shares of Common Stock at an exercise price of $2.677 per share, which is equal to the per share purchase

price paid by the SKM Investors. Upon consummation of this offering, the Company will repurchase two-thirds of the Legg Mason Warrant for a purchase price determined by multiplying (a) the initial public offering price per share minus the underwriting discount (assumed to be 7% of the initial public offering price per share) minus the $2.677 exercise price per share of such warrant by (b) the 498,064 shares of Common Stock subject to the portion of such warrant being repurchased. See "Use of Proceeds." Legg Mason has informed the Company that, concurrently with such redemption, Legg Mason will exercise the remaining one-third of the Legg Mason Warrant and will receive 201,414 shares of Common Stock pursuant to such exercise (assuming an initial public offering price of $14.00 per share).

At the time of the 1996 Private Placement, the Company entered into a Registration Rights Agreement with its existing stockholders, the SKM Investors, the Noteholder and Legg Mason, providing for demand and piggyback registration rights under certain circumstances. In addition, the Company and its existing stockholders entered into (i) a Stockholders Agreement with the SKM Investors providing for, among other things, certain restrictions on the issuance and transfer of shares of the Company's capital stock held by its existing stockholders, certain voting rights relating to the election of directors, and veto rights of the directors nominated by the SKM Investors with respect to certain specified matters, and certain other rights granted to the SKM Investors, and (ii) a Warrantholder Agreement with the Noteholder and Legg Mason pursuant to which the Company and its existing stockholders agreed to grant certain rights to the Noteholder. The execution of the Registration Rights Agreements, the Stockholders Agreement and the Warrantholder Agreement was a condition to the 1996 Private Placement. The Registration Rights Agreement and the Stockholders Agreement are being amended and restated in their entirety in connection with the offering made hereby and the Warrantholder Agreement will terminate upon the Company's repurchase of the Noteholder Warrant and the Legg Mason Warrant. For descriptions of the Amended and Restated Stockholders Agreement and the Amended and Restated Registration Rights Agreement, see "Security Ownership by Certain Beneficial Owners and Management--Stockholders Agreement" and "Description of Capital Stock--Registration Rights." At the time of the 1996 Private Placement, there were no existing relationships between the Company and the SKM Investors or the Noteholder.

The net proceeds of the 1996 Private Placement, after payment of transaction expenses, were $37.4 million. The Company used $11.8 million of such net proceeds from the 1996 Private Placement to redeem certain outstanding shares of Common Stock held by certain members of the family of Ezra Dabah and used $2.9 million of such net proceeds to repay certain indebtedness of the Company owed to Mr. Dabah and certain members of his family as described below. At the time of the 1996 Private Placement, all outstanding shares of preferred stock, all of which were held by Mr. Dabah and certain of his family members, were surrendered for no consideration.

Concurrently with the 1996 Private Placement, the Company paid a transaction fee of $250,000 to SKM and reimbursed SKM for $50,000 of out-of-pocket expenses. The Company also entered into an advisory agreement with SKM on June 28, 1996, pursuant to which SKM agreed to provide certain financial advisory services to the Company in connection with the Company's ongoing business and financial matters, including operating and cash flow requirements, corporate liquidity and other corporate finance concerns. In consideration for these services, SKM is entitled to receive an annual fee of $150,000, payable quarterly in advance. Pursuant to the advisory agreement, the Company incurred fees to SKM of approximately $93,000 in fiscal 1996 and approximately $75,000 during the first six months of fiscal 1997. The Company also agreed to indemnify SKM for certain losses arising out of the provision of its advisory services and to reimburse certain of SKM's out-of-pocket expenses. The advisory agreement will continue in effect in accordance with its terms following the offering.

The securities sold by the Company in the 1996 Private Placement were privately placed by the Company pursuant to the exemption from registration under the Securities Act set forth in Section 4(2) of the Securities Act.

RELATED PARTY LOANS

In July 1994, Ezra Dabah, Stanley Silverstein and Mr. Dabah's mother made loans to the Company for working capital purposes in the aggregate amount of $2.5 million. The loans bore interest at rates ranging from 4% to 8% per annum and were subordinated to the Company's working capital facility with its senior lender. In addition, Stanley Silverstein loaned the Company $300,000 in March 1996 at 8% interest per annum. All such loans were repaid with a portion of the net proceeds of the 1996 Private Placement.

During fiscal 1994, Ezra Dabah forwarded funds in the amount of $488,000 to the Company for the subscription for shares to be issued to Mr. Dabah, subject to approval of the Company's Board of Directors, at a future date. The Company's Board of Directors determined to not issue such shares and refunded the $488,000 to Mr. Dabah on July 31, 1997.

Management believes that each of the transactions described in the preceding two paragraphs was upon terms and conditions at least as favorable to the Company as could have been obtained from unaffiliated third parties.

DABAH FAMILY AND GITANO LEGAL PROCEEDINGS

Ezra Dabah, certain members of his family and DG Acquisition filed petitions for reorganization under chapter 11 of the United States Bankruptcy Code in November 1992. In October 1993, a plan of reorganization was confirmed and all of the debtors' pre-bankruptcy obligations were discharged. With the express approval of the creditors' committee, the plan permitted Mr. Dabah and his family members to retain their ownership of the Company. Pursuant to the terms of such plan of reorganization, certain proceedings, not related to the Company, were initiated by the liquidating trustee appointed as part of the Dabah family bankruptcy case and are currently continuing.

In March 1994, Gitano filed a petition under the United States Bankruptcy Code and its assets were subsequently sold to an unaffiliated third party. On several occasions Gitano stockholders initiated litigation against Gitano and certain of its officers, including Mr. Dabah, asserting claims under the federal securities laws, which litigation was ultimately settled. The claims against Mr. Dabah and the other defendants primarily related to alleged misleading and inaccurate statements in public documents in violation of Rule 10b-5 promulgated under the Securities Exchange Act of 1934. These claims were settled with the establishment of a settlement fund for the benefit of the plaintiff class. Pursuant to the terms of the settlement, the plaintiffs withdrew any claims they had asserted against Mr. Dabah.

DESCRIPTION OF CAPITAL STOCK

The following description of the capital stock of the Company is subject to the Delaware General Corporation Law, as amended (the "DGCL"), and to provisions contained in the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated Bylaws (the "Bylaws"), copies of which have been filed as exhibits to the Registration Statement of which this Prospectus forms a part. Reference is made to such exhibits for a detailed description of the provisions thereof summarized below.

Upon consummation of the offering made hereby, the authorized capital stock of the Company will consist of one million shares of preferred stock, par value $1.00 per share, without designation (the "Preferred Stock"), none of which will be issued and outstanding, and 100,000,000 shares of Common Stock, $.10 par value per share, of which 24,622,103 shares will be issued and outstanding (excluding shares issuable pursuant to stock options). Prior to this offering, the Company's common stock has been designated in two series, the Series A Common Stock and the Series B Common Stock. Prior to the consummation of this offering, the Series B Stock will be converted into Series A Common Stock and the Series A Common Stock will be redesignated as Common Stock.

COMMON STOCK

DIVIDENDS. After any requirements with respect to dividends on any Preferred Stock have been met, the holders of Common Stock will be entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors on the Common Stock, which dividends will be paid out of assets legally available therefor and will be distributed pro rata in accordance with the number of shares of Common Stock held by each such holder. See "Dividend Policy."

VOTING RIGHTS. Each holder of Common Stock is entitled to one vote per share on each matter to be voted on by stockholders. Because there is no cumulative voting of shares, the holders of a majority of the voting power of the shares voting for the election of directors can elect all of the directors if they choose to do so. See "Risk Factors--Control by Insiders and Certain Other Stockholders."

LIQUIDATION RIGHTS. In the event of any liquidation, distribution or sale of assets, dissolution or winding-up of the Company, holders of Common Stock will be entitled to share equally and ratably in all assets available for distribution to stockholders after payment of creditors and distribution in full to the holders of any series of Preferred Stock outstanding at the time of any preferential amount to which they may be entitled.

OTHER TERMS. The Common Stock carries no preemptive rights and is not convertible, redeemable or assessable, or entitled to the benefit of any sinking fund.

TRANSFER AGENT AND REGISTRAR. The transfer agent and registrar for the Company's Common Stock is American Stock Transfer & Trust Company.

PREFERRED STOCK

The Board of Directors is empowered to issue Preferred Stock from time to time in one or more series, without stockholder approval, and with respect to each series to determine, subject to limitations prescribed by law, (i) the number of shares constituting such series, (ii) the dividend rate on the shares of each series, whether such dividends shall be cumulative and the relation of such dividends to the dividends payable on any other class of stock, (iii) whether the shares of each series shall be redeemable and the terms thereof, (iv) whether the shares shall be convertible into Common Stock and the terms thereof, (v) the amount per share payable on each series or other rights of holders of such shares on liquidation or dissolution of the Company, (vi) the voting rights, if any, of shares of each series, and (vii) generally any other rights and privileges not in conflict with the Certificate of Incorporation or the DGCL for each series

and any qualifications, limitations or restrictions thereof. To date, no series of Preferred Stock has been authorized and no shares of Preferred Stock have been issued.

The issuance of Preferred Stock by action of the Board of Directors could adversely affect the voting power, dividend rights and other rights of holders of the Common Stock. Issuance of a series of Preferred Stock also could, depending on the terms of such series, either impede or facilitate the completion of a merger, tender offer or other takeover attempt. Although the Board of Directors is required to make a determination as to the best interests of the stockholders of the Company when issuing Preferred Stock, the Board of Directors could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders might believe to be in the best interests of the Company or in which stockholders might receive a premium for their stock over the then prevailing market price. Although there are currently no plans to issue shares of Preferred Stock or rights to purchase such shares, management believes that the availability of the Preferred Stock will provide the Company with increased flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs that might arise. The authorized shares of Preferred Stock are available for issuance without further action by the Company's stockholders, unless such action is required by applicable law or the rules of any stock exchange on which the Common Stock may then be listed.

CERTAIN CERTIFICATE OF INCORPORATION AND BYLAW PROVISIONS

Certain provisions of the Certificate of Incorporation and Bylaws may be deemed to have anti-takeover effects and may discourage, delay or prevent a takeover attempt that a stockholder might consider in its best interest. These provisions, among other things, (i) classify the Company's Board of Directors into three classes, each of which will serve for different three year periods, (ii) provide that only the chairman of the Board of Directors may call special meetings of the stockholders, (iii) provide that a director may be removed by stockholders only for cause by a vote of the holders of more than two-thirds of the shares entitled to vote, (iv) provide that all vacancies on the Company's Board of Directors, including any vacancies resulting from an increase in the number of directors, may be filled by a majority of the remaining directors, even if the number is less than a quorum, (v) establish certain advance notice procedures for nominations of candidates for election as directors and for stockholder proposals to be considered at stockholders' meetings, and (vi) require a vote of the holders of more than two-thirds of the shares entitled to vote in order to amend the foregoing provisions and certain other provisions of the Certificate of Incorporation and ByLaws. In addition, the Board of Directors, without further action of the stockholders, is permitted to issue and fix the terms of preferred stock which may have rights senior to those of the Common Stock.

DELAWARE LAW AND CERTAIN CHARTER PROVISIONS

The Company is subject to the provisions of Section 203 of the DGCL. In general, this statute prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the person becomes an interested stockholder, unless (i) prior to such time the transaction which resulted in the stockholder becoming an interested stockholder was approved by the Company's Board of Directors, or (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the Company outstanding at the commencement of the transaction, subject to certain exceptions, or (iii) at or subsequent to such time, the business combination is approved by the Company's Board of Directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the holders of the Company's outstanding voting stock not owned by the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within the prior three years did own) 15% or more of the Company's voting stock. Such provisions could render the Company more difficult to be acquired pursuant

to an unfriendly acquisition by a third party by making it more difficult for such person to obtain control of the Company without the approval of the Board of Directors.

The Company has included in its Certificate of Incorporation provisions to eliminate the personal liability of its directors for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by the DGCL and to indemnify its directors and officers to the fullest extent permitted by Section 145 of the DGCL. See "Management--Limitation of Liability and Indemnification."

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the offering, the Company will have a total of 24,622,103 shares of Common Stock outstanding (excluding shares issuable pursuant to stock options). Of these shares, the 4,000,000 shares of Common Stock offered hereby will be freely tradable without restriction or registration under the Securities Act by persons other than "affiliates" of the Company, as defined in the Securities Act, who would be required to sell under Rule 144 under the Securities Act. The remaining 20,622,103 shares of Common Stock outstanding will be "restricted securities" as such term is defined by Rule 144 (the "Restricted Shares"). The Restricted Shares were issued and sold by the Company in private transactions in reliance upon exemptions from registration under the Securities Act.

Of the Restricted Shares, 396,120 shares will be eligible for sale in the public market in reliance on Rule 144(k) immediately following the commencement of this offering. The remaining 20,225,983 Restricted Shares will be eligible for sale in the public market pursuant to Rule 144 and Rule 701 under the Securities Act beginning 90 days after the date of this Prospectus as described below. All of the Restricted Shares are subject to lock-up agreements with the Underwriters. See "Underwriting."

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned restricted securities for at least one year (including the holding period of any prior owner except an affiliate), including persons who may be deemed "affiliates" of the Company, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the number of shares of Common Stock then outstanding (approximately 246,221 shares upon completion of the offering) or the average weekly trading volume of the Common Stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements, and to the availability of current public information about the Company. In addition, a person who is not deemed to have been an affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owner except an affiliate), would be entitled to sell such shares under Rule 144(k) without regard to the requirements described above. Rule 144 also provides that affiliates who are selling shares that are not Restricted Shares must nonetheless comply with the same restrictions applicable to Restricted Shares with the exception of the holding period requirement.

Rule 701 promulgated under the Securities Act provides that shares of Common Stock acquired on the exercise of outstanding options may be resold by persons other than affiliates, beginning 90 days after the date of this Prospectus, subject only to the manner of sale provisions of Rule 144, and by affiliates, beginning 90 days after the date of this Prospectus, subject to all provisions of Rule 144 except its one-year minimum holding period.

The Company is party to an Amended and Restated Registration Rights Agreement pursuant to which the SKM Investors and the Company's other existing stockholders may demand registration under the Securities Act of shares of the Common Stock held by them at any time after nine months from the date of this Prospectus. The Company may postpone such a demand under certain circumstances. In addition, the Company's existing stockholders may request the Company to include shares of the Common Stock held by them in any registration proposed by the Company of such Common Stock under the Securities Act.

As of September 1, 1997, options to purchase a total of 1,444,080 shares of Common Stock pursuant to the 1996 Plan were outstanding with a weighted average exercise price of $2.677 per share. It is expected that options to purchase an additional 299,160 shares will be granted prior to this offering at an exercise price equal to the initial public offering price. In addition, a total of 1,000,000 shares of Common Stock are available for future issuance under the 1997 Plan. Following this offering, the Company intends to file one or more registration statements on Form S-8 under the Securities Act to register shares of Common Stock issuable under the 1996 Plan, the 1997 Plan and the Employee Stock Purchase Plan.

Prior to the offering, there has been no public market for the Common Stock and no predictions can be made of the effect, if any, that the sale or availability for sale of shares of Common Stock will have on the market price of the Common Stock. Nevertheless, sales of substantial amounts of such shares in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of the Common Stock and could impair the Company's future ability to raise capital through an offering of its equity securities. See "Risk Factors--Potential Impact of Shares Eligible for Future Sale; Registration Rights."

UNDERWRITING

The Underwriters named below, represented by Montgomery Securities, Donaldson, Lufkin & Jenrette Securities Corporation, Smith Barney Inc. and Legg Mason (the "Representatives"), have severally agreed, subject to the terms and conditions contained in the Underwriting Agreement, to purchase from the Company the number of shares of Common Stock indicated below opposite their respective names, at the initial public offering price less the underwriting discount set forth on the cover page of this Prospectus. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters are committed to purchase all of the shares of Common Stock if they purchase any.

UNDERWRITERS	NUMBER OF SHARES
Montgomery Securities	
Donaldson, Lufkin & Jenrette Securities Corporation	
Smith Barney Inc.	
Legg Mason Wood Walker, Incorporated	
Total	4,000,000

The Representatives have advised the Company that the Underwriters propose initially to offer the shares of Common Stock to the public on the terms set forth on the cover page of this Prospectus. The Underwriters may allow to selected dealers a concession of not more than $ per share; and the Underwriters may allow, and such dealers may reallow, a concession of not more than $ per share to certain other dealers. After the initial public offering, the offering price and other selling terms may be changed by the Representatives. The Common Stock is offered subject to receipt and acceptance by the Underwriters, and to certain other conditions, including the right to reject orders in whole or in part. The Representatives have advised the Company that they intend to make a market in the Common Stock after the effective date of this offering.

The SKM Investors have granted an option to the Underwriters, exercisable during the 30-day period after the date of this Prospectus, to purchase up to a maximum of 600,000 additional shares of Common Stock from such SKM Investors to cover over-allotments, if any, at the same price per share as the initial shares to be purchased by the Underwriters. To the extent that the Underwriters exercise this option, the Underwriters will be committed, subject to certain conditions, to purchase such additional shares in approximately the same proportion as set forth in the above table. The Underwriters may purchase such shares only to cover over-allotments made in connection with this offering.

The Underwriting Agreement provides that the Company and the SKM Investors will indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, or will contribute to payments that the Underwriters may be required to make in respect thereof.

The Representatives have informed the Company that the Underwriters do not expect to make sales of Common Stock offered by this Prospectus to accounts over which they exercise discretionary authority in excess of 5% of the shares of Common Stock offered hereby.

At the request of the Company, the Underwriters have reserved for sale to certain employees of the Company and certain other persons, at the public offering price, up to 280,000 of the shares of Common Stock offered hereby. The number of shares available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby.

The Representatives are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock. If the Underwriters create a short position in the Common

Stock in connection with the offering, I.E., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the Representatives may reduce that short position by purchasing Common Stock in the open market. The Representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

In general, purchases of Common Stock for the purpose of stabilization or to reduce a short position could cause the price of the Common Stock to be higher than it might be in the absence of such purchases. Neither the Company nor any of the Underwriters makes any representation or predictions as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, neither the Company nor any of the Underwriters makes any representation that the Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Pursuant to a redemption agreement entered into between the Company and Legg Mason, one of the Representatives, the Company will use approximately $5.2 million of the net proceeds of this offering to redeem, upon consummation of this offering, two-thirds of the Legg Mason Warrant. The redemption price to be paid by the Company to Legg Mason will be determined by multiplying (a) the initial public offering price per share minus the underwriting discount (assumed to be 7% of the initial public offering price per share) minus the $2.677 exercise price per share of such warrant by (b) the 498,064 shares of Common Stock subject to the portion of such warrant being repurchased. Legg Mason has informed the Company that, concurrently with such redemption, Legg Mason will exercise the remaining one-third of the Legg Mason Warrant and will receive 201,414 shares of Common Stock pursuant to a cashless exercise of such portion of the Legg Mason Warrant (assuming an initial public offering price of $14.00 per share). The Legg Mason Warrant was issued as partial compensation for its services in connection with the 1996 Private Placement; the Company also paid Legg Mason a total cash fee of $1.6 million for services in connection with the 1996 Private Placement. As a result of this warrant redemption, the Conduct Rules of the National Association of Securities Dealers, Inc. require that the initial public offering price be established at a price no higher than that recommended by a "qualified independent underwriter" (as defined in such Conduct Rules) that (i) does not beneficially own 5% or more of the outstanding voting securities of the Company, (ii) participates in the preparation of this Prospectus and the Registration Statement of which this Prospectus is a part and (iii) exercises the usual standards of "due diligence" in respect thereto. Montgomery Securities is acting as such qualified independent underwriter with respect to this offering. As a result of the warrant redemption and its participation as an underwriter in this offering, Legg Mason is expected to receive approximately 9.7% of the gross proceeds of this offering.

The Company's stockholders and Legg Mason have agreed that, subject to certain limited exceptions, for a period of 180 days from the date of this Prospectus, they will not, without the prior written consent of Montgomery Securities, directly or indirectly, sell, offer, contract or grant any option to sell or otherwise dispose of any shares of the Company's capital stock, options or warrants to acquire shares of the Company's capital stock, or securities exchangeable or exercisable for or convertible into shares of the Company's capital stock. Montgomery Securities may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to these lock-up agreements. The Company has agreed that, for a period of 180 days from the date of this Prospectus, it will not, directly or indirectly, sell, offer, contract or grant any option to sell or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock, or securities exchangeable or exercisable for or convertible into shares of Common Stock, except that the Company may issue shares of Common Stock or options to purchase Common Stock pursuant to any stock option, stock bonus or other stock plan or arrangement described in this Prospectus, but only if the holders of such shares or options agree in writing not to sell, offer, dispose of or otherwise transfer any such shares or options during such 180-day period.

The shares of Common Stock offered hereby have been approved for listing on the Nasdaq National Market under the symbol PLCE.

Prior to this offering, there has been no public market for the Common Stock. Consequently, the initial public offering price of the Common Stock will be determined by negotiations among the Representatives and the Company. Among the factors considered in such negotiations will be the history of, and the prospects for, the Company and the industry in which it competes, an assessment of the Company's management, its past and present earnings and the trend of such earnings, the general condition of securities markets at the time of this offering and the market price of publicly traded stock of comparable companies in recent periods.

LEGAL MATTERS

The validity of the shares offered hereby will be passed upon for the Company by Stroock & Stroock & Lavan LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by Hale and Dorr LLP, Boston, Massachusetts.

EXPERTS

The audited financial statements included in this Prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as stated in their reports with respect thereto, and are included herein, in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission"), 450 Fifth Street, N.W., Washington, D.C. 20549, a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act, for the registration of the Common Stock offered by this Prospectus. Certain of the information contained in the Registration Statement is omitted from this Prospectus, and reference is hereby made to the Registration Statement and exhibits relating thereto for further information concerning the Company and the Common Stock. Statements contained herein concerning the provisions of any document are not necessarily complete and in each instance reference is made to the copy of the document filed as an exhibit to the Registration Statement. Each such statement is qualified in its entirety by this reference.

The Registration Statement and the exhibits thereto are available for inspection in the principal office of the Commission in Washington, D.C. and photostatic copies of such material may be obtained from the Commission upon payment of the fees prescribed by the Commission. In addition, such material may be electronically examined at the Commission's Web site on the Internet located at http://www.sec.gov.

The Company intends to distribute to its stockholders annual reports containing financial statements audited by its independent certified public accountants and quarterly reports containing unaudited financial information for the first three quarters of each fiscal year.

INDEX TO
FINANCIAL STATEMENTS
THE CHILDREN'S PLACE RETAIL STORES, INC.

	PAGE
Report of Independent Public Accountants	F-2
Balance Sheets at February 3, 1996, February 1, 1997 and August 2, 1997 (unaudited)	F-3
Statements of Income for the fiscal years ended January 28, 1995, February 3, 1996 and February 1, 1997 and for the six months ended August 3, 1996 (unaudited) and August 2, 1997 (unaudited)	F-4
Statements of Changes in Stockholders' Equity (Deficit) for the fiscal years ended January 28, 1995, February 3, 1996 and February 1, 1997 and for the six months ended August 2, 1997 (unaudited)	F-5
Statements of Cash Flows for the fiscal years ended January 28, 1995, February 3, 1996 and February 1, 1997 and for the six months ended August 3, 1996 (unaudited) and August 2, 1997 (unaudited)	F-6
Notes to Financial Statements	F-7

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of The

Children's Place Retail Stores, Inc.:

We have audited the accompanying balance sheets of The Children's Place Retail Stores, Inc. (a Delaware corporation) as of February 1, 1997 and February 3, 1996, and the related statements of income, changes in stockholders' equity (deficit) and cash flows for each of the three fiscal years in the period ended February 1, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Place Retail Stores, Inc. as of February 1, 1997 and February 3, 1996, and the results of its operations and its cash flows for each of three fiscal years in the period ended February 1, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

New York, New York

March 13, 1997 (except with respect to the

matters discussed in Note 15, as to which

the date is September 18, 1997)

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

	FEBRUARY 3, 1996	FEBRUARY 1, 1997	ACTUAL AUGUST 2, 1997 (UNAUDITED)	PRO FORMA AUGUST 2, 1997(1) (UNAUDITED)
ASSETS				
Cash and cash equivalents	$ 569	$ 3,422	$ 631	$ 631
Accounts receivable	641	890	1,637	1,637
Inventories	12,613	14,425	22,445	22,445
Prepaid expenses and other current assets	2,349	3,163	4,281	4,281
Deferred income taxes, net of valuation allowance	0	5,788	5,788	5,788
Total current assets	16,172	27,688	34,782	34,782
Property and equipment, net	15,792	20,299	27,853	27,853
Deferred income taxes, net of valuation allowance	0	14,711	15,283	15,283
Other assets	109	1,781	1,830	1,830
Total assets	$ 32,073	$ 64,479	$ 79,748	$ 79,748
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
LIABILITIES:				
Revolving credit facility	$ 8,689	$ 0	$ 12,464	$ 12,464
Current portion of long-term debt	6,808	600	0	0
Current maturities of obligations under capital leases	692	772	477	477
Accounts payable	12,856	8,322	12,564	12,564
Accrued expenses, interest and other current liabilities	4,757	6,043	7,198	32,955
Total current liabilities	33,802	15,737	32,703	58,460
Long-term debt	7,373	19,040	18,439	18,439
Obligations under capital leases	862	92	12	12
Other long-term liabilities	1,771	2,312	2,517	2,517
Total liabilities	43,808	37,181	53,671	79,428
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY (DEFICIT):				
Preferred stock, $1 par value	10	0	0	0
Common stock, Series A, $.10 par value	0	1,276	1,276	1,276
Common stock, Series B, $.10 par value	0	5	5	5
Common stock, $.10 par value	14	0	0	0
Additional paid-in capital	50,557	57,842	57,354	31,597
Accumulated deficit	(62,266)	(31,825)	(32,558)	(32,558)
Less: Treasury stock, 2,800 shares of common stock, at cost	(50)	0	0	0
Total stockholders' equity (deficit)	(11,735)	27,298	26,077	320
Total liabilities and stockholders' equity (deficit)	$ 32,073	$ 64,479	$ 79,748	$ 79,748

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(1) Refer to Note 16 -- Unaudited Pro Forma Balance Sheet.

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

STATEMENTS OF INCOME

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	FISCAL YEAR ENDED			SIX MONTHS ENDED	
	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 3, 1996 (UNAUDITED)	AUGUST 2, 1997 (UNAUDITED)
Net sales	$ 107,953	$ 122,060	$143,838	$ 56,412	$72,737
Cost of sales	74,229	83,434	89,786	38,300	48,917
Gross profit	33,724	38,626	54,052	18,112	23,820
Selling, general and administrative expenses	27,873	30,757	36,251	15,926	19,287
Pre-opening costs	178	311	982	212	1,222
Depreciation and amortization	3,344	3,496	4,017	1,854	2,615
Operating income	2,329	4,062	12,802	120	696
Interest expense, net	1,303	1,925	2,884	1,182	1,815
Other expense, net	0	447	396	379	106
Income (loss) before income taxes and extraordinary item	1,026	1,690	9,522	(1,441)	(1,225)
Provision (benefit) for income taxes	54	36	(20,919)	21	(492)
Income (loss) before extraordinary item	972	1,654	30,441	(1,462)	(733)
Extraordinary item--gain on forgiveness of debt	490	0	0	0	0
Net income (loss)	$ 1,462	$ 1,654	$ 30,441	$ (1,462)	$ (733)
Pro forma net income (loss) per common share (unaudited)			$ 1.28		$ (0.03)
Pro forma weighted average common shares outstanding (unaudited)			23,804,185		23,804,185

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE FISCAL YEARS ENDED JANUARY 28, 1995, FEBRUARY 3, 1996
AND FEBRUARY 1, 1997 AND FOR THE SIX MONTHS ENDED AUGUST 2, 1997

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	PREFERRED STOCK		SERIES A COMMON STOCK		SERIES B COMMON STOCK		COMMON STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE, January 29, 1994	10,000	$ 10	0	$0	0	$0	137,200	$ 14
Receipt of funds toward common stock subscription	0	0	0	0	0	0	0	0
Net income	0	0	0	0	0	0	0	0
BALANCE, January 28, 1995	10,000	10	0	0	0	0	137,200	14
Net income	0	0	0	0	0	0	0	0
BALANCE, February 3, 1996	10,000	10	0	0	0	0	137,200	14
Surrendered preferred stock	(10,000)	(10)	0	0	0	0	0	0
Exercise of stock options	0	0	0	0	0	0	2,800	0
Issuance of warrants	0	0	0	0	0	0	0	0
Conversion of common stock to Series A Common Stock	0	0	16,800,000	1,680	0	0	(140,000)	(14)
Issuance of Series B Common Stock, net of transaction costs	0	0	0	0	47,238	5	0	0
Redemption of Series A Common Stock	0	0	(4,039,200)	(404)	0	0	0	0
Net income	0	0	0	0	0	0	0	0
BALANCE, February 1, 1997	0	0	12,760,800	1,276	47,238	5	0	0
Return of funds toward common stock subscription	0	0	0	0	0	0	0	0
Net loss (unaudited)	0	0	0	0	0	0	0	0
BALANCE, August 2, 1997 (unaudited)	0	$ 0	12,760,800	$ 1,276	47,238	$5	0	$ 0

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
BALANCE, January 29, 1994	$ 50,069	$ (65,382)	(2,800)	$ (50)	$ (15,339)
Receipt of funds toward common stock subscription	488	0	0	0	488
Net income	0	1,462	0	0	1,462
BALANCE, January 28, 1995	50,557	(63,920)	(2,800)	(50)	(13,389)
Net income	0	1,654	0	0	1,654
BALANCE, February 3, 1996	50,557	(62,266)	(2,800)	(50)	(11,735)
Surrendered preferred stock	10	0	0	0	0
Exercise of stock options	123	0	2,800	50	173
Issuance of warrants	1,501	0	0	0	1,501
Conversion of common stock to Series A Common Stock	(1,666)	0	0	0	0
Issuance of Series B Common Stock, net of transaction costs	18,758	0	0	0	18,763
Redemption of Series A Common Stock	(11,441)	0	0	0	(11,845)
Net income	0	30,441	0	0	30,441
BALANCE, February 1, 1997	57,842	(31,825)	0	0	$ 27,298
Return of funds toward common stock subscription	(488)	0	0	0	(488)
Net loss (unaudited)	0	(733)	0	0	(733)
BALANCE, August 2, 1997 (unaudited)	$ 57,354	$ (32,558)	0	$ 0	$ 26,077

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	FISCAL YEAR ENDED			SIX MONTHS ENDED	
	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 3, 1996	AUGUST 2, 1997
				(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 1,462	$ 1,654	$ 30,441	$ (1,462)	$ (733)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,344	3,496	4,017	1,854	2,615
Deferred financing fee amortization	0	0	359	54	304
Loss on disposals of property and equipment	0	156	0	2	25
Extraordinary gain	(490)	0	0	0	0
Deferred taxes	0	0	(21,263)	0	(572)
Changes in operating assets and liabilities:					
Accounts receivable	38	(146)	(249)	(148)	(747)
Inventories	(1,819)	(1,601)	(1,812)	463	(8,020)
Prepaid expenses and other current assets	454	(243)	(814)	(647)	(1,118)
Other assets	251	(29)	(128)	(6)	(229)
Accounts payable	(531)	5,691	(4,536)	(5,676)	4,242
Accrued expenses, interest and other current liabilities	864	530	2,045	1,027	1,360
Payment of restructuring charges	(2,265)	(1,854)	(214)	0	0
Total adjustments	(154)	6,000	(22,595)	(3,077)	(2,140)
Net cash provided by (used in) operating activities	1,308	7,654	7,846	(4,539)	(2,873)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Property and equipment purchases	(2,723)	(6,935)	(8,492)	(2,759)	(10,159)
Net cash used in investing activities	(2,723)	(6,935)	(8,492)	(2,759)	(10,159)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings under revolving credit facility	8,500	76,919	141,907	53,413	88,557
Repayments under revolving credit facility	(8,000)	(73,596)	(150,596)	(59,147)	(76,093)
Proceeds from issuance of long-term debt	699	0	20,000	20,000	0
Repayment of long-term debt	(2,067)	(3,436)	(12,821)	(12,521)	(1,360)
Proceeds from related party loan	2,500	0	0	0	0
Receipt of funds toward common stock subscription	488	0	0	0	0
Payment of obligations under capital leases	(1,220)	(387)	(690)	(335)	(375)
Return of funds toward common stock subscription	0	0	0	0	(488)
Increase in bank overdrafts	288	0	0	0	0
Redemption of Series A Common Stock	0	0	(11,845)	(11,845)	0
Net proceeds from Series B Common Stock	0	0	18,763	18,763	0
Exercise of stock options	0	0	173	173	0
Deferred financing costs	0	0	(1,392)	(1,334)	0
Net cash provided by (used in) financing activities	1,188	(500)	3,499	7,167	10,241
Net increase (decrease) in cash and cash equivalents	(227)	219	2,853	(131)	(2,791)
Cash and cash equivalents, beginning of period	577	350	569	569	3,422
Cash and cash equivalents, end of period	$ 350	$ 569	$ 3,422	$ 438	$ 631

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

NOTES TO FINANCIAL STATEMENTS

(ALL INFORMATION RELATING TO THE SIX MONTHS ENDED AUGUST 3, 1996 AND AUGUST 2, 1997 IS UNAUDITED.)

1. BUSINESS AND ORGANIZATION OF THE COMPANY

The Children's Place Retail Stores, Inc., a Delaware corporation (the "Company"), is a specialty retailer of high quality, value-priced apparel and accessories for newborn to twelve year old children. The Company designs, contracts to manufacture and sells its products under "The Children's Place" brand name. As of February 1, 1997, the Company operated 108 stores, primarily located in regional shopping malls in the eastern half of the United States.

During the fiscal year ended February 1, 1997 ("Fiscal 1996"), the Company embarked on an aggressive expansion program. During Fiscal 1996, the Company opened 18 new stores and substantially remodeled or relocated 5 stores. During the six months ended August 2, 1997, 26 new stores were opened. During the fiscal year ended February 3, 1996 ("Fiscal 1995"), the Company opened 9 new stores. The Company's future operating results will depend largely upon its ability to open and operate new stores successfully and to manage a growing business profitably.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR

The Company's fiscal year is a 52-week or 53-week period ending on the Saturday nearest to January 31. The results for fiscal 1994, 1995 and 1996 represent the 52-week period ended January 28, 1995 ("Fiscal 1994"), the 53-week period ended February 3, 1996 and the 52-week period ended February 1, 1997, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates made by and assumptions used by management.

CASH AND CASH EQUIVALENTS

In accordance with the Statement of Financial Accounting Standards ("SFAS") No. 95, "Statement of Cash Flows," the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

INVENTORIES

Inventories, which consist primarily of finished goods, are stated at the lower of average cost or market as determined by the retail inventory method.

COST OF SALES

The Company includes its buying, distribution and occupancy expenses in its cost of sales.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, except for store fixtures and equipment under capital leases which are recorded at the present value of the future lease payments as of lease inception. Property and equipment is depreciated on a straight-line basis based upon their estimated useful lives, which range from three to ten years. Amortization of property and equipment under capital leases and leasehold improvements is computed on a straight-line basis over the term of the lease or the estimated useful life, whichever is shorter.

DEFERRED FINANCING COSTS

The Company capitalizes costs directly associated with acquiring long-term third-party financing, including the value of the Legg Mason warrants attributable to the debt financing portion of the 1996 Private Placement discussed further in Note 3--1996 Private Placement and Note 10--Stockholders' Equity (Deficit). Deferred financing costs are included in other assets and are amortized over the term of the indebtedness. As of February 1, 1997 unamortized deferred financing costs were approximately $1.6 million, net of accumulated amortization of $0.4 million. The Company expects to write-off its unamortized deferred financing costs and debt discount in conjunction with its contemplated repayment of debt following its initial public offering (see Note 15--Subsequent Events).

ACCOUNTING FOR IMPAIRMENTS IN LONG-LIVED ASSETS

The Financial Accounting Standards Board ("FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets Being Disposed Of," which the Company adopted in the First Fiscal Quarter 1996. This statement requires that long-lived assets and identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that carrying amounts of the assets may not be recoverable. The Company continually evaluates the carrying value and the economic useful life of its long-lived assets based on the Company's operating performance and the expected future net cash flows and will adjust the carrying amount of assets which may not be recoverable. The Company does not believe that any impairment exists in the recoverability of its long-lived assets.

PRE-OPENING COSTS

Store pre-opening costs, which consist primarily of payroll, supply and advertising expenses, are expensed as incurred.

ADVERTISING COSTS

The Company expenses the cost of advertising when the advertising is first run or displayed. Included in selling, general and administrative expenses for Fiscal 1994, Fiscal 1995 and Fiscal 1996 is $1,388,000, 1,253,000 and $1,706,000, respectively, in advertising costs.

RESTRUCTURING

Included in selling, general and administrative expenses for Fiscal 1994, 1995 and 1996 is $481,000, $350,000 and $483,000, respectively, of restructuring costs, primarily consisting of legal, consulting and severance costs regarding the closing of numerous store locations. In addition, included in the statement of

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cash flows for Fiscal 1994 and Fiscal 1995 is the payment of restructuring charges which were recorded prior to Fiscal 1994.

INCOME TAXES

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). This standard requires recognition of deferred tax assets and liabilities, measured by enacted rates, attributable to temporary differences between financial statement and income tax basis of assets and liabilities. Temporary differences result primarily from accelerated depreciation and amortization for tax purposes and various accruals and reserves being deductible for tax periods in future periods. See Note 9--Income Taxes for a discussion of income taxes and the Company's net operating loss carryforwards.

FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Values of Financial Instruments," requires entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the balance sheets, for which it is practicable to estimate fair value. For purposes of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value is based on quoted market prices for the same or similar financial instruments.

As cash and cash equivalents, accounts receivable and payable, and certain other short-term financial instruments are all short-term in nature, their carrying amount approximates fair value. The fair values of the Company's long-term debt are discussed further in Note 4--Short and Long-term Borrowings.

ACCOUNTING FOR STOCK BASED COMPENSATION

The Company accounts for its 1996 Stock Option Plan (the "1996 Plan") under the provisions of Accounting Principles Bulletin ("APB") No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), establishes a fair value based method of accounting for stock-based compensation plans and requires adoption or pro forma disclosure for all transactions entered into after December 15, 1994. See Note 11--Stock Option Plan for a discussion of the Company's pro forma disclosure of its 1996 Plan.

ACCOUNTING FOR COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income." Under SFAS No. 130, the Company will be required to present comprehensive income in its primary financial statements. Other comprehensive income represents revenues, expenses, gains and losses that bypass the income statement. The Company will be required to display the cumulative effect of other comprehensive income items as a separate component of stockholders' equity, and present the components of other comprehensive income in its income statement or statement of stockholders' equity. This statement is effective for fiscal years beginning after December 15, 1997 and reclassification of comparative information for prior years' financial statements will be required. Management does not

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

believe that the accompanying financial statements will be affected by the adoption of SFAS No. 130, and will adopt SFAS No. 130 during the first quarter of Fiscal 1998.

RECLASSIFICATIONS

Certain prior period balances have been reclassified to conform to current year presentation.

UNAUDITED INTERIM FINANCIAL INFORMATION

All information with respect to the balance sheet as of August 2, 1997 and the statements of income, changes in stockholders' equity (deficit) and cash flows for the six months ended August 3, 1996 and the six months ended August 2, 1997 is unaudited and has been prepared in accordance with generally accepted accounting principles for interim financial presentation. In the opinion of management, the unaudited financial statements contain all adjustments necessary for a fair presentation of the results of such periods. The unaudited financial statements have been prepared on a basis consistent with that of the audited financial statements as of February 1, 1997. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The results of operations for the six months ended August 2, 1997 are not necessarily indicative of the results of operations that may be expected for the full year.

PRO FORMA NET INCOME PER COMMON SHARE

Pro forma net income per common share is calculated by dividing net income by the pro forma weighted average common shares and common share equivalents outstanding as if (i) the proposed stock split and Series B conversion as discussed in Note 15--Subsequent Events, (ii) the 1996 Private Placement of Common Stock as discussed in Note 3--Private Placements, (iii) the cancellation of the preferred shares as discussed in Note 10--Stockholders' Equity (Deficit) and (iv) the granting of management options in conjunction with the 1996 Private Placement as discussed in Note 11--Stock Option Plan, occurred on February 4, 1996. Common share equivalents include the Noteholder Warrant, the Legg Mason Warrant, as discussed in Note 3--1996 Private Placement, and management options to purchase common stock, calculated using the treasury stock method in accordance with APB Opinion No. 15, "Earnings per Share," ("APB No. 15") at an assumed initial public offering price of $14.00 per share. Pro forma fully diluted net income per common share is equal to the amount presented.

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings per Share." Under SFAS No. 128, the presentation of both basic and diluted earnings per share is required on the statements of income for periods ending after December 15, 1997, at which time restatement will be necessary. Had the provisions of SFAS No. 128 been in effect for Fiscal 1996 and the six months ended August 2, 1997, the Company would have reported pro forma basic net income (loss) per share of $1.49 (unaudited) and $(0.04) (unaudited) for Fiscal 1996 and for the six months ended August 2, 1997, respectively. Under SFAS No. 128, pro forma diluted earnings per share is equal to the pro forma net income per share currently disclosed by the Company.

3. 1996 PRIVATE PLACEMENT

During Fiscal 1996, the Company employed the services of Legg Mason Wood Walker, Incorporated ("Legg Mason") to assist, as its placement agent, in the recapitalization of the Company. As a result, pursuant to a note and warrant purchase agreement dated June 28, 1996 (the "Note and Warrant Purchase Agreement") between the Company and Nomura Holding America Inc. (the "Noteholder"), the Company sold to the Noteholder, for a purchase price of $20 million, the Company's 12% Senior Subordinated Notes due 2002 (the "Senior Subordinated Notes") in the principal amount of $20 million, together with a warrant (the "Noteholder Warrant") representing the right to purchase 1,992,252 shares of Common Stock at an exercise price of $2.677 per share. This warrant was valued for financial reporting purposes by an independent appraisal firm at approximately $1.9 million. This amount has been accounted for herein as a credit to additional paid-in capital, net of income tax effect of $0.8 million, and a discount to the Senior Subordinated Notes, and is being amortized over the six year term of the Senior Subordinated Notes. The Company also paid the Noteholder funding and structuring fees in the aggregate amount of $300,000.

Concurrent with the sale of the Senior Subordinated Notes, Legg Mason assisted the Company in its sale of its newly issued Series B Common Stock to two funds managed by Saunders Karp & Megrue L.P. ("SKM"), The SK Equity Fund, L.P. and SK Investment Fund, L.P., together with a former consultant to SKM (collectively, the "SKM Investors"). The aggregate proceeds from the sale of the Series B Common Stock were approximately $20.5 million, before deducting transaction costs of approximately $1.7 million. See Note 10--Stockholders' Equity (Deficit) for a discussion of the Series B Common Stock. Concurrently with the 1996 Private Placement, the Company paid a transaction fee of $250,000 to SKM and reimbursed SKM for $50,000 of out-of-pocket expenses.

Net proceeds from the sale of the Senior Subordinated Notes and the issuance of the Series B Common Stock (collectively, the "1996 Private Placement"), were used to (i) redeem certain outstanding shares of Common Stock ($11.8 million), (ii) repay certain indebtedness and related interest ($13.5 million), (iii) pay transaction costs ($3.1 million), (iv) reduce borrowings under the Foothill Credit Facility (see Note 4--Short- and Long-term Borrowings) and (v) for other general corporate purposes.

In conjunction with the 1996 Private Placement, Legg Mason received $1.6 million in cash fees and a warrant to purchase 747,096 shares of Common Stock at an exercise price of $2.677 per share (the "Legg Mason Warrant"). This warrant was valued for financial reporting purposes by an independent appraisal firm at approximately $700,000. An amount equal to 49.4% of the value of the warrant, determined on the basis of gross proceeds from the 1996 Private Placement, was attributable to the placement of the Senior Subordinated Notes, has been credited to additional paid-in capital and capitalized as deferred financing costs in other assets, and is being amortized over the six year term of the Senior Subordinated Notes. See Note 10--Stockholders' Equity (Deficit) for a further discussion of the Legg Mason Warrant.

4. SHORT AND LONG-TERM BORROWINGS

SHORT-TERM BORROWINGS

THE FOOTHILL CREDIT FACILITY

On April 12, 1995, the Company entered into a revolving credit facility ("the Foothill Credit Facility") with Foothill Capital Corporation ("Foothill Capital"). The Foothill Credit Facility provided for borrowings of up to $15 million and up to $5 million of letters of credit. In May 1996, the Foothill Credit Facility

4. SHORT AND LONG-TERM BORROWINGS (CONTINUED)

was amended to provide for up to $20 million in borrowings and up to $10 million of letters of credit. On July 31, 1997, the Foothill Credit Facility was further amended to provide for up to $30 million in borrowings and up to $20 million in letters of credit. The amended Foothill Credit Facility expires in July, 2000 and provides for one year automatic renewal options. As of February 3, 1996, February 1, 1997 and August 2, 1997 (unaudited) the Company had $8.7 million, $0.0 million and $12.5 million, respectively, outstanding under the Foothill Credit Facility. Letters of credit outstanding as of February 3, 1996, February 1, 1997 and August 2, 1997 (unaudited) were $2.0 million, $4.7 million and $7.0 million, respectively. Availability as of February 3, 1996, February 1, 1997 and August 2, 1997 was $0.6 million, $11.9 million and $5.8 million, respectively.

The availability of borrowings under the amended Foothill Credit Facility is determined as an amount equal to the sum of (i) 90% of eligible accounts receivable, (ii) 30% of the selling price of eligible inventory (not to exceed 65% of the cost of eligible inventory) and (iii) 30% of the retail selling price of inventory to be acquired pursuant to the outstanding letters of credit not to exceed the lower of (a) the face value of the outstanding letters of credit or (b) 65% of the cost of inventory to be acquired pursuant to the outstanding letters of credit. The Company's obligations under the amended Foothill Credit Facility are secured by a first priority security interest on the Company's present and future assets, intellectual property and other general intangibles.

The amended Foothill Credit Facility also contains certain financial covenants, including, among others, the maintenance of minimum levels of tangible net worth, working capital and current ratios and maximum capital expenditures, as defined in the amended Foothill Credit Facility, as well as a prohibition on the payment of dividends. The Company obtained a waiver from Foothill Capital with respect to the capital expenditure limitations for fiscal 1996, which enabled the Company to open additional stores in connection with its expansion program. The Company anticipates that the availability for capital expenditures under this covenant will be adequate to support the Company's capital requirements. As of February 1, 1997, the Company was in compliance with all of its other covenants under the Foothill Credit Facility. Noncompliance with these covenants could result in additional fees or could affect the availability of the facility.

Amounts outstanding under the amended credit facility bear interest at a floating rate equal to the reference rate of Norwest Bank Minnesota N.A. or, at the Company's option, the 30-day LIBOR Rate plus a pre-determined spread. The LIBOR spread is 1 1/2% or 2%, depending upon the Company's financial performance from time to time. As of each of February 3, 1996 and February 1, 1997, the interest rate charged under the Foothill Credit Facility was 10.75%. In addition, the Company was also required to pay an anniversary fee of $150,000 during Fiscal 1996 and $100,000 during the six months ended August 2, 1997.

4. SHORT AND LONG-TERM BORROWINGS (CONTINUED)

Borrowing activity under the Foothill Credit Facility was as follows (dollars in thousands):

	FOR THE FISCAL YEARS ENDED	
	FEBRUARY 3, 1996	FEBRUARY 1, 1997
Weighted average balances outstanding	$ 9,556	$ 5,403
Weighted average interest rate	11.21%	10.75%
Maximum balance outstanding	$ 15,747	$ 12,687

LONG-TERM BORROWINGS

The fair value of the Company's long-term debt is estimated based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities. Management believes that the carrying amount of the Company's long-term debt approximates fair value. The components of the Company's long-term debt are as follows (dollars in thousands) :

	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 2, 1997
			(UNAUDITED)
Senior Subordinated Notes	$ 0	$ 20,000	$ 20,000
Installment Notes	4,610	1,360	0
Finchside Notes	3,713	0	0
Skiva Note	3,358	0	0
Related party loan	2,500	0	0
	14,181	21,360	20,000
Less: Current portion	(6,808)	(600)	0
Less: Unamortized discount of Senior Subordinated Notes	0	(1,720)	(1,561)
Total long-term debt	$ 7,373	$ 19,040	$ 18,439

THE SENIOR SUBORDINATED NOTES

The Senior Subordinated Notes, which mature in 2002, are in the principal amount of $20.0 million and bear interest at a rate of 12% per annum, payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing on July 1, 1996. These notes have been discounted by $1.9 million relative to the valuation of the Noteholder Warrant for financial reporting purposes (see Note 10-- Stockholders' Equity (Deficit)). This discount is being accreted into interest expense over the six year term of the Senior Subordinated Notes.

The Senior Subordinated Notes are governed by the terms of a Note and Warrant Purchase Agreement which provides for certain operating restrictions and financial covenants. The Senior Subordinated Notes by their terms are subordinated to borrowings under the Foothill Credit Facility. The Senior Subordinated Notes rank senior to or pari passu with all other unsecured indebtedness of the Company. The Senior Subordinated Notes may not be prepaid prior to December 31, 1997, except upon consummation of an initial public offering of the Company's Common Stock. On or after December 31, 1997 or, if

4. SHORT AND LONG-TERM BORROWINGS (CONTINUED)

earlier, upon consummation of an initial public offering, the Senior Subordinated Notes may be prepaid in whole or in part, upon payment of a prepayment premium of 6% through December 31, 1998, decreasing to 4% during 1999 and 2% during 2000, with no prepayment premium thereafter. Notwithstanding the foregoing, the Senior Subordinated Notes may be prepaid at any time without a prepayment premium if concurrently with prepayment the Noteholder is afforded the opportunity to sell at least 75% of the stock underlying its warrants in a public offering of the Company. The Company obtained an amendment from the Noteholder with respect to the capital expenditure limitations for fiscal 1996, which enabled the Company to open additional stores in connection with its expansion.

THE INSTALLMENT NOTES

On December 28, 1993, the Company agreed to be a co-maker of two installment notes issued as of that date by the Chairman of the Board and certain of his family members in connection with their bankruptcy proceedings. Although the Company was a co-maker of the installment notes, the notes expressly provided that they were non-recourse to the Company. The Company agreed to be a co-maker of these installment notes in consideration for the waiver of certain claims in the amount of $20.0 million for repayment of funds previously loaned to the Company by its stockholders. One such installment note, in the principal amount of $2,650,000 ("Note A"), was non-interest bearing and provided for three annual principal payments. Note A was secured by a pledge of shares of the Company's Common Stock held by the Chairman of the Board and certain of his family members. Note A was repaid by the Company on July 1, 1996 with a portion of the net proceeds from the 1996 Private Placement. The other installment note, in the principal amount of $2,110,000 ("Note B" and collectively with Note A, the "Installment Notes"), provided for monthly principal payments of $50,000, commencing November 30, 1995 and continuing through October 31, 1998, with the remaining balance of $310,000 due on November 30, 1998. Interest on Note B accrued at the rate of 5% per annum for the first two years only, of which 3% per annum was payable monthly and the remaining 2% was added to the principal balance, to be paid at final maturity. Note B was secured by a lien on certain personal assets of the Chairman of the Board and certain of his family members. The Company repaid Note B on May 28, 1997 (unaudited).

THE FINCHSIDE NOTES

On June 28, 1991, the Company entered into a $10 million financing agreement with Finchside International, Ltd. ("Finchside"), an unaffiliated lender, which provided for irrevocable letters of credit, draft acceptances and advances (up to 120 days) to finance inventory purchases. The Company subsequently entered into a non-interest bearing agreement (the "Finchside Notes") with Finchside on January 28, 1993 providing for the repayment of $7.6 million in past due amounts under the original financing agreement. The Finchside Notes required installment payments of principal through June 1997. As a result of the Company's financial difficulties leading to its revised agreement with Finchside, the issuance of the Finchside Notes was accounted for as a troubled debt restructuring and therefore no interest was imputed on the Finchside Notes. On July 22, 1994, the Company amended and extended the remaining principal amount of the Finchside Notes of $5,712,000 over seven non-interest bearing payments commencing December 1995 with full repayment required by December 1998. On December 8, 1995, the Company further amended the repayment schedule of the Finchside Notes to provide for a final maturity in August 1998. The Finchside Notes were repaid on June 28, 1996 with a portion of the net proceeds from the 1996 Private Placement.

4. SHORT AND LONG-TERM BORROWINGS (CONTINUED)

THE SKIVA NOTE

During the fiscal year ended January 30, 1993 ("Fiscal 1992"), Skiva International, Inc. ("Skiva") agreed to extend credit to the Company for working capital purposes, under an informal financing arrangement personally guaranteed by certain stockholders of the Company. As a result of a default by the Company during fiscal 1992, Skiva accepted a note from the Company (the "Skiva Note") in the aggregate principal amount of $4,473,000 with no interest. As a result of the Company's financial difficulties leading to its revised arrangement with Skiva, the issuance of the Skiva Note was accounted for as a troubled debt restructuring and therefore no interest was imputed on the Skiva Note. In Fiscal 1994, as the Company continued to restructure its business, the terms of the Skiva Note were amended to extend the repayment of the outstanding principal balance of $3,358,000, with no interest, over nine quarterly installment payments commencing in December 1995. On January 1, 1996, the Company further amended the Skiva Note to provide for a revised repayment schedule, an annual interest rate of 10% on the remaining balance and a $154,000 payment for accrued interest for the six month period ended June 30, 1996. The Skiva Note was repaid on June 28, 1996 with a portion of the net proceeds from the 1996 Private Placement.

RELATED PARTY LOANS

During Fiscal 1994, the Chairman of the Board, his father-in-law and his mother made loans to the Company for working capital purposes in the aggregate amount of $2.5 million. The loans bore interest at rates ranging from 4% to 8% per annum and were subordinated to the Company's working capital facility with its senior lender. In addition, the Chairman of the Board's father-in-law loaned the Company $300,000 in March 1996 at 8% per annum interest. All such loans were repaid with a portion of the net proceeds of the 1996 Private Placement. Interest expense attributable to such loans amounted to $49,000, $184,000 and $84,000 for Fiscal 1994, Fiscal 1995 and Fiscal 1996, respectively.

MATURITIES OF LONG-TERM DEBT

As of February 1, 1997, the aggregate maturities of long-term debt were as follows (dollars in thousands):

1997	$ 600
1998	760
1999	0
2000	0
2001	0
Thereafter	20,000
	21,360
Less: Current portion	(600)
Less: Unamortized discount	(1,720)
Total long-term debt	$ 19,040

(ALL INFORMATION RELATING TO THE SIX MONTHS ENDED AUGUST 3, 1996 AND AUGUST 2, 1997 IS UNAUDITED.)

5. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and income taxes were as follows (dollars in thousands):

	FOR THE FISCAL YEARS ENDED			FOR THE SIX MONTHS ENDED	
	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 3, 1996 (UNAUDITED)	AUGUST 2 1997 (UNAUDITED)
Interest	$ 1,255	$ 1,916	$ 2,369	$ 987	$ 1,498
Income taxes	$ 0	$ 58	$ 70	$ 35	$ 507

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net is comprised of the following (dollars in thousands):

	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 2, 1997 (UNAUDITED)
Leasehold improvements	$ 15,012	$ 19,226	$ 24,470
Store fixtures and equipment	6,610	8,604	13,501
Store fixtures and equipment under capital leases	3,642	3,642	3,642
Construction in progress	197	910	860
Property and equipment, gross	25,461	32,382	42,473
Less: Accumulated depreciation and amortization	(9,669)	(12,083)	(14,620)
Property and equipment, net	$ 15,792	$ 20,299	$ 27,853

7. ACCRUED EXPENSES, INTEREST AND OTHER CURRENT LIABILITIES

Accrued expenses, interest and other current liabilities is comprised of the following (dollars in thousands):

	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 2, 1997
			(UNAUDITED)
Accrued salaries and benefits	$ 1,236	$ 1,878	$ 2,014
Accrued interest	196	298	229
Accrued real estate expenses	825	1,000	1,293
Customer liabilities	566	716	695
Accrued taxes other than income	367	342	413
Other accrued expenses	1,567	1,809	2,554
Accrued expenses, interest and other current liabilities	$ 4,757	$ 6,043	$ 7,198

8. COMMITMENTS AND CONTINGENCIES

The Company leases all of its stores, a distribution facility, and certain office equipment and store fixtures under leases expiring at various dates through 2008. Certain of the leases include options to renew.

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The leases require fixed minimum annual rentals plus, under the terms of certain leases, additional payments for taxes, other expenses and rentals based upon sales.

Rent expense is as follows (dollars in thousands):

	FOR THE FISCAL YEARS ENDED		
	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997
Store and distribution facility rent			
Minimum rentals	$ 8,915	$ 9,946	$ 11,221
Additional rent based upon sales	175	175	195
Total store rent	9,090	10,121	11,416
Store fixtures and equipment rent	711	712	727
Total rent expense	$ 9,801	$ 10,833	$ 12,143

Future minimum annual lease payments under the Company's operating and capital leases with initial or remaining terms of one year or more, at February 1, 1997, are as follows (dollars in thousands):

	OPERATING LEASES	CAPITAL LEASES
Fiscal year--		
1997	$ 14,122	$ 828
1998	14,245	92
1999	13,891	0
2000	13,277	0
2001	10,608	0
Thereafter	36,869	0
Total minimum lease payments	$ 103,012	920
Less: Interest and executory costs		(56)
Present value of net minimum lease payments		864
Less: Current portion of obligations under capital lease		(772)
Long-term obligations under capital lease		$ 92

Many of the Company's store leases contain provisions requiring landlord consent to a change in control of the Company. Management believes that the majority of its leases are at market rents and that these provisions will not have a material adverse effect on the Company's financial position or results of operations.

LITIGATION

The Company, from time to time, is involved in litigation arising in the normal course of its business. Management believes that the resolution of all pending litigation, after considering reserves provided for

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

in the accompanying financial statements, will not have a material adverse effect on the Company's financial position or results of operations.

9. INCOME TAXES

Components of the Company's provision (benefit) for income taxes consisted of the following (dollars in thousands):

	FOR THE FISCAL YEARS ENDED		
	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997
Current--			
Federal	$ 0	$ 36	$ 244
State	54	0	100
Deferred--			
Federal	0	0	859
State	0	0	249
Valuation allowance	0	0	(22,371)
Provision (benefit) for income taxes	$ 54	$ 36	$ (20,919)

A reconciliation between the calculated tax provision (benefit) on income based on the statutory rates in effect and the effective tax rate follows (dollars in thousands):

	FOR THE FISCAL YEARS ENDED		
	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997
Calculated income tax provision	$ 371	$ 575	$ 3,333
Reversal of valuation allowance	0	0	(21,042)
Utilization of operating loss carryforwards	(167)	(537)	(3,540)
State income taxes	36	27	259
Nondeductible expenses	12	21	24
Other	(198)	(50)	47
Tax provision (benefit) as shown on the statements of income	$ 54	$ 36	$ (20,919)

Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes as measured by tax laws. These temporary differences are determined in accordance with SFAS No. 109.

(ALL INFORMATION RELATING TO THE SIX MONTHS ENDED AUGUST 3, 1996 AND AUGUST 2, 1997 IS UNAUDITED.)

9. INCOME TAXES (CONTINUED)

Temporary differences and net operating loss carryforwards which give rise to deferred tax assets and liabilities are as follows (dollars in thousands) :

	FEBRUARY 3, 1996		FEBRUARY 1, 1997	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Current--				
Restructuring	$ 89	$ 0	$ 0	$ 0
Uniform inventory capitalization	181	0	258	0
Inventory	121	0	16	0
Expenses not currently deductible	114	0	514	0
Net operating loss carryforwards	0	0	5,000	0
Total current	$ 505	$ 0	$ 5,788	$ 0
Noncurrent--				
Amortization of debt issue costs	$ 0	$ 0	$ 66	$ 0
Depreciation	1,021	0	921	0
Deferred rent	609	0	925	0
Imputed interest on loans	0	(668)	139	0
Discount on Senior Subordinated Notes	0	0	0	688
Net operating loss carryforwards	20,904	0	13,348	0
Total noncurrent	22,534	$ (668)	15,399	$ 688
Net noncurrent	21,866		14,711	
Total	22,371		20,499	
Valuation allowance	(22,371)		0	
Total deferred taxes	$ 0		$ 20,499	

At February 1, 1997, the Company had net operating loss carryforwards ("NOLs") totaling approximately $45.9 million which expire for federal income tax purposes during the fiscal years 2003 through 2006. The provisions of SFAS 109 require that the tax benefit of such NOLs be recorded as an asset and, to the extent that management cannot assess that the utilization of all or a portion of such deferred tax assets is more likely than not to be realized, a valuation allowance should be recorded. At February 3, 1996, the Company had net deferred tax assets amounting to approximately $22.4 million and management believed it to be more likely than not that the deferred tax assets would not be utilized based upon the historical performance of the Company. Accordingly, a valuation allowance was recorded against the net deferred tax assets at February 3, 1996. During Fiscal 1996, the Company consummated the 1996 Private Placement, a private placement of debt and equity (see Note 3--1996 Private Placement). The 1996 Private Placement enabled the Company to access capital to expand its business and achieve greater profitability. As a result of the Company's improved operating results during the second half of Fiscal 1996, as well as its projected results for Fiscal 1997 and thereafter, the Company reversed its valuation allowance in the fourth quarter of Fiscal 1996, as it is deemed to be more likely than not that the deferred tax assets will be utilized. Accordingly, the Company's net income for fiscal 1997 and future years will require calculation of a tax

9. INCOME TAXES (CONTINUED)

provision based on statutory rates in effect. Until the NOLs are fully utilized or expire, this tax provision will not be paid in cash (other than to the extent of the federal alternative minimum tax and state minimum taxes) but will reduce the deferred tax asset on the balance sheet. The amount and availability of these NOLs are subject to review by the Internal Revenue Service.

Under the provisions of the Internal Revenue Code, the occurrence of certain events may affect the Company's ability to utilize its NOLs. The Company does not believe any such events occurred during fiscal 1996.

10. STOCKHOLDERS' EQUITY (DEFICIT)

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

	FEBRUARY 3, 1996	FEBRUARY 1, 1997	AUGUST 2, 1997 (UNAUDITED)
Preferred stock:			
Authorized number of shares	10,000	10,000	10,000
Issued and outstanding number of shares	10,000	0	0
Liquidation preference	$35,953	$0	$0
Series A Common Stock:			
Authorized number of shares	n/a	27,600,000	27,600,000
Issued and outstanding number of shares	n/a	12,760,800	12,760,800
Series B Common Stock:			
Authorized number of shares	n/a	70,000	70,000
Issued and outstanding number of shares	n/a	47,238	47,238
Liquidation preference	n/a	$22,001	$23,283
Common stock:			
Authorized number of shares	140,000	n/a	n/a
Issued and outstanding number of shares	137,200	n/a	n/a
Treasury stock:			
Number of shares	2,800	0	0
Warrants:			
Number of shares of Series A Common Stock	n/a	2,739,348	2,739,348

In conjunction with the Company's initial public offering, the Company intends to effectuate a 120-for-one stock split of its Series A Common Stock and anticipates a conversion of all outstanding Series B Common Stock into 7,659,889 shares of Common Stock (see Note 15--Subsequent Events). The Company's financial statements retroactively reflect such stock split. In addition, the Series A Common Stock will be redesignated as Common Stock. The Foothill Credit Facility prohibits the payment of dividends.

10. STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

PREFERRED STOCK

The preferred stock was nonvoting and provided for cumulative dividends. Dividends in arrears amounted to approximately $12.5 million, or $1,245 per share at February 3, 1996. The Company did not declare or pay any dividends during fiscal 1996. The shares of preferred stock were redeemable by the Company at their issuance price plus accrued dividends, whether or not such dividends were earned or declared. Accrued dividends were deducted from net income to calculate net income applicable to common stockholders for historical earnings per share purposes (See Note 2--Basis of Presentation and Significant Accounting Policies). On June 28, 1996, the outstanding shares of preferred stock were surrendered for no consideration. Accordingly, at February 1, 1997, 10,000 shares are available for future issuance by the Company.

SERIES A COMMON STOCK

During Fiscal 1996, the Company converted all outstanding shares of its common stock to 16,800,000 shares of Series A Common Stock. Pursuant to a Redemption Agreement dated June 28, 1996, the Company redeemed a total of 4,039,200 shares of its Series A Common Stock from certain stockholders of the Company for the aggregate amount of $11.8 million.

SERIES B COMMON STOCK

In conjunction with the 1996 Private Placement, the Company issued 47,238 shares of Series B Common Stock to the SKM Investors (see Note 3--1996 Private Placement). Under the terms of the Series B Common Stock, the approval of holders of a majority of the Series B Common Stock, voting as a seperate class, is required to amend certain provisions of the Certificate of Incorporation and Bylaws, to authorize the issuance of equity securities of the Company ranking senior to or pari passu with the Series B Common Stock, to adopt or amend any certificate of designation with respect to the Company's preferred stock, to modify the rights of the Series B Common Stock in an adverse manner, to authorize the merger of the Company or the sale or disposition of all or substantially all its assets or any other business combination or acquisition transaction as to which stockholder approval is required, to authorize the adoption of any employee stock option or similar plan, to amend the Company's management stock option plan, or to authorize the payment of dividends or other distributions. The holders of Series A Common Stock and Series B Common Stock vote together as a single class on all other matters presented to stockholders.

The Series B Common Stock is currently convertible into 7,659,889 shares of Series A Common Stock, which would represent 30.8% of the outstanding shares of the Series A Common Stock on a fully diluted basis. The conversion ratio is subject to adjustment under certain circumstances. In the event of a public offering, the liquidation preference and special voting rights of the Series B Common Stock terminate thirty days after any such event, provided certain conditions are met. The Series B Common Stock carries a liquidation preference initially equal to its purchase price, increasing by 12.5% per annum. After five years, if the Company has not effected an initial public offering, the holders of the Series B Common Stock have the right subject to certain conditions, to require the Company to repurchase the Series B Common Stock at a price equal to the greater of its liquidation preference or fair market value. The Company can avoid this repurchase by allowing the holders of the Series B Common Stock to sell the entire company. The

10. STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Series B Common Stock also has certain registration rights. For additional information on the Series B Common Stock, see Note 15--Subsequent Events.

COMMON STOCK

During Fiscal 1994, an executive officer of the Company forwarded funds in the amount of $488,000 to the Company towards a subscription for shares to be issued to such executive officer, subject to approval of the Company's Board of Directors, at a future date. Such shares were not issued as of February 1, 1997. The Board of Directors determined to not issue such shares and refunded the $488,000 (unaudited) to such executive on July 31, 1997.

During Fiscal 1996, the Company converted all outstanding shares of its common stock to 16,800,000 shares of Series A Common Stock.

TREASURY STOCK

During Fiscal 1993, the Company purchased 2,800 shares of common stock (subsequently converted into 336,000 shares of Series A Common Stock) for treasury for an aggregate price of $50,000. An option was granted to an executive officer of the Company to purchase such shares for $50,000. On June 5, 1996, the executive officer exercised his option to purchase such shares of treasury stock.

WARRANTS

In conjunction with the 1996 Private Placement on June 28, 1996 (see Note 3--1996 Private Placement), the Company sold to the Noteholder a warrant to purchase 1,992,252 shares of the Series A Common Stock of the Company at an exercise price of $2.677 per share. The Noteholder Warrant is exercisable for a ten year period beginning after the earlier of January 10, 1997 or the date the Series A Common Stock is first registered under the Securities Exchange Act of 1934. The Noteholder also has registration rights with respect to shares underlying the Noteholder Warrant. This Noteholder Warrant was valued for financial reporting purposes by an independent appraisal firm at approximately $1.9 million. This amount has been accounted for herein as a credit to additional paid-in capital, net of income taxes, and a discount to the Senior Subordinated Notes, and is being amortized over the six year term of the Senior Subordinated Notes.

On June 28, 1996, the Company also issued a warrant to purchase 747,096 shares of the Series A Common Stock of the Company at an exercise price of $2.677 per share to Legg Mason. The Legg Mason Warrant was valued for financial reporting purposes by an independent appraisal firm at approximately $700,000. An amount equal to 49.4% of the value of the Legg Mason Warrant, determined on the basis of gross proceeds from the 1996 Private Placement, was attributable to the placement of the Senior Subordinated Notes, has been credited to paid-in capital and capitalized as deferred financing costs in other assets, and is being amortized over the six year term of the Senior Subordinated Notes.

See Note 15--Subsequent Events for additional information about the warrants.

11. STOCK OPTION PLAN

On June 28, 1996, the Company approved the adoption of the 1996 Stock Option Plan (the "1996 Plan"). The 1996 Plan authorizes the granting of incentive stock options and nonqualified stock options to key employees of the Company. The Plan provides for the granting of options with respect to 1,743,240 shares of Series A Common Stock. The 1996 Plan is administered by a committee of the Board of Directors (the "Committee"). Options granted under the 1996 Plan will have an exercise price established by the Committee provided that the exercise price of incentive stock options may not be less than the fair market value of the underlying shares at the date of grant. The 1996 Plan also contains certain provisions that require the exercise price of incentive stock options granted to shareholders owning greater than 10% of the Company be at least 110% of the fair market value of the underlying shares. At February 1, 1997, no stock options were issued to any stockholders owning greater than 10% of the Company's stock. Unless otherwise specified by the Committee, options will vest at the rate of 20% six months from the date of grant and 20% on each of the first, second, third and fourth anniversaries of the date of grant. On June 28, 1996, options to purchase 1,444,080 shares were granted at the exercise price of $2.677 per share. No additional options were granted in Fiscal 1996. As of February 1, 1997, no options had been exercised under the 1996 Stock Option Plan and options to purchase 288,816 shares were exercisable. For additional information on additional options being granted under the 1996 Plan, see Note 15--Subsequent Events.

Effective February 1, 1997, the Company adopted the provisions of SFAS 123. As permitted by SFAS 123, the Company has elected to continue to account for stock-based compensation using the intrinsic value method under Accounting Principles Board Opinion No. 25. Accordingly, no compensation expense has been recognized for stock-based compensation, since the options granted were at prices that equaled or exceeded their estimated fair market value at the date of grant. If compensation expense for the Company's stock options issued in 1996 had been determined based on the fair value method of accounting, for Fiscal 1996 the Company's net income would have been reduced to the pro forma amounts indicated below:

Net income--	
As reported	$30,441,000
Pro forma	$30,210,000
Pro forma net income per share--	
As reported	$1.28
Pro forma	$1.27

The fair value of issued stock options was estimated on the date of grant using the Black-Scholes option pricing model incorporating the following assumptions for options granted in Fiscal 1996: no dividend yield or volatility factor; risk free interest rate of 6.46%; and an expected life of the options of five years. The weighted average grant date fair value for options granted during Fiscal 1996 was $0.74 per share.

12. SAVINGS AND INVESTMENT PLAN

The Company has adopted The Children's Place 401(k) Savings and Investment Plan (the "401(k) Plan"), which is intended to qualify under Section 401(k) of the Internal Revenue Code of 1986, as amended. The 401(k) Plan is a defined contribution plan established to provide retirement benefits for all employees who have completed one year of service with the Company and attained 21 years of age.

12. SAVINGS AND INVESTMENT PLAN (CONTINUED)

The 401(k) Plan is employee funded up to an elective annual deferral and also provides an option for the Company to contribute to the 401(k) Plan at the discretion of the 401(k) Plan's trustees. The Company did not exercise its discretionary contribution option during Fiscal 1994, Fiscal 1995 and Fiscal 1996. In January 1997, the 401(k) Plan was amended whereby the Company will match the lesser of 50% of the participant's contribution or 2.5% of the participant's compensation.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes the quarterly financial data for the periods indicated (dollars in thousands):

	YEAR ENDED FEBRUARY 3, 1996			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$ 25,433	$ 23,181	$ 33,713	$ 39,733
Gross profit	7,224	5,530	11,640	14,232
Net income (loss)	(1,116)	(2,959)	2,382	3,347

	YEAR ENDED FEBRUARY 1, 1997			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$ 30,438	$ 25,974	$ 40,353	$ 47,073
Gross profit	10,238	7,873	16,976	18,965
Net income (loss)	637	(2,099)	5,312	26,591(1)

	YEAR ENDING JANUARY 31, 1998			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$ 39,203	$ 33,534	--	--
Gross profit	14,018	9,802	--	--
Net income (loss)	1,011	(1,744)	--	--

- ------------------------

(1) Includes a reversal of a valuation allowance on a net deferred tax asset (see Note 9--Income Taxes).

14. RELATED PARTY TRANSACTIONS

Concurrently with the 1996 Private Placement, the Company entered into a management agreement with SKM which provides for the payment of an annual fee of $150,000, payable quarterly in advance, in exchange for certain financial advisory services. Pursuant to the advisory agreement, the Company incurred fees to SKM of approximately $93,000 in Fiscal 1996 and approximately $75,000 during the six months ended August 2, 1997.

For additional information about related party transactions, see Note 3--1996 Private Placement, Note 4--Short and Long Term Borrowings, and Note 10--Stockholders' Equity (Deficit).

15. SUBSEQUENT EVENTS

In July 1997, the Company filed a registration statement on Form S-1 with the Securities and Exchange Commission which, as amended, provides for an initial public offering of 4,000,000 shares of Common Stock. The Company intends to use the net proceeds of the proposed offering to (i) pay the principal amount of, and accrued interest on, the Senior Subordinated Notes, (ii) repurchase the Noteholder Warrant and (iii) repurchase two-thirds of the Legg Mason Warrant. As a result of the repayment of the Senior Subordinated Notes, the Company expects to incur a non-cash, extraordinary charge to earnings during the third quarter of Fiscal 1997 of approximately $1.7 million, resulting from the write-off of unamortized debt issuance costs and unamortized debt discount, net of taxes. The repurchase of the Noteholder Warrant and two-thirds of the Legg Mason Warrant will be accounted for as a reduction of additional paid-in capital. The repurchase price of the warrants will be equal to the initial public offering price per share, less the per share underwriting discount, less the per share exercise price of the warrants, multiplied by the number of shares covered by the warrant (or portion thereof) being purchased. The increase in the value of such warrants from the date of their issuance reflects the growth of the Company's business during the second half of Fiscal 1996 and during the first six months of Fiscal 1997.

In conjunction with its proposed initial public offering, the Company intends to effect a 120-for-one stock split of the Series A Common Stock (the "Stock Split"), to convert all outstanding shares of the Series B Common Stock into 7,659,889 shares of Series A Common Stock (the "Series B Conversion") and to redesignate the Series A Common Stock as Common Stock (the "Reclassification"). Concurrently with the offering, the Company expects to issue 201,414 shares upon the exercise of one-third of the Legg Mason Warrant. In addition, the Company expects that, prior to the consummation of the initial public offering, the Company will amend and restate its certificate of incorporation and bylaws in order to, among other things, (i) effect the Series B Conversion, the Stock Split and the Reclassification, (ii) authorize 100,000,000 shares of Common Stock, $.10 par value per share, (iii) authorize one million shares of Preferred Stock, par value $1.00 per share, without designation, and (iv) provide for certain anti-takeover provisions.

The Company also expects to enter into an amended and restated stockholders agreement with all of its existing stockholders. In addition, the Company intends to adopt a 1997 Stock Option Plan and is considering adopting an Employee Stock Purchase Plan. Moreover, it is expected that, prior to the public offering, options to purchase 299,160 shares of Common Stock at the initial public offering price, will be granted to one or more executive officers under the 1996 Plan and that, thereafter, no further options will be granted under the 1996 Plan. As the options will be issued at the market price, the Company does not anticipate recognizing any additional compensation expense.

16. UNAUDITED PRO FORMA BALANCE SHEET

The unaudited pro forma balance sheet as of August 2, 1997 gives effect to the repurchase of the Nomura Warrant and two-thirds of the Legg Mason Warrant for $25.8 million (based upon an assumed initial public offering price of $14.00 per share). This balance sheet assumes that the Company obtained $25.8 million of short term financing to consummate such warrant repurchases as of August 2, 1997.

The Company intends to repurchase the Nomura Warrant and two-thirds of the Legg Mason Warrant utilizing proceeds from the initial public offering as described in Note 15 and does not intend to finance this repurchase through short term financing.

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[THE INSIDE BACK COVER PAGE OF THE PROSPECTUS CONSISTS OF A GATEFOLD THAT SHOWS A LARGE PHOTOGRAPH OF SIX CHILDREN WEARING THE COMPANY'S APPAREL, ALONG WITH A LARGE VERSION OF THE COMPANY'S LOGO. ON THE INSIDE OF THE GATEFOLD ARE NUMEROUS PHOTOGRAPHS OF CHILDREN WEARING THE COMPANY'S APPAREL AND ACCESSORIES, INTERSPERSED WITH SMALL VERSIONS OF THE COMPANY'S LOGO.]

NO DEALER, SALES REPRESENTATIVE OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OFFERED HEREBY BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH SOLICITATION.

TABLE OF CONTENTS

	PAGE
PROSPECTUS SUMMARY	3
RISK FACTORS	8
COMPANY HISTORY	15
USE OF PROCEEDS	16
DIVIDEND POLICY	16
CAPITALIZATION	17
DILUTION	18
SELECTED HISTORICAL AND PRO FORMA FINANCIAL AND OPERATING DATA	19
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	21
BUSINESS	21
MANAGEMENT	37
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	46
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	49
DESCRIPTION OF CAPITAL STOCK	52
SHARES ELIGIBLE FOR FUTURE SALE	54
UNDERWRITING	56
LEGAL MATTERS	58
EXPERTS	58
ADDITIONAL INFORMATION	58
INDEX TO FINANCIAL STATEMENTS	F-1

UNTIL , 1997 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

4,000,000 SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

MONTGOMERY SECURITIES
DONALDSON, LUFKIN & JENRETTE

SECURITIES CORPORATION
SMITH BARNEY INC.
LEGG MASON WOOD WALKER
INCORPORATED

, 1997

PART II.

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following sets forth the estimated fees and expenses in connection with the issuance and distribution of the Registrant's securities being registered hereby, other than underwriting discounts and commissions, all of which will be borne by the Registrant:

Securities and Exchange Commission registration fee	$ 21,212
National Association of Securities Dealers filing fee	7,500
Nasdaq National Market listing fee	50,500
Printing and engraving expenses	200,000
Legal fees and expenses	475,000
Accounting fees and expenses	300,000
Blue Sky fees and expenses	11,800
Transfer Agent's fees	5,000
Miscellaneous expenses	278,988
Total	$1,350,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company's Certificate of Incorporation limits the liability of directors (in their capacity as directors but not in their capacity as officers) to the Company or its stockholders to the fullest extent permitted by the DGCL. Specifically, no director of the Company will be personally liable for monetary damages for breach of the director's fiduciary duty as a director, except for liability: (i) for any breach of the director's duty of loyalty to the Company or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the DGCL, which relates to unlawful payments of dividends or unlawful stock repurchases or redemptions, or any successor provision thereto; or (iv) for any transaction from which the director derived an improper personal benefit. The inclusion of this provision in the Certificate of Incorporation may have the effect of reducing the likelihood of derivative litigation against directors, and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited the Company and its stockholders.

Under the Certificate of Incorporation, the Company will indemnify those persons whom it shall have the power to indemnify to the fullest extent permitted by Section 145 of the DGCL, which may include liabilities under the Securities Act of 1933. Accordingly, in accordance with Section 145 of the DGCL, the Company will indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than a "derivative" action by or in the right of the Company) by reason of the fact that such person is or was a director, officer, employee or agent of the Company, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe was unlawful. A similar standard of care is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such an action and then, where the person is adjudged to be liable to the Company, only if and to the extent that the Court of Chancery of the State of Delaware or the court in which such action was brought determines that such person is fairly and reasonably entitled to such indemnity and then only for such expenses as the court deems proper.

The Certificate of Incorporation provides that the Company will advance expenses to the fullest extent permitted by Section 145 of the DGCL. Accordingly, the Company, in accordance therewith, will pay for the expenses incurred by an indemnified person in defending the proceedings specified in the preceding paragraph in advance of their final disposition, provided that, if the DGCL so requires, such person agrees to reimburse the Company if it is ultimately determined that such person is not entitled to indemnification. In addition, pursuant to the DGCL the Company may purchase and maintain insurance on behalf of any person who is or was a director, employee or agent of the Company against any liability asserted against and incurred by such person in such capacity, or arising out of the person's status as such whether or not the Company would have the power or obligation to indemnify such person against such liability under the provisions of DGCL. The Company intends to obtain insurance for the benefit of the Company's officers and directors insuring such persons against certain liabilities, including liabilities under the securities laws.

The Company has entered into agreements to indemnify its directors which are intended to provide the maximum indemnification permitted by Delaware law. These agreements, among other things, indemnify each of the Company's outside directors for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by such director in any action or proceeding, including any action by or in the right of the Company, on account of such director's service as a director of the Company.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Within the three years preceding the filing of this Registration Statement, the Company has sold and issued the following securities without registration under the Securities Act (all share numbers and per share amounts have been adjusted to reflect the 120-to-one stock split to occur prior to consummation of the offering). In July 1996, in connection with the 1996 Private Placement described in the Prospectus, the Company issued the following equity securities:

(i) A total of 47,238 shares of the Company's Series B Common Stock were sold to the SKM Investors for an aggregate purchase price of $20.5 million. Such shares of Series B Common Stock were convertible into 7,659,889 shares (subject to adjustment under certain circumstances) of Series A Common Stock (representing approximately 30.8% of the Series A Common Stock on a fully diluted basis). Immediately prior to the consummation of the Company's initial public offering, all outstanding shares of Series B Common Stock will be converted into a total of 7,659,889 shares of Common Stock.

(ii) The Company issued to the Noteholder, in connection with the Noteholder's purchase of the Company's Senior Subordinated Notes, the Noteholder Warrant. The Noteholder Warrant entitles the holder thereof to purchase 1,992,252 shares of Series A Common Stock (representing approximately 8% of the Series A Common Stock on a fully diluted basis) at an exercise price of $2.677 per share. The total purchase price of the Senior Subordinated Notes and the Noteholder Warrant was $20.0 million. Upon consummation of the Company's initial public offering, the Company will repurchase the Noteholder Warrant as described under "Use of Proceeds."

(iii) The Company issued to Legg Mason, as partial compensation for Legg Mason's services as placement agent in connection with the 1996 Private Placement, the Legg Mason Warrant. The Legg Mason Warrant entitles the holder thereof to purchase 747,096 shares of Series A Common Stock (representing approximately 3% of the Series A Common Stock on a fully diluted basis) at an exercise price of $2.677 per share. Upon consummation of the Company's initial public offering, the Company will repurchase two-thirds of the Legg Mason Warrant as described under "Use of Proceeds" and will issue 201,414 shares upon the exercise of the remaining one-third of the Legg Mason Warrant.

During fiscal 1994, an executive officer of the Company forwarded funds in the amount of $488,000 to the Company towards a subscription for shares to be issued to such executive officer, subject to approval of the Company's Board of Directors, at a future date. The Board of Directors determined to not issue such shares and the Company refunded the $488,000 to such executive officer on July 31, 1997.

On June 5, 1996, Stanley Silver, Chief Operating Officer of the Company, exercised an option to purchase 2,800 shares of Common Stock held in treasury (subsequently converted into 336,000 shares of Series A Common Stock.) The purchase price for such shares was $50,000.

All securities issued in the above-described transactions were offered and sold in reliance upon the exemption from registration under Section 4(2) of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
1.1*	Form of Underwriting Agreement.
3.1*	Form of Amended and Restated Certificate of Incorporation of the Company.
3.2**	Form of Amended and Restated ByLaws of the Company.
4.1*	Form of Certificate for Common Stock of the Company.
5.1*	Opinion of Stroock & Stroock & Lavan LLP as to the validity of the securities being registered.
9.1*	Form of Amended and Restated Stockholders Agreement, dated as of September 18, 1997.
10.1**	1996 Stock Option Plan of The Children's Place Retail Stores, Inc.
10.2**	Form of 1997 Stock Option Plan of The Children's Place Retail Stores, Inc.
10.3**	The Children's Place Retail Stores, Inc. 401(k) Plan.
10.4*	Form of The Children's Place Retail Stores, Inc. Employee Stock Purchase Plan.
10.5*	The Children's Place Retail Stores, Inc. Management Incentive Plan.
10.6**	Form of Amended and Restated Loan and Security Agreement dated as of July 31, 1997, between the Company and Foothill Capital Corporation.
10.7**	Merchant Services Agreement dated December 12, 1994 between the Company and Hurley State Bank.
10.8**	Employment Agreement dated as of June 27, 1996 between the Company and Ezra Dabah.
10.9**	Employment Agreement dated as of June 27, 1996 between the Company and Stanley B. Silver.
10.10**	Form of Indemnification Agreement between the Company and the members of its Board of Directors.
10.11**	Lease Agreement dated August 11, 1993 between the Company and Suburban Mall V Associates, as amended by First Amendment to Lease, dated October 21, 1994 between the Company and Suburban Mall V Associates.
10.12*	Form of Amended and Restated Registration Rights Agreement, dated as of September 18, 1997.
10.13**	Letter Agreement as to employment, dated January 18, 1991, between the Company and Diane M. Timbanard.
10.14**	Letter Agreement as to severance pay, dated January 22, 1991, between the Company and Diane M. Timbanard.
10.15*	Form of Redemption Agreement dated as of September 18, 1997 between the Company and Nomura Holding America, Inc.
10.16*	Form of Redemption Agreement dated as of September 18, 1997 between the Company and Legg Mason Wood Walker, Incorporated.
10.17**	Buying Agency Agreement dated September 17, 1996 between the Company and KS Best International.

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
10.18**	Advisory Agreement dated June 28, 1996 between the Company and Saunders Karp & Megrue, L.P.
11.1*	Statement re computation of per share earnings.
23.1*	Consent of Arthur Andersen LLP.
23.2*	Consent of Stroock & Stroock & Lavan LLP (included in Exhibit 5.1).
24.1**	Power of Attorney.
27.1**	Financial Data Schedule.

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* Filed herewith.

** Previously filed.

(b) Financial Statement Schedules.

None.

All schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions in Item 14, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of West Caldwell, State of New Jersey, on September 18, 1997.

THE CHILDREN'S PLACE RETAIL STORES, INC.

BY: /S/ EZRA DABAH
Ezra Dabah
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ EZRA DABAH Ezra Dabah	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	September 18, 1997
* Stanley B. Silver	President, Chief Operating Officer and Director	September 18, 1997
* Seth L. Udasin	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 18, 1997
* Stanley Silverstein	Director	September 18, 1997
* John Megrue	Director	September 18, 1997
* David J. Oddi	Director	September 18, 1997

*By: /s/ EZRA DABAH
Ezra Dabah, as
Attorney-in-fact

EXHIBIT INDEX

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27.1**	Financial Data Schedule.

* Filed herewith.

** Previously filed.

Exhibit 1.1

4,000,000 SHARES

THE CHILDREN'S PLACE RETAIL STORES, INC.

COMMON STOCK

UNDERWRITING AGREEMENT

DATED _____, 1997

UNDERWRITING AGREEMENT

September __, 1997

MONTGOMERY SECURITIES
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
SMITH BARNEY, INC.
LEGG MASON WOOD WALKER, INCORPORATED
As Representatives of the several Underwriters
c/o MONTGOMERY SECURITIES
600 Montgomery Street
San Francisco, California 94111

Ladies and Gentlemen:

INTRODUCTORY. The Children's Place Retail Stores, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several underwriters named in Schedule A (the "Underwriters") an aggregate of 3,550,000 shares (the "Firm Common Shares") of its Common Stock, par value $.10 per share (the "Common Stock"). In addition, the stockholders of the Company named in Schedule B (collectively, the "Selling Stockholders") have severally granted to the Underwriters an option to purchase up to an additional 532,500 shares (the "Optional Common Shares") of Common Stock, as provided in Section 2, each Selling Stockholder selling up to the amount set forth opposite such Selling Stockholder s name in Schedule B. The Firm Common Shares and, if and to the extent such option is exercised, the Optional Common Shares are collectively called the "Common Shares." Montgomery Securities, Donaldson, Lufkin & Jenrette Securities Corporation, Smith Barney, Inc. and Legg Mason Wood Walker, Incorporated have agreed to act as representatives of the several Underwriters (in such capacity, the "Representatives") in connection with the offering and sale of the Common Shares.

The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (File No. 333-31535), which contains a form of prospectus to be used in connection with the public offering and sale of the Common Shares. Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, in the form in which it was declared effective by the Commission under the Securities Act of 1933 and the rules and regulations promulgated thereunder (collectively, the "Securities Act"), including any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A or Rule 434 under the Securities Act, is called the "Registration Statement." Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act is called the "Rule 462(b) Registration Statement," and from and after the date and time of filing of the Rule 462(b) Registration Statement the term "Registration Statement" shall include the Rule 462(b) Registration Statement. Such prospectus, in the form first

used by the Underwriters to confirm sales of the Common Shares, is called the "Prospectus"; provided, however, if the Company has, with the consent of Montgomery Securities, elected to rely upon Rule 434 under the Securities Act, the term "Prospectus" shall mean the Company's prospectus subject to completion (each, a "preliminary prospectus") dated September 2, 1997 (such preliminary prospectus is called the "Rule 434 preliminary prospectus"), together with the applicable term sheet (the "Term Sheet") prepared and filed by the Company with the Commission under Rules 434 and 424(b) under the Securities Act and all references in this Agreement to the date of the Prospectus shall mean the date of the Term Sheet. All references in this Agreement to the Registration Statement, the Rule 462(b) Registration Statement, a preliminary prospectus, the Prospectus or the Term Sheet, or any amendments or supplements to any of the foregoing, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR").

The Company and each of the Selling Stockholders hereby confirms their respective agreements with the Underwriters as follows:

SECTION 1. REPRESENTATIONS AND WARRANTIES

A. REPRESENTATIONS AND WARRANTIES OF THE COMPANY . The Company hereby represents, warrants and covenants to each Underwriter as follows:

(a) COMPLIANCE WITH REGISTRATION REQUIREMENTS. The Registration Statement and any Rule 462(b) Registration Statement have been declared effective by the Commission under the Securities Act. The Company has complied to the Commission s satisfaction with all requests of the Commission for additional or supplemental information. No stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

Each preliminary prospectus and the Prospectus when filed complied in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR (except as may be permitted by Regulation S-T under the Securities Act), was identical to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Common Shares. Each of the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendment thereto, at the time it became effective and at all subsequent times until either the consummation of the exercise of the purchase option with respect to the Optional Common Shares or the expiration of such option without exercise, complied and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus, as amended or supplemented,

as of its date and at all subsequent times, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the two immediately preceding sentences do not apply to statements in or omissions from the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment thereto, or the Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by the Representatives expressly for use therein. There are no contracts or other documents required to be described in the Prospectus or to be filed as exhibits to the Registration Statement which have not been described or filed as required.

(b) OFFERING MATERIALS FURNISHED TO UNDERWRITERS. The Company has delivered (i) to counsel for the Representatives one complete manually signed copy of the Registration Statement and of each consent and certificate of experts filed as a part thereof, and (ii) to each Representative conformed copies of the Registration Statement (without exhibits) and preliminary prospectuses and the Prospectus, as amended or supplemented, in such quantities and at such places as such Representative has reasonably requested for each of the Underwriters.

(c) DISTRIBUTION OF OFFERING MATERIAL BY THE COMPANY. The Company has not distributed and will not distribute, prior to the later of the Second Closing Date (as defined below) and the completion of the Underwriters distribution of the Common Shares, any offering material in connection with the offering and sale of the Common Shares other than a preliminary prospectus, the Prospectus or the Registration Statement.

(d) THE UNDERWRITING AGREEMENT. This Agreement has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company, enforceable in accordance with its terms, except as rights to indemnification hereunder may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(e) AUTHORIZATION OF THE COMMON SHARES. The Common Shares to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement, will be validly issued, fully paid and nonassessable.

(f) NO APPLICABLE REGISTRATION OR OTHER SIMILAR RIGHTS. There are no persons with registration or other similar rights to have any equity or debt securities

registered for sale under the Registration Statement or included in the offering contemplated by this Agreement, except for such rights as have been duly waived.

(g) NO MATERIAL ADVERSE CHANGE. Except as otherwise disclosed in the Prospectus, subsequent to the respective dates as of which information is given in the Prospectus: (i) there has been no material adverse change, or any development that would reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, operations or prospects, whether or not arising from transactions in the ordinary course of business, of the Company (any such change is called a "Material Adverse Change"); (ii) the Company has not incurred any material liability or obligation, indirect, direct or contingent, not in the ordinary course of business nor entered into any material transaction or agreement not in the ordinary course of business; and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of capital stock or repurchase or redemption by the Company of any class of capital stock.

(h) INDEPENDENT ACCOUNTANTS. Arthur Andersen LLP, who have expressed their opinion with respect to the financial statements (which term as used in this Agreement includes the related notes thereto) and supporting schedules filed with the Commission as a part of the Registration Statement and included in the Prospectus, are independent public or certified public accountants as required by the Securities Act.

(i) PREPARATION OF THE FINANCIAL STATEMENTS. The financial statements filed with the Commission as a part of the Registration Statement and included in the Prospectus present fairly the financial position of the Company as of and at the dates indicated and the results of its operations and cash flows for the periods specified. The supporting schedules included in the Registration Statement present fairly the information required to be stated therein. Such financial statements and supporting schedules have been prepared in conformity with generally accepted accounting principles as applied in the United States applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. No other financial statements or supporting schedules are required to be included in the Registration Statement. The financial data set forth in the Prospectus under the captions "Prospectus Summary--Summary Financial Data," "Selected Financial Data" and "Capitalization" fairly present the information set forth therein on a basis consistent with that of the audited financial statements contained in the Registration Statement. The assumptions used in the preparation of the pro forma financial information included in the Registration Statement are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(j) INCORPORATION AND GOOD STANDING OF THE COMPANY. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except for such jurisdictions where the failure to so qualify or to be in good standing would not, individually or in the aggregate, result in a Material Adverse Change. The Company does not own or control, directly or indirectly, any corporation, association or other entity.

(k) CAPITALIZATION AND OTHER CAPITAL STOCK MATTERS. After giving effect to the Stock Split and the Series B Conversion (each as defined in the Registration Statement) and the filing of the Amended and Restated Certificate of Incorporation filed as Exhibit 3.1 to the Registration Statement, all of which will occur prior to the First Closing Date, (i) the authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus under the caption "Capitalization", and other than for subsequent issuances, if any, pursuant to the exercise of outstanding options or warrants disclosed in the Prospectus); (ii) the Common Stock (including the Common Shares) conforms in all material respects to the description thereof contained in the Prospectus; (iii) all of the issued and outstanding shares of Common Stock (including the shares of Common Stock owned by Selling Stockholders) have been duly authorized and validly issued, are fully paid and nonassessable and have been issued in compliance with federal and state securities laws, and none of the outstanding shares of Common Stock were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company; (iv) there are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company other than those accurately described in the Prospectus (other than the grant of stock options under employee benefit plans of the Company in the ordinary course of business subsequent to the date of as which stock option information is presented in the Prospectus); and (v) the description of the Company s stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in the Prospectus accurately and fairly presents the information required to be shown with respect to such plans, arrangements, options and rights.

(l) STOCK EXCHANGE LISTING. The Common Shares have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(m) NON-CONTRAVENTION OF EXISTING INSTRUMENTS; NO FURTHER AUTHORIZATIONS OR APPROVALS REQUIRED. The Company is not in violation of its Certificate of Incorporation or By-laws or in default (or, with the giving of notice or lapse of time, would be in default) ("Default") under any indenture, mortgage, loan or credit agreement, note, contract, franchise, lease or other instrument to which the Company is a party or by which it may be bound, or to which any of the property or assets of the Company is subject (each, an "Existing Instrument"), except for such Defaults as would not, individually or in the aggregate, result in a Material Adverse Change. The Company s execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Prospectus (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company, (ii) will not conflict with or constitute a breach of, or Default or a Debt Repayment Triggering Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, or require the consent of any other part to, any Existing Instrument, except for such conflicts, breaches, Defaults, liens, charges or encumbrances as would not, individually or in the aggregate, result in a Material Adverse Change and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency, is required for the Company s execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Prospectus, except such as have been obtained or made by the Company and are in full force and effect under the Securities Act, and such as may be required under applicable state securities or blue sky laws and from the National Association of Securities Dealers, Inc. (the "NASD"). As used herein, a "Debt Repayment Triggering Event" means any event or condition which gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder s behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company.

(n) NO MATERIAL ACTIONS OR PROCEEDINGS. Except as otherwise disclosed in the Prospectus, there are no legal or governmental actions, suits or proceedings pending or, to the best of the Company s knowledge, threatened (i) against or affecting the Company, (ii) which has as the subject thereof any officer or director of, or property owned or leased by, the Company or (iii) relating to environmental or discrimination matters, where in any such case (A) there is a reasonable possibility that such action, suit or proceeding might be determined adversely to the Company and (B) any such action, suit or proceeding, if so determined adversely, would reasonably be expected to result in a Material Adverse Change or adversely affect the consummation of the transactions contemplated by this

Agreement. No material labor dispute with the employees of the Company exists or, to the best of the Company s knowledge, is threatened or imminent.

(o) INTELLECTUAL PROPERTY RIGHTS. The Company owns or possesses sufficient trademarks, trade names, patent rights, copyrights, licenses, approvals, trade secrets and other similar rights (collectively, "Intellectual Property Rights") reasonably necessary to conduct its business as now conducted; and the expected expiration of any of such Intellectual Property Rights would not result in a Material Adverse Change. The Company has not received any notice of infringement or conflict with asserted Intellectual Property Rights of others, which infringement or conflict, if the subject of an unfavorable decision, would result in a Material Adverse Change.

(p) ALL NECESSARY PERMITS, ETC. The Company possesses such valid and current certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct its business (other than any the absence of which would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change), and the Company has not received any notice of proceedings relating to the revocation or modification of, or non- compliance with, any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could result in a Material Adverse Change.

(q) TITLE TO PROPERTIES. Except as otherwise disclosed in the Prospectus, the Company has good and marketable title to all the properties and assets reflected as owned in the financial statements referred to in Section 1(A) (i) above, in each case free and clear of any security interests, mortgages, liens, encumbrances, equities, claims and other defects, except such as do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property by the Company. The real property, improvements, equipment and personal property held under lease by the Company are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company.

(r) TAX LAW COMPLIANCE. The Company has filed all necessary federal, state, local and foreign income and franchise tax returns and has paid all taxes required to be paid by it and, if due and payable, any related or similar assessment, fine or penalty levied against it except as may be being contested in good faith and by appropriate proceedings. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 1 (A) (i) above in respect of all federal, state, local and foreign income and franchise taxes for all periods as to which the tax liability of the Company has not been finally determined.

(s) COMPLIANCE WITH ENVIRONMENTAL LAWS. Except as would not, individually or in the aggregate, result in a Material Adverse Change (i) the Company is not in violation of any federal, state, local or foreign law or regulation relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including without limitation, laws and regulations relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum and petroleum products (collectively, "Materials of Environmental Concern"), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Materials of Environment Concern (collectively, "Environmental Laws"), which violation includes, but is not limited to, noncompliance with any permits or other governmental authorizations required for the operation of the business of the Company under applicable Environmental Laws, or noncompliance with the terms and conditions thereof, nor has the Company received any written communication, whether from a governmental authority, citizens group, employee or otherwise, that alleges that the Company is in violation of any Environmental Law; (ii) there is no claim, action or cause of action filed with a court or governmental authority, no investigation with respect to which the Company has received written notice, and no written notice by any person or entity alleging potential liability for investigatory costs, cleanup costs, governmental responses costs, natural resources damages, property damages, personal injuries, attorneys fees or penalties arising out of, based on or resulting from the presence, or release into the environment, of any Material of Environmental Concern at any location owned, leased or operated by the Company, now or in the past (collectively, "Environmental Claims"), pending or, to the best of the Company s knowledge, threatened against the Company or any person or entity whose liability for any Environmental Claim the Company has retained or assumed either contractually or by operation of law; and (iii) to the best of the Company s knowledge, there are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, the release, emission, discharge, presence or disposal of any Material of Environmental Concern, that reasonably could result in a violation of any Environmental Law or form the basis of a potential Environmental Claim against the Company or against any person or entity whose liability for any Environmental Claim the Company has retained or assumed either contractually or by operation of law.

(t) ERISA COMPLIANCE. The Company and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Company or any of its "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA. "ERISA Affiliate" means, with respect to the Company, any member of

any group of organizations described in Sections 414(b),(c),(m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "Code") of which the Company is a member. No "reportable event" (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any "employee benefit plan" established or maintained by the Company or any of its ERISA Affiliates. No "employee benefit plan" established or maintained by the Company or any of its ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfunded benefit liabilities" (as defined under ERISA). Neither the Company nor any of its ERISA Affiliates has incurred or reasonably expects to incur any liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (ii) Sections 412, 4971, 4975 or 4980B of the Code. Each "employee benefit plan" established or maintained by the Company or any of its ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(u) COMPANY NOT AN "INVESTMENT COMPANY." The Company has been advised of the rules and requirements under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Company is not, and after receipt of payment for the Common Shares will not be, an "investment company" within the meaning of Investment Company Act and will conduct its business in a manner so that it will not become subject to the Investment Company Act.

(v) INSURANCE. The Company is insured by recognized, financially sound and reputable institutions with policies in such amounts and with such deductibles and covering such risks as the Company reasonably deems adequate and customary for its business including, but not limited to, policies covering real and personal property owned or leased by the Company against theft, damage, destruction, and acts of vandalism. The Company has no reason to believe that it will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change. The Company has not been denied any insurance coverage which it has sought or for which it has applied.

(w) NO PRICE STABILIZATION OR MANIPULATION. The Company has not taken and will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Common Shares.

(x) RELATED PARTY TRANSACTIONS. There are no business relationships or related-party transactions involving the Company or any other person required to be described in the Prospectus which have not been described as required.

(y) NO UNLAWFUL CONTRIBUTIONS OR OTHER PAYMENTS. Neither the Company nor, to the best of the Company s knowledge, any employee or agent of the Company, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Prospectus.

(z) COMPANY S ACCOUNTING SYSTEM. The Company maintains a system of accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management s general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles as applied in the United States and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management s general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Any certificate signed by an officer of the Company and delivered to the Representatives or to counsel for the Underwriters shall be deemed to be a representation and warranty by the Company to each Underwriter as to the matters set forth therein.

B. REPRESENTATIONS AND WARRANTIES OF THE SELLING STOCKHOLDERS. Each Selling Stockholder represents, warrants and covenants to each Underwriter as follows:

(a) THE UNDERWRITING AGREEMENT. This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnification hereunder may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(b) THE CUSTODY AGREEMENT AND POWER OF ATTORNEY. Each of the (i) Custody Agreement signed by such Selling Stockholder and American Stock Transfer and Trust Company, as custodian (the "Custodian"), relating to the deposit of the Common Shares to be sold by such Selling Stockholder (the "Custody Agreement") and (ii) Power of Attorney appointing certain individuals named therein as such Selling Stockholder s attorneys-in-fact (each, an "Attorney-in-Fact") to the extent set forth therein relating to the transactions contemplated hereby and by the Prospectus (the "Power of Attorney"), of such Selling Stockholder has been duly authorized, executed and delivered by such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnification thereunder may be limited by

applicable law and except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(c) TITLE TO COMMON SHARES TO BE SOLD; ALL AUTHORIZATIONS OBTAINED. Such Selling Stockholder has, and on the First Closing Date and the Second Closing Date (as defined below) will have, good and valid title to all of the Common Shares which may be sold by such Selling Stockholder pursuant to this Agreement on such date, free and clear of any security interest, mortgage, lien, encumbrance or other claim, and the legal right and power, and all authorizations and approvals required by law and, to the extent applicable, under its charter or by-laws, partnership agreement, trust agreement or other organizational documents to enter into this Agreement and its Custody Agreement and Power of Attorney, to sell, transfer and deliver all of the Common Shares which may be sold by such Selling Stockholder pursuant to this Agreement and to comply with its other obligations hereunder and thereunder.

(d) DELIVERY OF THE COMMON SHARES TO BE SOLD. Delivery of the Common Shares which are sold by such Selling Stockholder pursuant to this Agreement will pass good and valid title to such Common Shares, free and clear of any security interest, mortgage, pledge, lien, encumbrance or other claim.

(e) NON-CONTRAVENTION; NO FURTHER AUTHORIZATIONS OR APPROVALS REQUIRED. The execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement, the Custody Agreement and the Power of Attorney will not contravene or conflict with, result in a breach of, or constitute a Default under, or require the consent of any other party to, to the extent applicable, the charter or by-laws, partnership agreement, trust agreement or other organizational documents of such Selling Stockholder or any other agreement or instrument to which such Selling Stockholder is a party or by which it is bound or under which it is entitled to any right or benefit, any provision of applicable law or any judgment, order, decree or regulation applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental authority or agency, is required for the consummation by such Selling Stockholder of the transactions contemplated in this Agreement, except such as have been obtained or made and are in full force and effect under the Securities Act and such as may be required under applicable state securities or blue sky laws and from the NASD.

(f) NO REGISTRATION OR OTHER SIMILAR RIGHTS. Such Selling Stockholder does not have any registration or other similar rights to have any equity or debt securities registered for sale by the Company under the Registration Statement or

included in the offering contemplated by this Agreement, except for such rights as have been duly waived.

(g) NO FURTHER CONSENTS, ETC. Except for the waiver by certain other holders of Common Stock of certain registration rights (which waivers have been obtained and are in full force and effect) no consent, approval or waiver is required under any instrument or agreement to which such Selling Stockholder is a party or by which it is bound or under which it is entitled to any right or benefit, in connection with the offering, sale or purchase by the Underwriters of any of the Common Shares which may be sold by such Selling Stockholder under this Agreement or the consummation by such Selling Stockholder of any of the other transactions contemplated hereby.

(h) DISCLOSURE MADE BY SUCH SELLING STOCKHOLDER IN THE PROSPECTUS. All information furnished by or on behalf of such Selling Stockholder in writing expressly for use in the Registration Statement and Prospectus is, and on the First Closing Date and the Second Closing Date will be, true, correct, and complete in all material respects, and does not, and on the First Closing Date and the Second Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information not misleading. Such Selling Stockholder confirms as accurate the number of shares of Common Stock set forth opposite such Selling Stockholder s name in the Prospectus under the caption "Security Ownership of Certain Beneficial Owners and Management" (both prior to and after giving effect to the sale of the Common Shares).

(i) NO PRICE STABILIZATION OR MANIPULATION. Such Selling Stockholder has not taken and will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Common Shares.

(j) CONFIRMATION OF COMPANY REPRESENTATIONS AND WARRANTIES. Such Selling Stockholder is not aware that the Registration Statement or Prospectus includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading. It is agreed the aggregate liability of a Selling Stockholder to the Underwriters (A) for a breach of this representation and (B) under Section 8(a) hereof shall not exceed the amount of the proceeds (net of the applicable underwriting discount) received by such Selling Stockholder with respect to the Shares purchased by the Underwriters from such Selling Stockholder hereunder; and that no Selling Stockholder shall be liable to an Underwriter for a breach of this representation until the Underwriters shall have first made a demand for payment on the Company with respect to any damages alleged to result from the breach of this representation and the Company shall have either rejected such demand or failed to make such requested payment within 60 days after receipt thereof.

Any certificate signed by or on behalf of any Selling Stockholder and delivered to the Representatives or to counsel for the Underwriters shall be deemed to be a representation and warranty by such Selling Stockholder to each Underwriter as to the matters covered thereby.

SECTION 2. PURCHASE, SALE AND DELIVERY OF THE COMMON SHARES.

THE FIRM COMMON SHARES. The Company agrees to issue and sell to the several Underwriters the Firm Common Shares upon the terms herein set forth. On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Underwriters agree, severally and not jointly, to purchase from the Company the respective number of Firm Common Shares set forth opposite their names on SCHEDULE A (subject to the provisions of Section 10 hereof). The purchase price per Firm Common Share to be paid by the several Underwriters to the Company shall be $___ per share.

THE FIRST CLOSING DATE. Delivery of certificates for the Firm Common Shares to be purchased by the Underwriters and payment therefor shall be made at the offices of Montgomery Securities, 600 Montgomery Street, San Francisco, California (or such other place as may be agreed to by the Company and the Representatives) at 6:00 a.m. San Francisco time, on ___ [THE FOURTH FULL BUSINESS DAY AFTER THE DATE OF THIS AGREEMENT, UNLESS THE PRICING OCCURS AT A TIME EARLIER THAN 4:30 P.M., EAST COAST TIME, IN WHICH CASE THE THIRD FULL BUSINESS DAY AFTER THE DATE OF THIS AGREEMENT] or such other time and date not later than 10:30 a.m. San Francisco time, on ___ [TEN BUSINESS DAYS FOLLOWING THE ORIGINAL CONTEMPLATED FIRST CLOSING DATE] as the Representatives shall designate by notice to the Company (the time and date of such closing are called the "First Closing Date"). The Company hereby acknowledges that circumstances under which the Representatives may provide notice to postpone the First Closing Date as originally scheduled include, but are in no way limited to, any determination by the Company or the Representatives to recirculate to the public copies of an amended or supplemented Prospectus or a delay as contemplated by the provisions of Section 10.

THE OPTIONAL COMMON SHARES; THE SECOND CLOSING DATE. In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Selling Stockholders hereby grant an option to the several Underwriters to purchase, severally and not jointly, up to an aggregate of 532,500 Optional Common Shares from the Selling Stockholders at the purchase price per share to be paid by the Underwriters for the Firm Common Shares. The option granted hereunder is for use by the Underwriters solely in covering any over-allotments in connection with the sale and distribution of the Firm Common Shares. The option granted hereunder may be exercised at any time (but not more than once) upon notice by the Representatives to the Selling Stockholders (with a copy to the Company), which notice may be given at any time within 30 days from the date of this Agreement.

Such notice shall set forth (i) the aggregate number of Optional Common Shares as to which the Underwriters are exercising the option, (ii) the names and denominations in which the certificates for the Optional Common Shares are to be registered and (iii) the time, date and place at which such certificates will be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and in such case the term "First Closing Date" shall refer to the time and date of delivery of certificates for the Firm Common Shares and the Optional Common Shares). Such time and date of delivery, if subsequent to the First Closing Date, is called the "Second Closing Date" and shall be determined by the Representatives and shall not be earlier than three nor later than five full business days after delivery of such notice of exercise. If any Optional Common Shares are to be purchased, (a) each Underwriter agrees, severally and not jointly, to purchase the number of Optional Common Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Optional Common Shares to be purchased as the number of Firm Common Shares set forth on SCHEDULE A opposite the name of such Underwriter bears to the total number of Firm Common Shares and (b) each Selling Stockholder agrees, severally and not jointly, to sell the number of Optional Common Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Optional Common Shares to be sold as the number of Optional Common Shares set forth in SCHEDULE B opposite the name of such Selling Stockholder bears to the total number of Optional Common Shares. The Representatives may cancel the option at any time prior to its expiration by giving written notice of such cancellation to the Selling Stockholders (with a copy to the Company).

PUBLIC OFFERING OF THE COMMON SHARES. The Representatives hereby advise the Company and the Selling Stockholders that the Underwriters intend to offer for sale to the public, as described in the Prospectus, their respective portions of the Common Shares as soon after this Agreement has been executed and the Registration Statement has been declared effective as the Representatives, in their sole judgment, has determined is advisable and practicable.

PAYMENT FOR THE COMMON SHARES. Payment for the Common Shares to be sold by the Company shall be made at the First Closing Date by wire transfer of immediately available funds to the order of the Company. Payment for the Common Shares to be sold by the Selling Stockholders shall be made, if applicable, at the Second Closing Date by wire transfer of immediately available funds to the order of the Custodian.

It is understood that the Representatives have been authorized, for their own account and the accounts of the several Underwriters, to accept delivery of and receipt for, and make payment of the purchase price for, the Firm Common Shares and any Optional Common Shares the Underwriters have agreed to purchase. Montgomery Securities, individually and not as a Representative of the Underwriters, may (but shall not be obligated to) make payment for any Common Shares to be purchased by any Underwriter whose funds shall not have been received by the Representatives by the First

Closing Date or the Second Closing Date, as the case may be, for the account of such Underwriter, but any such payment shall not relieve such Underwriter from any of its obligations under this Agreement.

Each Selling Stockholder hereby agrees that (i) it will pay all stock transfer taxes, stamp duties and other similar taxes, if any, payable upon the sale or delivery of the Common Shares to be sold by such Selling Stockholder to the several Underwriters, or otherwise in connection with the performance of such Selling Stockholder s obligations hereunder and (ii) the Custodian is authorized to deduct for such payment any such amounts from the proceeds to such Selling Stockholder hereunder and to hold such amounts for the account of such Selling Stockholder with the Custodian under the Custody Agreement.

DELIVERY OF THE COMMON SHARES. The Company shall deliver, or cause to be delivered, to the Representatives for the accounts of the several Underwriters certificates for the Firm Common Shares at the First Closing Date, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The Selling Stockholders shall deliver, or cause to be delivered, to the Representatives for the accounts of the several Underwriters, certificates for the Optional Common Shares the Underwriters have elected to purchase from them at the Second Closing Date, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The certificates for the Common Shares shall be in definitive form and registered in such names and denominations as the Representatives shall have requested at least two full business days prior to the First Closing Date (or the Second Closing Date, as the case may be) and shall be made available for inspection on the business day preceding the First Closing Date (or the Second Closing Date, as the case may be) at a location in New York City as the Representatives may designate. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriters.

DELIVERY OF PROSPECTUS TO THE UNDERWRITERS. Not later than 12:00 p.m. on the second business day following the date the Common Shares are released by the Underwriters for sale to the public, the Company shall deliver or cause to be delivered copies of the Prospectus in such quantities and at such places as the Representatives shall request.

SECTION 3. ADDITIONAL COVENANTS

A. COVENANTS OF THE COMPANY. The Company further covenants and agrees with each Underwriter as follows:

(a) REPRESENTATIVE S REVIEW OF PROPOSED AMENDMENTS AND SUPPLEMENTS. During such period beginning on the date hereof and ending on the later of the First Closing Date or such date, as in the opinion of counsel for the Underwriters, the

Prospectus is no longer required by law to be delivered in connection with sales by an Underwriter or dealer (the "Prospectus Delivery Period"), prior to amending or supplementing the Registration Statement (including any registration statement filed under Rule 462(b) under the Securities Act) or the Prospectus, the Company shall furnish to the Representatives for review a copy of each such proposed amendment or supplement, and the Company shall not file any such proposed amendment or supplement to which the Representatives reasonably object.

(b) SECURITIES ACT COMPLIANCE. After the date of this Agreement, the Company shall promptly advise the Representatives in writing (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission, (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any preliminary prospectus or the Prospectus, (iii) of the time and date that any post-effective amendment to the Registration Statement becomes effective and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order preventing or suspending the use of any preliminary prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which the it is listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b), 430A and 434, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) were received in a timely manner by the Commission.

(c) AMENDMENTS AND SUPPLEMENTS TO THE PROSPECTUS AND OTHER SECURITIES ACT MATTERS. If, during the Prospectus Delivery Period, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if in the opinion of the Representatives or counsel for the Underwriters it is otherwise necessary to amend or supplement the Prospectus to comply with law, the Company agrees to promptly prepare (subject to Section 3(A)(a) hereof), file with the Commission and furnish at its own expense to the Underwriters and to dealers, amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) COPIES OF ANY AMENDMENTS AND SUPPLEMENTS TO THE PROSPECTUS. The Company agrees to furnish the Representatives, without charge, during the Prospectus Delivery Period, as many copies of the Prospectus and any amendments and supplements thereto as the Representatives may request.

(e) BLUE SKY COMPLIANCE. The Company shall cooperate with the Representatives and counsel for the Underwriters to qualify or register the Common Shares for sale under (or obtain exemptions from the application of) the Blue Sky or state securities laws of those jurisdictions designated by the Representatives, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Common Shares. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The Company will advise the Representatives promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Common Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(f) USE OF PROCEEDS. The Company shall apply the net proceeds from the sale of the Common Shares sold by it in the manner described under the caption "Use of Proceeds" in the Prospectus.

(g) TRANSFER AGENT. The Company shall engage and maintain, at its expense, a registrar and transfer agent for the Common Stock.

(h) EARNINGS STATEMENT. As soon as practicable, the Company will make generally available to its security holders and to the Representatives in the manner specified by Rule 158(b) under the Securities Act an earnings statement (which need not be audited) covering the twelve-month period ending November 1, 1998 that satisfies the provisions of Section 11(a) of the Securities Act and Rule 158(a) under the Securities Act.

(j) PERIODIC REPORTING OBLIGATIONS. During the Prospectus Delivery Period the Company shall file, on a timely basis, with the Commission and the New York Stock Exchange all reports and documents required to be filed under the Exchange Act. Additionally, the Company shall file with the Commission all reports on Form SR as may be required under Rule 463 under the Securities Act.

(k) AGREEMENT NOT TO OFFER OR SELL ADDITIONAL SECURITIES. During the period of 180 days following the date of the Prospectus, the Company will not, without the

prior written consent of Montgomery Securities (which consent may be withheld at the sole discretion of Montgomery Securities), directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act in respect of, any shares of Common Stock, options or warrants to acquire shares of the Common Stock or securities exchangeable or exercisable for or convertible into shares of Common Stock (other than as contemplated by this Agreement with respect to the Common Shares); PROVIDED, HOWEVER, that the Company may (i) file one or more Registration Statements on Form S-8 covering shares of Common Stock issuable pursuant to any stock option or stock purchase plan described in the Prospectus and (ii) issue shares of its Common Stock or options to purchase its Common Stock, or Common Stock upon exercise of options, pursuant to any stock option or stock purchase plan described in the Prospectus, but only if the holders of such shares, options, or shares issued upon exercise of such options, agree in writing not to sell, offer, dispose of or otherwise transfer any such shares or options during such 180 day period without the prior written consent of Montgomery Securities (which consent may be withheld at the sole discretion of the Montgomery Securities).

(l) FUTURE REPORTS TO THE REPRESENTATIVES. During the period of five years hereafter the Company will furnish to each Representative (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders equity and cash flows for the year then ended and the opinion thereon of the Company s independent public or certified public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other report filed by the Company with the Commission, the NASD or any securities exchange; and (iii) as soon as available, copies of any report or communication of the Company mailed generally to holders of its capital stock.

B. COVENANTS OF THE SELLING STOCKHOLDERS. Each Selling Stockholder further covenants and agrees with each Underwriter:

(a) AGREEMENT NOT TO OFFER OR SELL ADDITIONAL SECURITIES. Such Selling Stockholder shall enter into an agreement in the form of EXHIBIT C hereto relating to restrictions on the disposition by such Selling Stockholder of any shares of Common Stock, options or warrants to acquire shares of Common Stock, or securities exchangeable or exercisable for or convertible into shares of Common Stock for a period commencing on the date hereof and continuing through the close of trading on the date 180 days after the date of the Prospectus.

(b) DELIVERY OF FORMS W-8 AND W-9 . To deliver to the Representatives prior to the First Closing Date a properly completed and executed United States Treasury Department Form W-8 (if the Selling Stockholder is a non-United States person) or Form W-9 (if the Selling Stockholder is a United States Person).

Montgomery Securities, on behalf of the several Underwriters, may, in its sole discretion, waive in writing the performance by the Company or any Selling Stockholder of any one or more of the foregoing covenants or extend the time for their performance.

SECTION 4. PAYMENT OF EXPENSES. The Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the issuance and delivery of the Common Shares (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Common Stock, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Common Shares to the Underwriters, (iv) all fees and expenses of the Company s counsel, independent public or certified pubic accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), each preliminary prospectus and the Prospectus, and all amendments and supplements thereto, and this Agreement, (vi) all filing fees, attorneys fees and expenses incurred by the Company or the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Common Shares for offer and sale under the Blue Sky laws, and, if requested by the Representatives, preparing and printing a "Blue Sky Survey" or memorandum, and any supplements thereto, advising the Underwriters of such qualifications, registrations and exemptions, (vii) the filing fees incident to, and the reasonable fees and expenses of counsel for the Underwriters in connection with, the NASD s review and approval of the Underwriters participation in the offering and distribution of the Common Shares, (viii) the fees and expenses associated with listing the Common Stock on the New York Stock Exchange, and (ix) all other fees, costs and expenses referred to in Item 13 of Part II of the Registration Statement. Except as provided in this Section 4, Section 6, Section 8 and Section 9 hereof, the Underwriters shall pay their own expenses, including the fees and disbursements of their counsel.

The Selling Stockholders further agree with each Underwriter to pay (directly or by reimbursement) all fees and expenses incident to the performance of their obligations under this Agreement which are not otherwise specifically provided for herein, including but not limited to (i) fees and expenses of counsel and other advisors for such Selling Stockholders, (ii) fees and expenses of the Custodian and (iii) expenses and taxes incident to the sale and delivery of the Common Shares to be sold by such Selling

Stockholders to the Underwriters hereunder (which taxes, if any, may be deducted by the Custodian under the provisions of Section 2 of this Agreement).

This Section 4 shall not affect or modify any separate, valid agreement relating to the allocation of payment of expenses between the Company, on the one hand, and the Selling Stockholders, on the other hand.

SECTION 5. CONDITIONS OF THE OBLIGATIONS OF THE UNDERWRITERS. The obligations of the several Underwriters to purchase and pay for the Common Shares as provided herein on the First Closing Date and, with respect to the Optional Common Shares, the Second Closing Date, shall be subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders set forth in Sections 1(A) and 1(B) hereof as of the date hereof and as of the First Closing Date as though then made and, with respect to the Optional Common Shares, as of the Second Closing Date as though then made, to the timely performance by the Company and the Selling Stockholders of their respective covenants and other obligations hereunder, and to each of the following additional conditions:

(a) ACCOUNTANTS COMFORT LETTER. On the date hereof, the Representatives shall have received from Arthur Andersen LLP, independent public or certified public accountants for the Company, a letter dated the date hereof addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, containing statements and information of the type ordinarily included in accountants "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement and the Prospectus (and each Representative shall have a conformed copy of such accountants letter).

(b) COMPLIANCE WITH REGISTRATION REQUIREMENTS; NO STOP ORDER; NO OBJECTION FROM NASD. For the period from and after effectiveness of this Agreement and prior to the First Closing Date and, with respect to the Optional Common Shares, the Second Closing Date:

(i) the Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A, and such post-effective amendment shall have become effective; or, if the Company elected to rely upon Rule 434 under the Securities Act and obtained the Representative s consent thereto, the Company shall have filed a Term Sheet with the Commission in the manner and within the time period required by such Rule 424(b);

(ii) no stop order suspending the effectiveness of the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment to the Registration Statement, shall be in effect and no proceedings for such purpose shall have been instituted or threatened by the Commission; and

(iii) the NASD shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(c) NO MATERIAL ADVERSE CHANGE. For the period from and after the date of this Agreement and prior to the First Closing Date and, with respect to the Optional Common Shares, the Second Closing Date, in the judgment of the Representatives there shall not have occurred any Material Adverse Change.

(d) OPINION OF COUNSEL FOR THE COMPANY. On each of the First Closing Date and the Second Closing Date the Representatives shall have received the opinion of Stroock & Stroock & Lavan LLP, counsel for the Company, dated as of such Closing Date, in substantially the form attached as EXHIBIT A (and each Representative shall have received a conformed copy of such counsel s legal opinion).

(e) OPINION OF COUNSEL FOR THE UNDERWRITERS. On each of the First Closing Date and the Second Closing Date the Representatives shall have received the favorable opinion of Hale and Dorr LLP, counsel for the Underwriters, dated as of such Closing Date, with respect to matters such as may be reasonably requested by the Representatives (and each Representative shall have received a conformed copy of such counsel s legal opinion).

(f) OFFICERS CERTIFICATE. On each of the First Closing Date and the Second Closing Date the Representatives shall have received a written certificate executed by the Chairman of the Board, Chief Executive Officer or President of the Company and the Chief Financial Officer or Chief Accounting Officer of the Company, dated as of such Closing Date, to the effect set forth in subsections (b)(ii) of this Section 5, and further to the effect that:

(i) for the period from and after the date of this Agreement and prior to such Closing Date, there has not occurred any Material Adverse Change;

(ii) the representations and warranties of the Company set forth in Section 1(A) of this Agreement are true and correct with the same force and effect as though expressly made on and as of such Closing Date; and

(iii) the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date.

(g) BRING-DOWN COMFORT LETTER. On each of the First Closing Date and the Second Closing Date the Representatives shall have received from Arthur Andersen LLP, independent public or certified public accountants for the Company, a letter dated such date, in form and substance satisfactory to the Representatives, to the effect that they reaffirm the statements made in the letter furnished by them pursuant to subsection (a) of this Section 5, except that the specified date referred to therein for the carrying out of procedures shall be no more than five business days prior to the First Closing Date or Second Closing Date, as the case may be (and each Representative shall have received a conformed copy of such accountants letter).

(h) OPINION OF COUNSEL FOR THE SELLING STOCKHOLDERS. On the Second Closing Date the Representatives shall have received the opinion of Stroock & Stroock & Lavan LLP, special counsel for the Selling Stockholders, dated as of the Second Closing Date, in substantially the form attached as EXHIBIT B (and each Representative shall have received a conformed copy of such counsel s legal opinion).

(i) SELLING STOCKHOLDERS CERTIFICATE. On each of the First Closing Date and the Second Closing Date the Representatives shall received a written certificate executed by the Attorney-in-Fact of each Selling Stockholder, dated as of such Closing Date, to the effect that:

(i) the representations and warranties of such Selling Stockholder set forth in Section 1(B) of this Agreement are true and correct with the same force and effect as though expressly made by such Selling Stockholder on and as of such Closing Date; and

(ii) such Selling Stockholder has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date.

(j) SELLING STOCKHOLDERS DOCUMENTS. On the date hereof, the Company and the Selling Stockholders shall have furnished for review by the Representatives copies of the Powers of Attorney and Custody Agreements executed by each of the Selling Stockholders and such further information, certificates and documents as the Representatives may reasonably request.

(k) LOCK-UP AGREEMENT FROM CERTAIN STOCKHOLDERS OF THE COMPANY OTHER THAN SELLING STOCKHOLDERS. On the date hereof, the Company shall have furnished to the Representatives an agreement in the form of EXHIBIT C-1 or EXHIBIT C-2 hereto, as applicable, from each director, officer and each beneficial owner of Common Stock (as defined and determined according to Rule 13d-3 under the Exchange Act, except that a one hundred eighty day period shall be used rather than the sixty day period set forth therein), and such agreement shall be in full

force and effect on each of the First Closing Date and the Second Closing Date.

(l) ADDITIONAL DOCUMENTS. On or before each of the First Closing Date and the Second Closing Date, the Representatives and counsel for the Underwriters shall have received such information, documents and opinions as they may reasonably require for the purposes of enabling them to pass upon the issuance and sale of the Common Shares as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained.

If any condition specified in this Section 5 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representatives by notice to the Company at any time on or prior to the First Closing Date and, with respect to the Optional Common Shares, at any time prior to the Second Closing Date, which termination shall be without liability on the part of any party to any other party, except that Section 4, Section 6, Section 8 and Section 9 shall at all times be effective and shall survive such termination.

SECTION 6. REIMBURSEMENT OF UNDERWRITERS EXPENSES. If this Agreement is terminated by the Representatives pursuant to Section 5 or Section 11, or if the sale to the Underwriters of the Common Shares on the First Closing Date is not consummated because of any refusal, inability or failure on the part of the Company to perform any agreement herein or to comply with any provision hereof, the Company agrees to reimburse the Representatives and the other Underwriters (or such Underwriters as have terminated this Agreement with respect to themselves), severally, upon demand for all out-of-pocket expenses that shall have been reasonably incurred by the Representatives and the Underwriters in connection with the proposed purchase and the offering and sale of the Common Shares, including but not limited to fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges.

SECTION 7. EFFECTIVENESS OF THIS AGREEMENT. This Agreement shall not become effective until the later of (i) the execution of this Agreement by the parties hereto and (ii) notification by the Commission to the Company and the Representatives of the effectiveness of the Registration Statement under the Securities Act.

Prior to such effectiveness, this Agreement may be terminated by any party by notice to each of the other parties hereto, and any such termination shall be without liability on the part of (a) the Company or the Selling Stockholders to any Underwriter, except that the Company shall be obligated to reimburse the expenses of the Representatives and the Underwriters pursuant to Section 4 hereof, (b) of any Underwriter to the Company or the Selling Stockholders, or (c) of any party hereto to any other party except that the provisions of Section 8 and Section 9 shall at all times be effective and shall survive such termination.

SECTION 8. INDEMNIFICATION.

(a) INDEMNIFICATION OF THE UNDERWRITERS. The Company and each of the Selling Stockholders, jointly and severally, agree to indemnify and hold harmless each Underwriter, its officers and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act and the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter or such controlling person may become subject, under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based (i) upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A or Rule 434 under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (iii) in whole or in part upon any inaccuracy in the representations and warranties of the Company or the Selling Stockholders contained herein; or (iv) in whole or in part upon any failure of the Company or the Selling Stockholders to perform their respective obligations hereunder or under law; or (v) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Common Stock or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon any matter covered by clause (i) or (ii) above, PROVIDED that the Company shall not be liable under this clause (v) to the extent that a court of competent jurisdiction shall have determined by a final judgment that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its gross negligence or willful misconduct; and to reimburse each Underwriter and each such controlling person for any and all expenses (including the fees and disbursements of counsel chosen by Montgomery Securities) as such expenses are reasonably incurred by such Underwriter or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; PROVIDED, HOWEVER, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or

omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Representatives expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); and PROVIDED, further, that with respect to any preliminary prospectus, the foregoing indemnity agreement shall not inure to the benefit of any Underwriter from whom the person asserting any loss, claim, damage, liability or expense purchased Common Shares, or any person controlling such Underwriter, if copies of the Prospectus were timely delivered to the Underwriter pursuant to Section 2 and a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Common Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage, liability or expense; and PROVIDED, further, that no Selling Stockholder shall be liable under this Section 8(a) for an amount in excess of the proceeds (net of the applicable underwriting discount) received by such Selling Stockholder with respect to any Shares purchased by the Underwriters from such Selling Stockholder hereunder; and PROVIDED, further that no Selling Stockholder shall be required to provide indemnification hereunder until the Underwriters or controlling persons seeking indemnification shall have first made a demand for payment on the Company with respect to any such loss, claim, damage, liability or expense and the Company shall have either rejected such demand or failed to make such requested payment within 60 days after receipt thereof. The indemnity agreement set forth in this Section 8(a) shall be in addition to any liabilities that the Company and the Selling Stockholders may otherwise have.

(b) INDEMNIFICATION OF THE COMPANY, ITS DIRECTORS AND OFFICERS AND THE SELLING STOCKHOLDERS. Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement, the Selling Stockholders and each person, if any, who controls the Company or any Selling Stockholder within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense, as incurred, to which the Company, or any such director, officer, Selling Stockholder or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or arises out of or is based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the

statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any preliminary prospectus, the Prospectus (or any amendment or supplement thereto), in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Representatives expressly for use therein; and to reimburse the Company, or any such director, officer, Selling Stockholder or controlling person for any legal and other expense reasonably incurred by the Company, or any such director, officer, Selling Stockholder or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The Company and each of the Selling Stockholders, hereby acknowledges that the only information that has been furnished to the Company by or on behalf of the Representatives expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) are the statements set forth (A) in the last paragraph on the inside front cover page of the Prospectus concerning stabilization by the Underwriters and (B) in the table in the first paragraph and in the second and fifth paragraph and the last sentence of the ninth paragraph under the caption "Underwriting" in the Prospectus; and the Underwriters confirm that such statements are correct. The indemnity agreement set forth in this Section 8(b) shall be in addition to any liabilities that each Underwriter may otherwise have.

(c) NOTIFICATIONS AND OTHER INDEMNIFICATION PROCEDURES. Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise than under the indemnity agreement contained in this Section 8 or to the extent it is not prejudiced as a proximate result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; PROVIDED, HOWEVER, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate

counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party s election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the next preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (together with local counsel), approved by the indemnifying party (Montgomery Securities in the case of Section 8(b) and Section 9, representing the indemnified parties who are parties to such action) or (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party.

(d) SETTLEMENTS. The indemnifying party under this Section 8 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 8(c) hereof, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

(e) INDEMNIFICATION OF A QUALIFIED INDEPENDENT UNDERWRITER. Without limitation and in addition to its obligations under the other subsections of this Section 8, the Company agrees to indemnify and hold harmless Montgomery Securities and each person, if any, who controls Montgomery Securities within the meaning of the

Securities Act or the Exchange Act from and against any loss, claim, damage, liabilities or expense, as incurred arising out of or based upon Montgomery Securities acting as a "qualified independent underwriter" (within the meaning of Rule 2720 to the NASD's Conduct Rules) in connection with the offering contemplated by this Agreement, and agrees to reimburse each such indemnified person for any legal or other expense reasonably incurred by them in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; PROVIDED, HOWEVER, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or expense results from the gross negligence or willful misconduct of Montgomery Securities.

SECTION 9. CONTRIBUTION. If the indemnification provided for in Section 8 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, from the offering of the Common Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the statements or omissions or inaccuracies in the representations and warranties herein which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Common Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Common Shares pursuant to this Agreement (before deducting expenses) received by the Company and the Selling Stockholders, and the total underwriting discount received by the Underwriters, in each case as set forth on the front cover page of the Prospectus (or, if Rule 434 under the Securities Act is used, the corresponding location on the Term Sheet) bear to the aggregate initial public offering price of the Common Shares as set forth on such cover. The relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact or any such inaccurate or alleged inaccurate representation or warranty relates to information supplied by the Company or the Selling Stockholders, on the one hand, or the Underwriters, on the other hand, and the parties relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 8(c), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in Section 8(c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 9; PROVIDED, HOWEVER, that no additional notice shall be required with respect to any action for which notice has been given under Section 8(c) for purposes of indemnification.

The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 9.

Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the underwriting commissions received by such Underwriter in connection with the Common Shares underwritten by it and distributed to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters obligations to contribute pursuant to this Section 9 are several, and not joint, in proportion to their respective underwriting commitments as set forth opposite their names in SCHEDULE A. For purposes of this Section 9, each officer and employee of an Underwriter and each person, if any, who controls an Underwriter within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company or any Selling Stockholder with the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company.

SECTION 10. DEFAULT OF ONE OR MORE OF THE SEVERAL UNDERWRITERS. If, on the First Closing Date or the Second Closing Date, as the case may be, any one or more of the several Underwriters shall fail or refuse to purchase Common Shares that it or they have agreed to purchase hereunder on such date, and the aggregate number of Common Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase does not exceed 10% of the aggregate number of the Common Shares to be purchased on such date, the other Underwriters shall be obligated, severally, in the proportions that the number of Firm Common Shares set forth opposite their respective names on SCHEDULE A bears to the aggregate number of Firm Common Shares set forth opposite the names of all such non- defaulting Underwriters, or in such other proportions as may be specified by the Representatives with the consent of the non-defaulting Underwriters, to purchase the Common Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date. If, on the First Closing Date or the Second Closing Date, as the case may be, any one or more of the Underwriters

shall fail or refuse to purchase Common Shares and the aggregate number of Common Shares with respect to which such default occurs exceeds 10% of the aggregate number of Common Shares to be purchased on such date, and arrangements satisfactory to the Representatives and the Company for the purchase of such Common Shares are not made within 48 hours after such default, this Agreement shall terminate without liability of any party to any other party except that the provisions of Section 4, Section 6, Section 8 and Section 9 shall at all times be effective and shall survive such termination. In any such case either the Representatives or the Company shall have the right to postpone the First Closing Date or the Second Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

As used in this Agreement, the term "Underwriter" shall be deemed to include any person substituted for a defaulting Underwriter under this Section 10. Any action taken under this Section 10 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

SECTION 11. TERMINATION OF THIS AGREEMENT. Prior to the First Closing Date this Agreement may be terminated by the Representatives by notice given to the Company if at any time (i) trading or quotation in any of the Company s securities shall have been suspended or limited by the Commission or by the New York Stock Exchange, or trading in securities generally on either the Nasdaq Stock Market or the New York Stock Exchange shall have been suspended or limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges by the Commission or the NASD; (ii) a general banking moratorium shall have been declared by any of federal, New York, Delaware or California authorities; (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States or international political, financial or economic conditions, as in the judgment of the Representatives is material and adverse and makes it impracticable to market the Common Shares in the manner and on the terms described in the Prospectus or to enforce contracts for the sale of securities; or (iv) in the judgment of the Representatives there shall have occurred any Material Adverse Change. Any termination pursuant to this Section 11 shall be without liability on the part of (a) the Company or the Selling Stockholders to any Underwriter, except that the Company shall be obligated to reimburse the expenses of the Representatives and the Underwriters to the extent provided in Sections 4 and 6 hereof, (b) any Underwriter to the Company or the Selling Stockholders, or (c) of any party hereto to any other party except that the provisions of Section 8 and Section 9 shall at all times be effective and shall survive such termination.

SECTION 12. REPRESENTATIONS AND INDEMNITIES TO SURVIVE DELIVERY. The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers , of the Selling Stockholders and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of its or their partners, officers or directors or any controlling person, or the Selling Stockholders, as the case may be, and will survive delivery of and payment for the Common Shares sold hereunder and any termination of this Agreement.

SECTION 13. NOTICES. All communications hereunder shall be in writing and shall be mailed, hand delivered or telecopied and confirmed to the parties hereto as follows:

If to the Representative:

Montgomery Securities
600 Montgomery Street
San Francisco, California 94111
Facsimile: 415-249-5558
Attention: Richard A. Smith

with a copy to:

Montgomery Securities
600 Montgomery Street
San Francisco, California 94111
Facsimile: (415) 249-5553
Attention: David A. Baylor, Esq.

If to the Company:

The Children's Place Retail Stores, Inc.
1 Dodge Drive
West Caldwell, NJ 07006
Facsimile: 973-227-0321
Attention: General Counsel

If to the Selling Stockholders:

American Stock Transfer and Trust Company
40 Wall Street
New York, NY 10005
Facsimile: 718-236-2641
Attention: Custodial Department

and to:

Saunders Karp & Megrue
667 Madison Avenue
New York, NY 10021
Facsimile:212-755-1624
Attention: David J. Oddi

Any party hereto may change the address for receipt of communications by giving written notice to the others.

SECTION 14. SUCCESSORS. This Agreement will inure to the benefit of and be binding upon the parties hereto, including any substitute Underwriters pursuant to Section 10 hereof, and to the benefit of the employees, officers and directors and controlling persons referred to in Section 8 and Section 9, and in each case their respective successors, and no other person will have any right or obligation hereunder. The term "successors" shall not include any purchaser of the Common Shares as such from any of the Underwriters merely by reason of such purchase.

SECTION 15. PARTIAL UNENFORCEABILITY. The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

SECTION 16. GOVERNING LAW PROVISIONS. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SUCH STATE.

SECTION 17. FAILURE OF ONE OR MORE OF THE SELLING STOCKHOLDERS TO SELL AND DELIVER COMMON SHARES. If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Common Shares to be sold and delivered by such Selling Stockholders pursuant to this Agreement at the Second Closing Date, then the Underwriters shall have the right, by written notice from the Representatives to the Company and the Selling Stockholders, to postpone the Second Closing Date, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

SECTION 18. GENERAL PROVISIONS. This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the

subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The Table of Contents and the Section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 8 and the contribution provisions of Section 9, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Sections 8 and 9 hereto fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus and the Prospectus (and any amendments and supplements thereto), as required by the Securities Act and the Exchange Act.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company and the Custodian the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

THE CHILDREN'S PLACE RETAIL
STORES, INC.

By:_____
Ezra Dabah
Chief Executive Officer

SELLING STOCKHOLDERS

By:_____
(Attorney-in-fact)

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representatives in San Francisco, California as of the date first above written.

MONTGOMERY SECURITIES
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
SMITH BARNEY, INC.
LEGG MASON WOOD WALKER, INCORPORATED

Acting as Representatives of the
several Underwriters named in
the attached Schedule A.

By MONTGOMERY SECURITIES

By:

_____
Richard A. Smith,
Authorized Signatory

SCHEDULE A

UNDERWRITERS	NUMBER OF FIRM COMMON SHARES TO BE PURCHASED
Montgomery Securities	___
Donaldson, Lufkin & Jenrette Securities Corporation	___
Smith Barney, Inc.	___
Legg Mason Wood Walker, Incorporated	___
	4,000,000

SCHEDULE B

SELLING STOCKHOLDER	MAXIMUM NUMBER OF OPTIONAL COMMON SHARES TO BE SOLD
The SK Equity Fund, L.P. Two Greenwich Plaza Suite 100 Greenwich, CT 06830 Attention: John F. Megrue	584,221
SK Investment Fund, L.P. Two Greenwich Plaza Suite 100 Greenwich, CT 06830 Attention: John F. Megrue	8,468
Barry Feinberg One Presidential Boulevard Suite 200 Bala Cynwyd, PA 19004	7,311
Total:	600,000

EXHIBIT A

Opinion of counsel for the Company to be delivered pursuant to Section 5(e) of the Underwriting Agreement.

[SS&L TO ADD INTRODUCTORY LANGUAGE]

References to the Prospectus in this EXHIBIT A include any supplements thereto at the Closing Date.

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware.

(ii) The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under the Underwriting Agreement.

(iii) The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which it owns or leases real property, except for such jurisdictions where the failure to so qualify or to be in good standing would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

(iv) To the best knowledge of such counsel, the Company does not own or control, directly or indirectly, any corporation, association or other entity.

(v) The authorized, issued and outstanding capital stock of the Company (including the Common Stock) conforms to the descriptions thereof set forth in the Prospectus. All of the outstanding shares of Common Stock (including the shares of Common Stock owned by Selling Stockholders) have been duly authorized and validly issued, are fully paid and nonassessable and, to the best of such counsel s knowledge, have been issued pursuant to exemptions from the registration and qualification requirements of federal and state securities laws. The form of certificate used to evidence the Common Stock is in due and proper form and complies with all applicable requirements of the Certificate of Incorporation and by-laws of the Company and the General Corporation Law of the State of Delaware. The description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted and exercised thereunder, set forth in the Prospectus fairly summarizes, in all material respects, the information presented.

(vi) No stockholder of the Company or any other person has any preemptive right, right of first refusal or other similar right to subscribe for or purchase securities of the Company arising (i) by operation of the Certificate of Incorporation or By-laws of the Company or the General Corporation Law of the State of Delaware or (ii) to the best knowledge of such counsel, otherwise.

(vii) The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

(viii) The Common Shares to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale pursuant to the Underwriting Agreement and, when issued and delivered by the Company pursuant to the Underwriting Agreement against payment of the consideration set forth therein, will be validly issued, fully paid and nonassessable.

(ix) The Registration Statement has been declared effective by the Commission under the Securities Act. To the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued under the Securities Act and no proceedings for such purpose have been instituted or are pending or are contemplated or threatened by the Commission. Any required filing of the Prospectus and any supplement thereto pursuant to Rule 424(b) under the Securities Act has been made in the manner and within the time period required by such Rule 424(b).

(x) The Registration Statement, the Prospectus and each post-effective amendment or supplement to the Registration Statement and the Prospectus, as of their respective effective or issue dates (other than the financial statements and other financial data and supporting schedules included therein or in exhibits to or excluded from the Registration Statement, as to which no opinion need be rendered) comply as to form in all material respects with the applicable requirements of the Securities Act.

(xi) The Common Shares have been approved for listing on the the New York Stock Exchange.

(xii) The statements (i) in the Prospectus under the captions "Management s Discussion and Analysis and Results of Operations--Liquidity and Capital Resources" (fifth and seventh paragraphs only), "Business--Trademarks and Service Marks," "Management--Employment Agreements," "Security Ownership of Certain Beneficial Owners and Management" (last four paragraphs only), "Certain Relationships and Related Transactions," "Description of Capital Stock," and "Shares Eligible for Future Sale," and (ii) in Item 14 and Item 15 of the Registration Statement, insofar as such statements constitute matters of law, summaries of legal matters, the Company s Certificate of Incorporation or By-law provisions, documents or legal proceedings, or legal conclusions, has been reviewed by such counsel and fairly present and summarize, in all material respects, the matters referred to therein.

(xiii) To the best knowledge of such counsel, there are no legal or governmental actions, suits or proceedings pending or threatened which are required to be disclosed in the Registration Statement, other than those disclosed therein.

(xiv) To the best knowledge of such counsel, there are no Existing Instruments required to be described or referred to in the Registration Statement or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto; and the descriptions thereof fairly summarize such Existing Instruments in all material respects.

(xv) No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental authority or agency, is required for the Company s execution, delivery and performance of the Underwriting Agreement and consummation of the transactions contemplated thereby and by the Prospectus, except as required under the Securities Act, applicable state securities or blue sky laws and from the NASD.

(xvi) The execution and delivery of the Underwriting Agreement by the Company and the performance by the Company of its obligations thereunder (other than performance by the Company of its obligations under the indemnification section of the Underwriting Agreement, as to which no opinion need be rendered) (i) have been duly authorized by all necessary corporate action on the part of the Company; (ii) will not result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company; (iii) will not constitute a breach of, or Default or a Debt Repayment Triggering Event under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, (A) the Company s revolving credit facility with Foothill Capital Corporation, or (B) to the best knowledge of such counsel, any other material Existing Instrument; or (iv) to the best knowledge of such counsel, will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company.

(xvii) The Company is not, and after receipt of payment for the Common Shares will not be, an "investment company" within the meaning of Investment Company Act.

(xviii) To the best knowledge of such counsel, there are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the offering contemplated by the Underwriting Agreement, except for such rights as have been duly waived.

In addition, such counsel shall state that they have participated in conferences with officers and other representatives of the Company, representatives of the independent public or certified public accountants for the Company and with representatives of the Underwriters at which the contents of the Registration Statement and the Prospectus, and any supplements or amendments thereto, and related matters were discussed and, although such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus (other than as specified above), or any supplements or amendments thereto, on the basis of the foregoing, nothing has come to their attention which would lead them to believe that either the Registration Statement, at the time the

Registration Statement became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, as of its date or at the First Closing Date or the Second Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no belief as to the financial statements or schedules or other financial or statistical data, included in the Registration Statement or the Prospectus or any amendments or supplements thereto).

In rendering such opinion, such counsel may rely (A) to the extent they deem proper and specified in such opinion, upon the opinion (which shall be dated the First Closing Date or the Second Closing Date, as the case may be, shall be satisfactory in form and substance to the Underwriters, shall expressly state that the Underwriters may rely on such opinion as if it were addressed to them and shall be furnished to the Representatives) of the Company's General Counsel or other counsel of good standing whom they believe to be reliable and who are satisfactory to counsel for the Underwriters; PROVIDED, HOWEVER, that such counsel shall further state that they believe that they and the Underwriters are justified in relying upon such opinion of the Company's General Counsel or other counsel, and (B) as to matters of fact, to the extent they deem proper, on certificates of responsible officers of the Company and public officials.

[Form of opinion will be appropriately modified if offering involves a Rule 462(b) Registration Statement or a post-effective amendment to the Registration Statement]

EXHIBIT B

THE FINAL OPINION IN DRAFT FORM SHOULD BE ATTACHED AS EXHIBIT B AT THE TIME THIS AGREEMENT IS EXECUTED.

The opinion of such counsel pursuant to Section 5(h) shall be rendered to the Representatives at the request of the Company and shall so state therein. References to the Prospectus in this EXHIBIT B include any supplements thereto at the Closing Date.

(i) The Underwriting Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(ii) The execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, the Underwriting Agreement and its Custody Agreement and its Power of Attorney will not contravene or conflict with, result in a breach of, or constitute a default under, the charter or by-laws, partnership agreement, trust agreement or other organizational documents, as the case may be, of such Selling Stockholder, or, to the best of such counsel s knowledge, violate or contravene any provision of applicable law or regulation, or violate, result in a breach of or constitute a default under the terms of any other agreement or instrument to which such Selling Stockholder is a party or by which it is bound, or any judgment, order or decree applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder.

(iii) Such Selling Stockholder (i) to the knowledge of such counsel, has good and valid title to all of the Common Shares which may be sold by such Selling Stockholder under the Underwriting Agreement and (ii) has the legal right and power, and all authorizations and approvals required under its charter and by-laws, partnership agreement, trust agreement or other organizational documents, as the case may be, to enter into the Underwriting Agreement and its Custody Agreement and its Power of Attorney, to sell, transfer and deliver all of the Common Shares which may sold by such Selling Stockholder under the Underwriting Agreement and to comply with its other obligations under the Underwriting Agreement, its Custody Agreement and its Power of Attorney.

(iv) Each of the Custody Agreement and Power of Attorney of such Selling Stockholder has been duly authorized, executed and delivered by such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnification thereunder may be limited by applicable law and except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors rights generally or by general equitable principles.

(v) Assuming that the Underwriters purchase the Common Shares which are sold by such Selling Stockholder pursuant to the Underwriting Agreement for value, in good faith and without notice of any adverse claim, the delivery of such Common Shares

pursuant to the Underwriting Agreement will pass good and valid title to such Common Shares, free and clear of any security interest, mortgage, pledge, lien encumbrance or other claim.

(vi) To the best of such counsel s knowledge, no consent, approval, authorization or other order of, or registration or filing with, any court or governmental authority or agency, is required for the consummation by such Selling Stockholder of the transactions contemplated in the Underwriting Agreement, except as required under the Securities Act, applicable state securities or blue sky laws, and from the NASD.

In rendering such opinion, such counsel may rely (A) to the extent they deem proper and specified in such opinion, upon the opinion (which shall be dated the First Closing Date or the Second Closing Date, as the case may be, shall be satisfactory in form and substance to the Underwriters, shall expressly state that the Underwriters may rely on such opinion as if it were addressed to them and shall be furnished to the Representatives) of other counsel of good standing whom they believe to be reliable and who are satisfactory to counsel for the Underwriters; PROVIDED, HOWEVER, that such counsel shall further state that they believe that they and the Underwriters are justified in relying upon such opinion of other counsel, and (B) as to matters of fact, to the extent they deem proper, on certificates of the Selling Stockholders and public officials.

EXHIBIT C

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

THE CHILDREN'S PLACE RETAIL STORES, INC.

THE CHILDREN'S PLACE RETAIL STORES, INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY as follows:

The Corporation was originally incorporated under the name "THE CHILDREN'S PLACE RETAIL STORES II, INC." and the date of filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was June 3, 1988. The Certificate of Incorporation was subsequently amended by a certificate of merger on July 29, 1988 and pursuant to such amendment the Corporation was renamed The Children's Place Retail Stores, Inc. The Certificate of Incorporation was subsequently amended and restated on June 28, 1996. The Certificate of Incorporation was subsequently amended and restated on December 31, 1996.

The Board of Directors of the Corporation, by unanimous written consent dated as of September 17, 1997, adopted resolutions setting forth the Amended and Restated Certificate of Incorporation herein contained (the "Certificate of Incorporation"), declaring its advisability and calling a meeting of stockholders of the Corporation entitled to vote in respect thereof for the consideration of such Certificate of Incorporation, in accordance with applicable provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware. The Certificate of Incorporation was duly adopted on September 17, 1997 by unanimous written consent of the holders of the outstanding stock entitled to vote thereon, in accordance with the applicable provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.

The text of the Certificate of Incorporation of the Corporation shall read in its entirety as follows:

ARTICLE ONE

The name of the corporation is THE CHILDREN'S PLACE RETAIL STORES, INC. (the "Corporation").

ARTICLE TWO

The address of the Corporation's registered office in the State of Delaware is 15 East North Street, in the City of Dover, County of Kent. The name of its registered agent at such address is United Corporate Services, Inc.

ARTICLE THREE

The nature of the business and of the purposes to be conducted and promoted by the Corporation are to conduct any lawful business, to promote any lawful purpose and to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOUR

The Corporation shall have authority, to be exercised by the Board of Directors, to issue (i) 100,000,000 shares of common stock of the par value of $0.10 per share (the "Common Stock") and (ii) 1,000,000 shares of preferred stock of the par value of $1.00 per share (the "Preferred Stock"). The Preferred Stock may be issued (A) in one or more series and with such designations, powers, preferences, rights, and such qualifications, limitations or restrictions thereof, as the Board of Directors shall fix by resolution or resolutions which are permitted by Section 151 of the General Corporation Law of the State of Delaware for any such series of Preferred Stock, and (B) in such number of shares in each such series as the Board of Directors shall, by resolution, fix, provided that the aggregate number of all shares of Preferred Stock issued shall not exceed the number of shares of Preferred Stock authorized hereby.

Each holder of Common Stock shall at every meeting of stockholders of the Corporation be entitled to one vote in person or by proxy on each matter submitted to a vote of stockholders for each share of Common Stock held by such holder as of the record date for such meeting. Subject to the rights, if any, of the holders of the Preferred Stock, the holders of the Common Stock shall be entitled to the entire voting power, all dividends declared and paid by the Corporation and all assets of the Corporation available for distribution to stockholders in the event of any liquidation, dissolution or winding up of the Corporation.

ARTICLE FIVE

The number of directors which shall constitute the whole Board of Directors of the Corporation shall be not less than three nor more than 12 and the exact number shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by a majority of the directors then in office; provided, however, that such maximum number of directors may be increased from time to time to reflect the rights, if any, of holders of Preferred Stock to elect directors in accordance with the terms of the resolution or resolutions adopted by the Board of Directors providing for the issue of such shares of Preferred Stock. The number of directors may be increased or decreased only by action of the Board of Directors. The directors, other than those who may be elected by the holders of any series of Preferred Stock, will be classified with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible, designated Class I, Class II and Class III. The directors first appointed to Class I will hold office for a term expiring at the annual meeting of stockholders of the Corporation to be held in 1998; the directors first appointed to Class II will hold office for a term expiring at the annual meeting of stockholders of the Corporation to be held in 1999; and the directors first appointed to Class III will hold office for a term expiring at the annual meeting of stockholders of the Corporation to be held in 2000, with the members of each class to hold office until their successors are elected and qualified. At each succeeding annual meeting of the stockholders of the Corporation, the successors of the class of directors whose terms expire at that meeting will be elected by plurality vote of all votes cast at such meeting to hold office for a term expiring at the

annual meeting of stockholders held in the third year following the year of their election and to hold office until their successors are elected and qualified. Election of directors of the Corporation need not be by written ballot unless requested by the Chairman of the Board of Directors or by the holders of a majority of the voting power of the outstanding shares of stock entitled to vote in the election of directors and present in person or represented by proxy at a meeting of the stockholders at which directors are to be elected.

ARTICLE SIX

Subject to the rights, if any, of the holders of any Preferred Stock, the power to fill vacancies on the Board of Directors (whether by reason of resignation, removal, death, an increase in the number of directors or otherwise) shall be vested solely in the Board of Directors, and vacancies may be filled by the affirmative vote of a majority of the directors then in office, even if less than a quorum, or by the sole remaining director, unless all directorships are vacant, in which case the stockholders shall fill the then existing vacancies. Any director chosen by the Board of Directors to fill a vacancy (including a vacancy resulting from an increase in the number of directors) shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred (or in which the new directorship was created) and until that director's successor shall be elected and shall have qualified. No decrease in the number of directors constituting the Board of Directors may shorten the term of any incumbent director.

ARTICLE SEVEN

Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Chairman of the Board of Directors or by the Secretary of the Corporation within ten calendar days after receipt of a written request from a majority of the total number of directors which the Corporation would have if there were no vacancies. Such special meetings may not be called by any other person or persons.

ARTICLE EIGHT

Any action required by the General Corporation Law of the State of Delaware to be taken at an annual or special meeting of stockholders of the Corporation, and any action which otherwise may be taken at any annual or special meeting of stockholders of the Corporation, shall be taken only at a duly called meeting of the stockholders of the Corporation and, notwithstanding Section 228 of the General Corporation Law of the State of Delaware, no such action shall be taken by written consent or consents without a meeting of the stockholders of the Corporation.

ARTICLE NINE

Except as otherwise provided by law, at any annual or special meeting of the stockholders of the Corporation, only such business shall be conducted or considered as shall have been properly brought before the meeting. Except as otherwise provided herein, in order to have been properly brought before the meeting, such business must have been either (A) specified in the written notice of the meeting, or any supplement thereto, given to the stockholders of record on the record date for such meeting by or at the direction of the Board of Directors; (B) brought before the meeting at the direction of the Chairman of the Board, the President or the Board of Directors; or (C) specified in a

written notice given by or on behalf of a stockholder of record on the record date for such meeting entitled to vote thereat or a duly authorized proxy for such stockholder, in accordance with all requirements set forth in this Article Nine. A notice referred to in clause (C) of the preceding sentence must be delivered personally to, or mailed to and received at, the principal executive office of the Corporation, addressed to the attention of the Secretary, not less than 45 days nor more than 60 days prior to the meeting; provided, however, that in the event that less than 55 days' notice or prior public disclosure of the date of the meeting was given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurred. Such notice referred to in clause (C) of the second sentence of this Article Nine shall set forth: (i) a full description of each such item of business proposed to be brought before the meeting and the reasons for conducting such business at such meeting; (ii) the name and address of the person proposing to bring such business before the meeting; (iii) the class and number of shares held of record, held beneficially and represented by proxy by such person as of the record date for the meeting (if such date has then been made publicly available) and as of the date of such notice; (iv) if any item of such business involves a nomination for director, all information regarding each such nominee that would be required to be set forth in a definitive proxy statement filed with the Securities and Exchange Commission (the "Commission") pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, or any successor thereto (the "Exchange Act"), and the written consent of each such nominee to serve if elected; (v) any material interest of the stockholder in such item of business; and (vi) all other information that would be required to be filed with the Commission if, with respect to the business proposed to be brought before the meeting, the person proposing such business was a participant in a solicitation subject to Section 14 of the Exchange Act. No business shall be brought before any meeting of stockholders of the Corporation otherwise than as provided in this Article Nine. The Board of Directors may require a proposed nominee for director to furnish such other information as may be required to be set forth in a stockholder's notice of nomination which pertains to the nominee or which may be reasonably required to determine the eligibility of such proposed nominee to serve as a director of the Corporation. The chairman of the meeting may, if the facts warrant, determine that a nomination or stockholder proposal was not made in accordance with the foregoing procedure, and if the chairman should so determine, the chairman shall so declare to the meeting and the defective nomination or proposal shall be disregarded.

ARTICLE TEN

The Bylaws of the Corporation, as amended and restated on the date hereof, are hereby adopted by the Board of Directors. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind the Bylaws of the Corporation, by the affirmative vote of a majority of the total number of directors which the Corporation would have if there were no vacancies.

Notwithstanding anything contained in this Certificate of Incorporation to the contrary, Sections 6(b), 6(j) and 6(l) of Article I of the Bylaws, Sections 2(b), 2(c) and 2(d) of Article II of the Bylaws and Article VI of the Bylaws may not be amended or repealed by the stockholders, and no provision inconsistent therewith may be adopted by the stockholders, without the affirmative vote of the holders of at least 75% of the voting power of the outstanding shares of stock entitled to vote in the election of directors, voting as a single class.

ARTICLE ELEVEN

To the fullest extent that the General Corporation Law of the State of Delaware, as it exists

on the date hereof or as it may hereafter be amended, permits the limitation or elimination of the liability of directors, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Notwithstanding the foregoing, a director shall be liable to the extent provided by applicable law (1) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the General Corporation Law of the State of Delaware or any successor provision thereto, or (4) for any transaction from which the director derived any improper personal benefit. The provisions of this Article Eleven are not intended to, and shall not, limit, supersede or modify any other defense available to a director under applicable law. Neither the amendment or repeal of this Article Eleven, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article Eleven, shall adversely affect any right or protection of a director of the Corporation existing at the time of such amendment, repeal or adoption.

ARTICLE TWELVE

The Corporation shall, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented, or by any successor provision thereto ("Section 145"), indemnify any and all persons whom it shall have power to indemnify under Section 145 from and against any and all of the expenses, liabilities or other matters referred to in or covered by Section 145. The Corporation shall advance expenses to the fullest extent permitted by Section 145. Such right to indemnification and advancement of expenses shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person. The indemnification and advancement of expenses provided for herein shall not be deemed exclusive of any other rights which any person may have or hereafter acquire under any statute, Bylaw, agreement, vote of stockholders or disinterested directors or otherwise. Without limiting the generality or the effect of the foregoing, the Corporation may enter into one or more agreements with any person which provide for indemnification greater than or different from that provided in this Article Twelve or Section 145. Neither the amendment or repeal of this Article Twelve, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article Twelve, shall adversely affect any right or protection of any person existing at the time of such amendment, repeal or adoption.

The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions hereof or under Section 145 of the General Corporation Law or any other applicable law.

ARTICLE THIRTEEN

Subject to the rights, if any, of the holders of any Preferred Stock to elect additional directors or to remove directors so elected, a duly elected director of the Corporation may be removed from such position by the stockholders only for cause and only in the manner specified in this Article Thirteen. Any such removal may be effected only by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of stock entitled to vote in the election of directors, voting as a single class. Except as may be provided by applicable law, cause for

removal will be deemed to exist only if the director whose removal is proposed has been convicted of a felony or adjudicated by a court of competent jurisdiction to be liable to the Corporation or its stockholders for misconduct as a result of (a) a breach of such director's duty of loyalty to the Corporation, (b) any act or omission by such director not in good faith or which involves a knowing violation of law or (c) any transaction from which such director derived an improper personal benefit, and such conviction or adjudication is no longer subject to direct appeal.

ARTICLE FOURTEEN

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders, of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders, of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ARTICLE FIFTEEN

Any amendment, alteration, change or repeal of any provision contained in Article Five, Six, Seven, Eight, Nine, Ten or Thirteen or this Article Fifteen of this Certificate of Incorporation, or the adoption of any provision inconsistent therewith, may be effected only by the affirmative vote of the holders of 75% of the voting power of the outstanding shares of stock entitled to vote in the election of directors, voting as a single class, and all rights conferred on stockholders herein are granted subject to any provision of the General Corporation Laws of the State of Delaware, as amended.

This Certificate of Incorporation was duly adopted in accordance with the provisions of Section 242 and Section 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by Ezra Dabah, its Chairman and Chief Executive Officer, and attested by Steven Balasiano, its Secretary, this 18th day of September, 1997.

THE CHILDREN'S PLACE RETAIL STORES, INC.

By: /s/ Ezra Dabah

Ezra Dabah
Chairman and Chief Executive Officer

Attest:

/s/ Steven Balasiano
- ---

Steven Balasiano
Secretary

Exhibit 4.1

NUMBER	THE CHILDREN'S PLACE RETAIL STORES, INC.	SHARES
C		

INCORPORATED UNDER THE LAWS
OF THE STATE OF DELAWARE

CUSIP 168905 10 7
SEE REVERSE FOR
CERTAIN DEFINITIONS

THIS CERTIFIES THAT

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF THE PAR VALUE OF $.10
PER SHARE OF

THE CHILDREN'S PLACE RETAIL STORES, INC.

CERTIFICATE OF STOCK

transferable on the books of the Corporation by the holder hereof in person or by duly authorized Attorney, upon surrender of this Certificate, properly endorsed.

This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

COUNTERSIGNED AND REGISTERED:
AMERICAN STOCK TRANSFER & TRUST COMPANY
(NEW YORK, N.Y.) TRANSFER AGENT
AND REGISTRAR
BY
AUTHORIZED OFFICER

Steven Balasiano
VICE PRESIDENT
GENERAL COUNSEL AND SECRETARY

Ezra Dabah
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

THE CHILDREN'S PLACE RETAIL STORES, INC. *
CORPORATE
SEAL
1988
DELAWARE

(c) SECURITY-COLUMBIAN UNITED STATES BANKNOTE COMPANY 1960

THE CHILDREN'S PLACE RETAIL STORES, INC.

The Corporation will furnish without charge to each stockholder who so requests a statment of the designations, powers, preferences and relative participating, optional or other special rights of each class of stock or series thereof of the Corporation and the qualifications, limitations or restrictions of such preferences and/or rights. Such request may be made to the Corporation or the Transfer Agent.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)

TEN ENT - as tenants by the entireties under Uniform Gifts to Minors Act _____
(State)

JT TEN - as joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

For value received, the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

- ---

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

- ---

- ---

shares

- ---

of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

Attorney

- ---

to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed:

- ---

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 5.1

[LETTERHEAD OF SSL]

September 18, 1997

The Children's Place Retail Stores, Inc.
One Dodge Drive
West Caldwell, NJ 07006

Ladies and Gentlemen:

We have acted as counsel to The Children's Place Retail Stores, Inc., a Delaware corporation (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), of a Registration Statement on Form S-1 (Registration No. 333-31535), as amended by Amendments [No. 1 and 2] thereto (the "Registration Statement"), relating to the proposed public offering (the "Offering") by the Company of 4,000,000 shares of its Common Stock, par value $.10 per share (the "Common Stock"), and up to 600,000 additional shares of Common Stock which may be sold by certain stockholders of the Company, in the event the underwriters for the Offering elect to exercise their over-allotment option (all such shares of Common Stock being hereinafter collectively referred to as the "Shares").

As such counsel, we have examined copies of the Amended and Restated Certificate of Incorporation and By-Laws of the Company, each as amended to the date hereof, the Registration Statement, the Prospectus which forms a part of the Registration Statement and originals or copies of such corporate minutes, records, agreements and other instruments of the Company, certificates of public officials and other documents, and have made such examinations of law, as we have deemed necessary to form the basis for the opinion hereinafter expressed. In our examination of such materials, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of all copies submitted to us. As to various questions of fact material to such opinion, we have relied, to the extent we deemed appropriate, upon representations, statements and certificates of officers and representatives of the Company and others.

Attorneys involved in the preparation of this opinion are admitted to practice law in the State of New York and we do not purport to express any opinion herein concerning, any law other than the laws of the State of New York and the federal laws of the United States of America and the General Corporation Law of the State of Delaware.

Based upon and subject to the foregoing, we are of the opinion that (i) the Shares being offered by the Company, when and if issued and sold under the circumstances contemplated by the Registration Statement, will be legally issued, fully paid and non-assessable and (ii) the Shares being offered by certain stockholders of the Company, when and if sold under the circumstances contemplated by the Registration Statement, will be legally issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to this firm under the caption "Legal Matters" in the Prospectus which forms a part of the Registration Statement. In giving such consent, we do not admit hereby that we come within the category of persons whose consent is required under Section 7 of the Act or the Rules and Regulations of the Commission thereunder.

Very truly yours,

/s/ Stroock & Stroock & Lavan LLP

STROOCK & STROOCK & LAVAN LLP

EXHIBIT 9.1

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT dated as of September 18, 1997 among THE CHILDREN'S PLACE RETAIL STORES, INC., a Delaware corporation (the "Company"), each of the Persons listed on Schedule 1 and a signatory hereto (each a "Management Stockholder" and, collectively, the "Management Stockholders"), THE SK EQUITY FUND, L.P., a Delaware limited partnership ("SK"), SK INVESTMENT FUND, L.P., a Delaware limited partnership ("SKIF"), and BARRY FEINBERG ("Feinberg") (each of the Management Stockholders, SK, SKIF and Feinberg, and their permitted Transferees, a "Stockholder" and, collectively, the "Stockholders").

RECITALS

A. The Company and the Stockholders entered into a Stockholders Agreement dated June 28, 1996 (the "Original Stockholders Agreement"), setting forth certain rights and obligations of the Company and the Stockholders with respect to various matters, in order to ensure a degree of continuity of management and ownership of and certain rights in respect of the Company by imposing certain restrictions and obligations on the ownership, retention and disposition of the capital stock of the Company.

B. As of the date hereof, the Management Stockholders own an aggregate of 9,893,400 shares of the Company's Common Stock.

C. As of the date hereof, SK owns 7,458,445 shares of the Company's Common Stock, SKIF owns 108,108 shares of Common Stock and Feinberg owns 93,336 shares of Common Stock, all of which shares were issued upon conversion of shares of the Company's Series B Common Stock previously owned by such holders, in accordance with the terms set forth in the Company's Amended and Restated Certificate of Incorporation.

D. The Company and the Stockholders have now agreed that, in connection with the Company's initial public offering, it is desirable and in the best interest of the Company that the Original Stockholders Agreement be amended and restated in its entirety to read as hereinafter set forth.

E. NOW, THEREFORE, the parties hereto agree that the Original Stockholders Agreement is hereby amended and restated in its entirety, effective as of the Effective Date (as defined below), to read in its entirety as follows:

I. DEFINITIONS

1.1. Definitions. (a) In addition to the terms defined elsewhere herein, the following terms have the following meanings when used herein with initial capital letters:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, such Person. For the purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Agreement, as the same may be amended from time to time.

"Board of Directors" means the Board of Directors of the Company.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized by law to close.

"Charter" means the Amended and Restated Certificate of Incorporation of the Company as amended from time to time.

"Change of Control" means when any Person becomes the "beneficial owner" (as determined pursuant to Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (A) the then outstanding shares of Common Stock of the Company or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors.

"Common Stock" means the Common Stock, par value $0.10 per share, of the Company.

"Designated Management Stockholders" means Ezra Dabah, Stanley Silver and any trust to which Ezra Dabah or Stanley Silver Transferred shares of Common Stock after the date of the Original Stockholders Agreement.

"Director" means a member of the Board of Directors of the Company.

"Duly Endorsed" means duly endorsed in blank by the Person in whose name a certificate representing a security is registered or accompanied by a duly executed instrument of assignment separate from the certificate.

"Effective Date" means the date of consummation of the Company's initial public offering under the Securities Act.

"Management Permitted Transferee" means with respect to any Management Stockholder, (i) any spouse or lineal descendant of such Management Stockholder, (ii) any trust all of the beneficial interests in which is held by such Management Stockholder and/or such Management Stockholder's spouse and/or lineal descendants, and (iii) any other Management

Stockholder; provided, however, that each such Transferee will be a Management Permitted Transferee for purposes of this Agreement only if such Transferee shall have executed and delivered to the Company an instrument reasonably satisfactory to the SK Holders pursuant to which the Transferee shall have agreed to be bound by the terms of this Agreement applicable to its Transferor.

"Management Stockholder Group" means each of the Management Stockholders or any Management Permitted Transferee.

"Person" means an individual, corporation, partnership, trust, association or any other entity or organization, including without limitation a government or political subdivision or an agency or instrumentality thereof.

"pro rata" means, with respect to any offer including Common Stock, an offer based on the relative percentages of Common Stock then held by all of the holders of Common Stock to whom such offer is made.

"Public Offering" means any primary or secondary public offering of Common Stock pursuant to an effective registration statement under the Securities Act, other than pursuant to a registration statement on Form S-4 or Form S-8 or any successor or similar form.

"Purchase Agreement" means the Purchase Agreement dated as of June 28, 1996 among the Company, SK and SKIF and Feinberg.

"Relinquishment Time" means the time at which the SK Holders own less than 25% of the shares of Common Stock owned by SK and SKIF as of the Effective Date (as adjusted to give effect to any stock dividend, stock split, recapitalization or similar event affecting the then-outstanding Common Stock).

"Rule 144" means Rule 144 under the Securities Act, as such rule may be amended from time to time.

"Securities Act" means the Securities Act of 1933, as amended.

"SK Holder" means SK, SKIF, Feinberg or any permitted Transferee thereof. For purposes of this Agreement, any action or consent contemplated to be taken or given by the SK Holders will be effective if taken or given, as the case may be, by the SK Holder which owns the largest portion of the Common Stock owned by all SK Holders as of the relevant time.

"Third Party" means a prospective purchaser of Securities in an arm's-length transaction in which such purchaser is not the Company, an Affiliate of the Company or an Affiliate of any Stockholder.

"Transferee" means any Person to whom any Stockholder Transfers (as defined in Section 2.1) any Common Stock other than in a sale pursuant to an effective registration statement under the Securities Act or a public sale pursuant to Rule 144.

(b) Except as otherwise provided herein, any right or action that may be taken at the election of the Management Stockholder Group will be taken by a representative of the Management Stockholder Group (the "Management Group Representative") on behalf of the entire Management Stockholder Group. The initial Management Group Representative will be Ezra Dabah. Upon the death or permanent disability (or during any period of temporary disability) of Ezra Dabah, the Management Stockholder Group may designate a successor Management Group Representative upon vote of the members thereof holding a majority of the Common Stock held by the Management Stockholder Group; provided, however, that (i) if no such successor is so designated within 30 calendar days from such death or permanent disability, such successor will be a member of the Management Stockholder Group designated by the SK Holders, until a successor is designated by the Management Stockholder Group and (ii) in the event that no Person is acting as the Management Group Representative as of the time any action is otherwise to be taken hereunder by the Management Group Representative or the Management Stockholder Group, such action may be taken on behalf of the entire Management Stockholder Group by written action or consent of the holders of a majority of shares of Common Stock then held by the members of the Management Stockholder Group. Any change in the Management Group Representative will become effective upon notice in accordance with Section 4.3.

II. RIGHTS AND OBLIGATIONS WITH RESPECT TO TRANSFER

2.1. Restrictions on Transfers by Designated Management Stockholders. None of the Designated Management Stockholders may offer, sell, assign, grant a participation in, pledge or otherwise transfer ("Transfer") any shares of Common Stock (other than shares of Common Stock acquired upon exercise of stock options) during the period of 20 months from the Effective Date without the prior written consent of the SK Holders and the Company; provided, however, that the restrictions in this Section 2.1 will not apply (i) to Transfers to any Management Permitted Transferee, (ii) to Transfers made pursuant to an effective registration statement under the Securities Act, (iii) to Transfers in "brokers' transactions" or transactions directly with a "market maker" pursuant to Rule 144 (a "Rule 144 Transfer"), (iv) to Transfers in connection with a sale of 100% of the outstanding Common Stock to a Third Party or (v) to Transfers pursuant to Section 2.7.

2.2. Restrictive Legend. (a) Each certificate representing Common Stock owned by any Stockholder will include the following legend (in addition to such legends as may be appropriate under the securities laws):

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, DATED AS OF SEPTEMBER 18, 1997, AS FROM TIME TO TIME AMENDED, A COPY OF WHICH MAY BE OBTAINED FROM THE CHILDREN'S PLACE RETAIL STORES, INC."

(b) Each certificate representing Common Stock owned by any Stockholder or any Transferee thereof (other than shares that have been sold pursuant to an effective registration statement under the Securities Act or in accordance with Rule 144 under the Securities Act) will

(unless otherwise permitted by the provisions of Section 2.2(c)) include a legend substantially as follows:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM."

Each holder of Common Stock represented by a certificate which bears the legend described above, by its acceptance or purchase thereof, agrees that prior to the effectiveness of any proposed Transfer of any such Common Stock (except pursuant to an effective registration statement) such holder will give written notice to the Company of such proposed Transfer, briefly describing the proposed Transfer. Such notice will, unless waived by the Company, be accompanied by a written opinion, addressed to the Company, of counsel for such holder stating that in the opinion of such counsel (which opinion will be reasonably satisfactory to the Company) such proposed Transfer does not require registration of such Common Stock under the Securities Act or the securities laws of any state.

(c) Any Stockholder may, upon providing evidence (which, if required by the Company, may include an opinion of counsel) reasonably satisfactory to the Company, that such Securities either are not "restricted securities" (as defined in Rule 144) or may be sold pursuant to Rule 144(k), exchange the certificate representing such Securities for a new certificate that does not bear a legend relating to restrictions under the securities laws.

2.3. Tag-Along Rights. (a) If, at any time prior to when the SK Holders collectively own 30% or less of the Common Stock owned collectively by the SK Holders as of the Effective Date, any Designated Management Stockholder (a "Selling Management Stockholder") proposes to Transfer (other than pursuant to a Public Offering or a Rule 144 Transfer or pursuant to Section 2.7 or to a Management Stockholder Permitted Transferee) any of its Common Stock (other than shares acquired upon exercise of stock options) representing more than 1% of the outstanding Common Stock either to (i) any Third Party pursuant to a bona fide offer to purchase or (ii) the Company (in the case of clause (i) and (ii), a "Tag-Along Offer"), the Selling Management Stockholder will provide written notice of such Tag-Along Offer to the Company and each of the SK Holders in the manner set forth in this Section 2.3; provided, however, that nothing in this Section 2.3 will affect the restrictions on Transfers by the Management Stockholders contained in Section 2.1. Such written notice will identify the proposed purchaser, the number of shares of Common Stock proposed to be purchased from the Selling Management Stockholder (or if greater, the number of shares of Common Stock such Person is willing to purchase (the "Desired Shares")), the Tag-Along Ratio (as defined in Section 2.3(d)) that would apply if all the SK Holders become Co-Selling Stockholders (as defined below), the consideration offered and all other material terms and conditions of the Tag-Along Offer. If the offer price consists in part or in whole of consideration other than cash, the Selling Management Stockholder will provide such information, to the extent reasonably available to the Selling

Management Stockholder, relating to such consideration as any SK Holder may reasonably request in order to evaluate such non-cash consideration.

(b) The SK Holders will have the right, exercisable as set forth below, to accept the Tag-Along Offer for up to the number of shares of Common Stock determined pursuant to Section 2.3(d). The SK Holders will, within ten Business Days after receipt of the written notice from the Selling Management Stockholder, provide the Selling Management Stockholder with an irrevocable written notice specifying the number of shares of Common Stock the SK Holders wish to Transfer, not to exceed the number of Desired Shares, and the allocation of such shares among the SK Holders and will simultaneously provide a copy of such notice to the Company. If the SK Holders do not accept the Tag-Along Offer within ten Business Days following receipt of written notice from the Selling Management Stockholder, the SK Holders will be deemed to have waived any and all rights under this Section 2.3 with respect to the Transfer of Common Stock pursuant to such Tag-Along Offer but nothing herein will affect the SK Holders' rights in respect of any other transaction or proposed transaction.

(c) Not less than seven Business Days prior to the proposed date of any sale pursuant to a Tag-Along Offer, the Selling Management Stockholders will notify the SK Holders which have accepted the Tag-Along Offer (each, a "Co-Selling Stockholder") of such proposed date. Not less than two Business Days prior to such proposed date of sale, the Co-Selling Stockholders will deliver to an Escrow Agent (the costs of which Escrow Agent will be borne by the Selling Management Stockholder and the Co-Selling Stockholders in proportion to the shares of Common Stock Transferred by such Selling Management Stockholder and Co-Selling Stockholders in connection with such Tag-Along Offer) the Duly Endorsed certificate or certificates representing the Common Stock to be Transferred by the Co-Selling Stockholders and all other documents reasonably required to be executed in connection with such Tag-Along Offer.

(d) Each Co-Selling Stockholder will have the right to Transfer (and the Selling Management Stockholder will, to the extent necessary, reduce the amount or number of shares of Common Stock to be Transferred by the Selling Management Stockholder by a corresponding amount), pursuant to the Tag-Along Offer, a number of shares of Common Stock equal to the product of the Desired Shares multiplied by a fraction (the "Tag-Along Ratio"), the numerator of which will be the aggregate amount or number of shares of Common Stock owned by such Co-Selling Stockholder and the denominator of which will be the aggregate number of shares of Common Stock owned by the Selling Management Stockholder and all Co-Selling Stockholders.

(e) The Selling Management Stockholder will have 90 Business Days from the end of the ten Business Day period referred to in paragraph (b) above in which to consummate the Transfer of Common Stock owned by such Selling Management Stockholder and the Co-Selling Stockholders as contemplated by the Tag-Along Offer at the price and on the terms contained in such notice. If, at the end of such 90 Business Day period, the Selling Management Stockholder has not completed such Transfer, the right of the Selling Management Stockholder to effect such Transfer will terminate, and the Common Stock of the Selling Management Stockholders subject

to such proposed Transfer will again be subject to all the restrictions on sale or other disposition and other provisions contained in this Agreement.

(f) Immediately after the consummation of the Transfer of Common Stock pursuant to the Tag-Along Offer, the Escrow Agent will notify the Co-Selling Stockholders thereof and will remit to each Co-Selling Stockholder the total sales price attributable to the Common Stock of such Co-Selling Stockholder sold pursuant thereto less a pro rata portion of the expenses incurred in connection with such sale.

(g) Notwithstanding anything contained in this Section 2.3, there will be no liability on the part of the Selling Management Stockholders to any Stockholder (including any Co-Selling Stockholder) if the Transfer of Common Stock by the Selling Management Stockholder and any Co-Selling Stockholder pursuant to Section 2.3 is not consummated for whatever reason. The Management Stockholders, in their sole discretion, will determine whether to effect a sale of Common Stock to any Person pursuant to this Section 2.3.

(h) In connection with any Transfer of Common Stock as to which the SK Holders have Tag-Along rights pursuant to this Section 2.3, the Transferee of such Common Stock will not be required to execute a counterpart of this Agreement or become subject to this Agreement.

(i) No failure to exercise any rights or take any other action in respect of any Tag-Along Offer will affect any SK Holder's rights in respect of any subsequent Tag-Along Offer or other rights hereunder.

2.4. Restrictions on Transfers by SK Holders. (a) Notwithstanding any other provision of this Agreement to the contrary, without the prior written consent of the Company and the Management Group Representative, the SK Holders will not Transfer any of the Common Stock held by them to any of the following Persons: (a) any Direct Competitor of the Company, (b) Bain Capital, (c) The Sprout Group, (d) any Person who serves or who has designated a representative to serve on the board of directors of any Direct Competitor of the Company, or (e) any Person who does not agree in writing to comply with and be bound by this Agreement. For purposes of this Section 2.4, a "Direct Competitor of the Company" means (i) The Gap, Inc. or any Person under common control with The Gap, Inc. (provided that at the time of such Transfer, The Gap, Inc. continues to own and operate its GapKids division), (ii) The Limited, Inc. or any Person under common control with The Limited, Inc. (provided that at the time of such Transfer, The Limited, Inc. continues to own and operate its Limited Too division), (iii) Gymboree or Baby Superstore or any Person under common control with Gymboree or Baby Superstore, as the case may be, or (iv) any Person whose principal business activity is the sale of children's apparel and who derives more than 50% of its gross revenues from the retail sales of children's apparel.

(b) Each of the SK Holders will provide the Company and the Management Group Representative with ten Business Days' prior written notice of its intent to pursue or to enter into discussions concerning a sale of any Common Stock held by the SK Holders to a Third Party.

2.5. Improper Transfer. (a) Any attempt to Transfer any Common Stock not in compliance with this Agreement will be null and void and neither the Company nor any transfer agent of the Company will register, or otherwise recognize in the Company's records, any such improper Transfer. Any cost or loss incurred as a result of any such attempt to transfer shall be borne by the Stockholder who attempted to Transfer.

(b) No Stockholder will enter into any transaction or series of transactions for the purpose or with the effect of, directly or indirectly, denying or impairing the rights or obligations of any Person under this Agreement, and any such transaction will be null and void and, to the extent that such transaction requires any action by the Company, it will not be registered or otherwise recognized in the Company's records or otherwise.

2.6. Transferees. Except as expressly provided otherwise in this Agreement, any and all provisions of this Agreement which apply to the Stockholders will apply with equal force to any Transferee (other than any Transferees of Management Stockholders other than the Designated Management Stockholders.)

2.7. Certain Transfer Rights for Designated Management Stockholders. (a) Notwithstanding the provisions of Section 2.1 or 2.3, any Designated Management Stockholder (other than Stanley Silver) may transfer to a Third Party at any time up to 20% of the Common Stock held by such Designated Management Stockholder in accordance with the provisions of paragraphs (e), (f), (g) and (h) of this Section 2.7.

(b) Notwithstanding the provisions of Section 2.1 or 2.3, at any time after the death or permanent disability of Ezra Dabah, Ezra Dabah or Ezra Dabah's heirs and successors (the "Dabah Estate"), the wife or any lineal descendant of Ezra Dabah to whom he Transfers shares (a "Dabah Family Member"), any of the trusts set forth on Schedule 2.9(b) and any trusts established by Ezra Dabah which is a Management Permitted Transferee and to whom he Transfers shares of his Common Stock after June 28, 1996 (each, a "Dabah Trust" and, together with Ezra Dabah, the Dabah Estate and any Dabah Family Member, a "Dabah Transferor") shall collectively have the right to Transfer to a Third Party up to 100% of the Common Stock held collectively by the Dabah Transferors, in accordance with the provisions of paragraphs (e), (f), (g) and (h) of this Section 2.7.

(c) Notwithstanding the provisions of Section 2.1 or 2.3, at any time after the termination of Ezra Dabah's employment without cause (as defined in his employment agreement) following a Change of Control or Ezra Dabah's resignation from the Company for good reason (as so defined therein) following a Change of Control, the Dabah Transferors shall collectively have the right to Transfer to a Third Party up to 100% of the Common Stock held collectively by the Dabah Transferors, in accordance with the provisions of paragraphs (e), (f), (g) and (h) of this Section 2.7; provided, however, that the Dabah Transferors shall not have the right to Transfer such shares to a Third Party pursuant to this paragraph (c) in the event that Ezra Dabah directly Transferred Shares of Common Stock to a Third Party which Transfer resulted, in whole or in part, in such Change of Control.

(d) Notwithstanding the provisions of Section 2.1 or 2.3, at any time after the death, permanent disability or termination of employment without cause (as defined in his employment agreement) of Stanley Silver, Stanley Silver or Stanley Silver's heirs and successors (the "Silver Estate"), as the case may be, the wife or any lineal descendant of Stanley Silver to whom he Transfers shares (a "Silver Family Member") and any trust established by Stanley Silver which is a Management Permitted Transferee (a "Silver Trust" and, together with Stanley Silver, the Silver Estate and any Silver Family Member, a "Stanley Transferor") shall collectively have the right to Transfer to a Third Party up to 100% of the Common Stock held collectively by the Silver Transferors, in accordance with the provisions of paragraphs (e), (f), (g) and (h) of this Section 2.7.

(e) Prior to consummating any Transfer (excluding Transfers of the types described in clauses (i), (ii), (iii) or (iv) of the proviso to Section 2.1 or Transfers of shares representing less than 1% of the outstanding Common Stock) pursuant to this Section 2.7 (a "Third Party Sale"), the Dabah Transferors or the Silver Transferors (each, a "Transferor," collectively, the "Transferors"), as the case may be, will deliver to the Company a written notice (a "Company ROFR Offer Notice"), specifying (i) the aggregate amount of cash consideration (the "Offer Price") for which the Transferor proposes to sell shares in such proposed Third Party Sale, (ii) the identity of the purchaser in such Third Party Sale and (iii) any other material terms of the proposed Third Party Sale. If the Company delivers to the Transferor a written notice (a "Company ROFR Acceptance Notice") within 10 calendar days following the delivery of the Company ROFR Offer Notice (such 10 calendar day period being referred to herein as the "Company ROFR Acceptance Period") stating that the Company is willing to purchase all of the offered shares at the Offer Price, the Transferor will sell all (but not less than all) of the offered shares to the Company at the Offer Price, and the Company will purchase such offered shares from the Transferor, on the terms and subject to the conditions set forth below (the "Company ROFR Purchase").

(f) If the Company does not accept the offer during the Company ROFR Acceptance Period pursuant to the Company ROFR Offer Notice, then such Transferor will deliver to the SK Holders a written notice (an "SK ROFR Offer Notice"), specifying (i) the Offer Price for which the Transferor proposed to sell its shares in such proposed Third Party Sale (ii) the identity of the purchaser in such Third Party Sale and (iii) any other material terms of the proposed Third Party Sale. If the SK Holders deliver to the Transferor a written notice (an "SK ROFR Acceptance Notice") within 10 calendar days following the delivery of the SK ROFR Offer Notice (such 10 calendar day period being referred to herein as the "SK ROFR Acceptance Period") stating that the SK Holders are willing to purchase all of the offered shares at the Offer Price, the Transferor will sell all (but not less than all) of the offer shares to the SK Holders at the Offer Price, and the SK Holders will purchase such offered shares from the Transferor, on the terms and subject to the conditions set forth below (the "SK ROFR Purchase").

(g) The consummation of any Company ROFR Purchase or SK ROFR Purchase, as the case may be, pursuant to this Section 2.7 (the "ROFR Closing") will occur not later than 60 calendar days following the delivery of a Company ROFR Acceptance Notice or SK ROFR Acceptance Notice, as the case may be (the intervening period being referred to herein as the

"ROFR Closing Period"), at such time and place as may be reasonably designated by the Company or the SK Holders, as the case may be. At the ROFR Closing, (i) such Transferor will deliver to the Company or the SK Holders, as the case may be, duly endorsed certificates evidencing all of the shares of Common Stock to be purchased by the Company or the SK Holders, as the case may be, and (ii) the Company or the SK Holders, as the case may be, will deliver to such Transferor by wire transfer to an account designated by such Transferor an amount in immediately available funds equal to the Offer Price.

(h) If the Company or the SK Holders, as the case may be, do not accept the offer during the Company ROFR Acceptance Period or the SK ROFR Acceptance Period, as the case may be, pursuant to the Company ROFR Offer Notice or the SK ROFR Offer Notice, as the case may be, then such Transferor may Transfer to a Third Party the shares so offered at a price no less than 95% of, and on terms no less favorable to the transferee than the price and other terms set forth in the original Company ROFR Offer Notice or SK ROFR Offer Notice, as the case may be, at any time within 90 days after the expiration of the Company ROFR Acceptance Period or the SK ROFR Acceptance Period, as the case may be.

(i) Notwithstanding any of the other provisions of this Section 2.7, in the event of any proposed Transfer of at least 20% of the shares of Common Stock owned by the Dabah Transferors arising as a result of the death or permanent disability of Ezra Dabah, the SK Holders shall have the right, upon notice of a proposed Transfer by a Dabah Transferor pursuant to this Section 2.7, to effect the sale to a Third Party of all the outstanding equity securities of the Company owned by the Stockholders by delivery of a notice of such sale to the Company and the Stockholders within 30 days of notice of any such proposed Transfer pursuant to this Section 2.7.

(j) In the event that the Company does not accept a Company ROFR Offer Notice during the Company ROFR Acceptance Period in any case where the Company ROFR Offer Notice was given as a result of an event described in paragraph (b) of this Section 2.7, each of the Dabah Transferors agrees that, if the stockholders of the Company thereafter are given the opportunity to vote on a proposed sale of the Company or substantially all of the Company's assets to a Third Party, the Dabah Transferors shall vote all shares of the Company's common stock in favor of such proposed sale, if so requested by the SK Holders.

III. CERTAIN ARRANGEMENTS

3.1. Board of Directors. (a) Prior to consummation of the Company's initial public offering, the Stockholders will (i) elect those individuals set forth on Exhibit 3.1A as Directors of the Company, (ii) approve the adoption of the Amended and Restated Certificate of Incorporation in the form of Exhibit 3.1B and (iii) cause the Board of Directors to adopt the By-laws in the form of Exhibit 3.1C. Thereafter and until the Relinquishment Time, each Stockholder will vote all shares of Common Stock as to which such Stockholder has voting rights for the election as Directors of the Company of (x) John Megrue and David Oddi, or, if either of them shall cease to be affiliated with SK, a substitute for such person designated from time to time by the SK Holders and acceptable to the Management Group Representative (it

being agreed that any partner, principal, officer or professional employee of Saunders Karp & Co., L.P. will be deemed acceptable to the Management Group Representative so long as at least one partner or principal of Saunders Karp & Megrue, L.P. is a Director of the Company) (the Directors serving pursuant to this clause (x) being called the "SK Directors"), and (y) three persons designated from time to time by the Management Group Representative. The Stockholders further agree that (i) one director designated by the SK Holders and one director designated by the Management Group Representative shall be members of the class of directors standing for re-election in 1998, (ii) one director designated by the SK Holders and one director designated by the Management Group Representative shall be members of the class of directors standing for re-election in 1999, and (iii) one director designated by the Management Group Representative shall be a member of the class of directors standing for re-election in 2000.

(b) Each of the Stockholders further agrees to vote all the shares of Common Stock with respect to which it has voting rights, and to cause all persons designated by it as Directors to vote, (i) in favor of the removal from the Board of Directors, at the request of the SK Holders or the Management Group Representative upon notice to the other Stockholders, of any person or persons designated by the SK Holders or the Management Group Representative, as the case may be, and to elect to the unexpired term of each Director so removed another person designated by the SK Holders or the Management Group Representative, as the case may be, and (ii) in the event of any vacancy on the Board of Directors by reason of death, resignation or otherwise, to elect to such unexpired term another person designated in accordance with Section 3.1(a) by the Stockholder that designated the Director who previously served as such.

(c) The Company agrees that, until the Relinquishment Time, the Company shall take all necessary steps to cause one member of the Compensation Committee of the Board of Directors, one member of any Stock Option Committee of the Board of Directors, and, if permitted by the rules of the Nasdaq National Market, one member of the Audit Committee of the Board of Directors to be a director nominated by the SK Holders pursuant to clause (x) of Section 3.1(a).

(d) The Company and the Stockholders acknowledge their mutual intention that two additional directors not affiliated with the Company or with the SK Holders ("Outside Directors") shall be elected to the Board of Directors as promptly as practicable after the Effective Date, in accordance with the rules of the Nasdaq National Market. The Outside Directors shall be selected by Ezra Dabah and shall be approved by the SK Holders (such approval not to be unreasonably withheld).

3.2. Limitation on Certain Board Actions. (a) Notwithstanding any other provision of the Charter, the By-Laws or applicable law, without the prior approval of at least one SK Director, the Company will not:

(i) amend its Charter or By-laws;

(ii) increase the number of directors to a number greater than seven; or

(iii) other than as contemplated by the Employment Agreements as in effect on the Effective Date between the Company and Ezra Dabah and Stanley Silver or by the Company's 1996 Stock Option Plan or 1997 Stock Option Plan, make or enter into, or amend or modify in any respect, any term or provision of any contract, commitment, arrangement or transaction involving the transfer of money, property or anything else of value or provision of services to or by any Stockholder or any Affiliate thereof, other than transactions entered into in the ordinary course of business on arm's-length terms with a transaction value of less than $20,000; provided, however, that the Company may make or enter into any contract or arrangement for the employment of any relative or Affiliate on an arm's-length basis in accordance with the following: (i) the Company shall provide the SK Directors prior written notice of its intent to extend an employment offer to a relative or Affiliate including the terms of the offer, (ii) the offer of employment shall be for a position with the Company below the level of Vice President, (iii) the position shall provide for total cash compensation (salary and bonus) of $75,000 or less and offer perquisites and benefits identical to those offered to similarly situated employees, and (iv) the Company shall obtain one SK Director's prior written consent before offering any promotion to such relative or Affiliate to a position of Vice President or above or to a position that provides for total cash compensation (salary and bonus) in excess of $75,000 or offers perquisites and benefits not offered to similarly situated employees.

For purposes of this Section 3.2(a), an SK Director shall be deemed to have approved any matter listed above in this Section 3.2(a) if (i) such matter received the affirmative vote of a majority of the Directors at a meeting duly called and held and (ii) neither of the SK Directors attended (in person or by telephone) such meeting (the "First Meeting") and the notice of meeting specifically referred to such matter; provided, however, if an SK Director advised the Company in writing prior to such meeting that he desired to discuss the matter at a later meeting, such matter shall not be deemed approved unless neither of the SK Directors attended (in person or by telephone) a second meeting and the notice of such second meeting specifically referred to the same such matter referred to in the notice of the First Meeting.

(b) Notwithstanding any other provision of the Charter, the By-Laws or applicable law, without the prior approval of at least two-thirds of the members of the Board of Directors, the Company will not:

(i) agree to acquire, purchase or lease, except operating leases, any assets which are material, individually or in the aggregate, to the business of the Company (other than purchases of inventory in the ordinary course of business);

(ii) other than (x) as provided for in the Loan and Security Agreement between the Company and Foothill Capital Corporation, as amended (the "Foothill Agreement"), or any future amendment thereto or (y) pursuant to any refinancing of the indebtedness under the Foothill Agreement (whether or not Foothill Capital Corporation is a party to such refinancing), incur any indebtedness for borrowed money in excess of $2,000,000 or guarantee any such indebtedness or sell any debt securities of the Company in a principal amount in excess of $2,000,000 or guarantee any debt securities of any

Person (other than debt securities of a wholly-owned subsidiary in a principal amount not exceeding $2,000,000);

(iii) voluntarily mortgage, pledge or encumber all or substantially all of the Company's assets or business, other than as collateral for indebtedness under the Foothill Agreement or any refinancing thereof;

(iv) establish any committees of the Board of Directors (other than the Audit Committee, the Compensation Committee or the Stock Option Committee) or delegate authority to any committees (other than the authority delegated as of the Effective Date to the aforementioned committees);

(v) authorize any delegation by the Board of Directors to any committee of a power not possessed by the Board of Directors, or any authorization of any Committee to undertake any action which the Board of Directors is not authorized to undertake;

(vi) make any investments (other than certificates of deposit issued by domestic banks and short-term liquid investments having maturities not longer than 90 days) at any one time outstanding in excess of $2,000,000, individually or in the aggregate;

(vii) commence any case, proceeding or other action relating to bankruptcy or reorganization of the Company; or

(viii) distribute income or assets or declare any dividends.

3.3. Board Observers. Until the Relinquishment Time, the SK Holders will have the right, by written notice to the Company, to select two individuals to observe and be present at meetings of the Board of Directors (the "Board Observers") in the manner set forth in this Section 3.3. The Board Observers will be obligated to execute reasonable confidentiality undertakings and will be entitled (a) to be given notice by the Secretary of the Company, at the same time as the SK Directors of the time and place at which such meeting is to be held; (b) to be present at all meetings of the Board of Directors except those in which the Board of Directors meets in executive session; (c) to receive copies of the minutes of the Board of Directors; and (d) receive copies of any reports, memoranda or other documents distributed to the Board of Directors at the same time such materials are given to the Directors.

3.4. Financial Information. The Company will transmit to the SK Holders copies of all monthly management and financial reports, annual operating budgets and any other financial or other information concerning the Company's operations at the same time such financial and other information is given to the Directors. In addition, the Company will promptly provide the SK Holders all other information concerning the Company as may be reasonably requested by the SK Holders from time to time to the extent such information can be provided without interfering with the Company's business.

3.5. Confidentiality. In the event that any SK Holder proposes to make any investments in any Direct Competitor of the Company, such SK Holder will provide prior written notice to the Company of such proposed investment and in connection therewith will enter into an appropriate confidentiality agreement with the Company containing terms mutually agreed upon by the Company and such SK Holder.

IV. MISCELLANEOUS

4.1. Headings. The headings in this Agreement are for convenience of reference only and will not control or affect the meaning or construction of any provisions hereof.

4.2. Entire Agreement; After-Acquired Securities. (a) This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior agreements and understandings, both oral and written, among the parties with respect to the subject matter of this Agreement. This Agreement is not intended to confer upon any Person other than the parties hereto and thereto any rights or remedies hereunder or thereunder.

(b) Subject to Section 4.6, all capital stock or other equity securities of the Company issued to or acquired by any Stockholder following the date of this Agreement ("After-Acquired Securities") will be subject to the terms and provisions of this Agreement as if such After-Acquired Securities were outstanding on the date hereof.

4.3. Notices. Any notice, request, instruction or other document required or permitted to be given hereunder by any party hereto to another party hereto will be in writing and will be given to such party by certified mail at its address set forth in Exhibit 4.3 attached hereto, with, in the case of the Company, a copy sent to the Company's Secretary, at the Company's principal executive offices or, in the case of a Transfer permitted hereunder, to the address of the permitted Transferee specified by it upon notice given in accordance with the terms hereof, or to such other address as the party to whom notice is to be given may provide in a written notice to the party giving such notice, a copy of which written notice will be on file with the Secretary of the Company. Each such notice, request or other communication will be effective (a) if given by certified mail, 96 hours after such communication is deposited in the mails with certified postage prepaid addressed as aforesaid, (b) one Business Day after being furnished to a nationally recognized overnight courier for next Business Day delivery, and (c) on the date sent if sent by electronic facsimile transmission, receipt confirmed.

4.4. Governing Law. This Agreement will be governed by, and construed in accordance with, the laws of the State of New York without regard to the conflict of laws rules of such state, provided, however, that to the extent any of the respective rights or obligations of the parties relate to matters of the General Corporation Law of the State of Delaware (the "GCL"), the provisions of the GCL shall govern in respect thereof.

4.5. Severability. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction will not affect the validity, legality or enforceability of the

remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

4.6. Termination; Termination of Rights. This Agreement may be terminated at any time by an instrument in writing signed by (i) the SK Holders owning a majority of the Common Stock then held by the SK Holders and entitled to the benefits of this Agreement, (ii) the Stockholders, other than the SK Holders, owning a majority of the Common Stock then held by such Stockholders and entitled to the benefits of this Agreement and (iii) the Company. At such time as any Stockholder owns 25% or less of the Common Stock owned by such Stockholder on the Effective Date, all of such Stockholder's rights hereunder, including without limitation such Stockholder's rights under Article II, will terminate; provided, however, that all of such Stockholder's obligations hereunder will remain in full force and effect. This Agreement will terminate automatically when no Stockholder owns more than 25% of the Common Stock owned by such Stockholder on the Effective Date.

4.7. Successors, Assigns and Transferees. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, assigns and permitted Transferees. Except as expressly contemplated hereby, neither this Agreement nor any provision hereof will be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

4.8. Amendments; Waivers. (a) No failure or delay on the part of any party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided will be cumulative and not exclusive of any rights or remedies provided by law.

(b) Neither this Agreement nor any term or provision hereof may be amended or waived except by an instrument in writing signed, by (i) the SK Holders owning a majority of the Common Stock then held by the SK Holders and entitled to the benefits of this Agreement, (ii) the Stockholders, other than the SK Holders, owning a majority of the Common Stock then held by such Stockholders and entitled to the benefits of this Agreement and (iii) the Company.

4.9. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

4.10. Remedies. The parties hereby acknowledge that money damages would not be adequate compensation for the damages that a party would suffer by reason of a failure of any other party to perform any of the obligations under this Agreement. Therefore, each party hereto agrees that specific performance is the only appropriate remedy under this Agreement and hereby waives the claim or defense that any other party has an adequate remedy at law.

4.11. Consent to Jurisdiction. Each of the Stockholders and the Company irrevocably submits to the exclusive jurisdiction of either (i) any court located in the Borough of Manhattan or the United States Federal Court sitting in the Southern District of New York or (ii) any court located in the State of Delaware or the United States District Court for the District of Delaware (and any appellate court therefrom), over any suit, action or proceeding arising out of or relating to this Agreement. Each of the Stockholders and the Company consents to process being served in any such suit, action or proceeding by serving a copy thereof upon the agent for service of process provided that to the extent lawful and possible, written notice of such service will also be mailed to such Stockholders or the any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction. Each of the Stockholders and the Company waives any right it may have to assert the doctrine of forum non conveniens or to object to venue to the extent any proceeding is brought in accordance with this Section 4.11. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

By: /s/ Ezra Dabah

Name: Ezra Dabah
Title: Chief Executive Officer and Chairman of the Board

/s/ Ezra Dabah

Ezra Dabah

/s/ Renee Dabah

Renee Dabah

/s/ Ivette Dabah

Ivette Dabah

/s/ Stanley Silverstein

Stanley Silverstein

/s/ Stanley Silver

Stanley Silver

/s/ Barbara Dabah

Barbara Dabah

/s/ Joseph Krusch

Joseph Krusch

/s/ Elliott F. Krusch

Elliott F. Krusch

/s/ Helissa T. Meizlish

Helissa T. Meizlish

/s/ Sherry Schirippa

Sherry Schirippa

Gila Dweck Grantor Trust

By: /s/ Ezra Dabah

Name: Ezra Dabah
Title: Trustee

Ezra Dabah and Gila Dweck as Trustees
u/a/d 8/25/88 f/b/o Morris Dabah, Jr.

By: /s/ Gila Dweck

Name: Gila Dweck
Title: Trustee

Ezra Dabah and Gila Dweck as Trustees
u/a/d 8/25/88 f/b/o Michael Dabah

By: /s/ Gila Dweck

Name: Gila Dweck
Title: Trustee

Ezra Dabah and Gila Dweck as Trustees
u/a/d 8/25/88 f/b/o Mac Dabah

By: /s/ Gila Dweck

Name: Gila Dweck
Title: Trustee

Ezra Dabah and Renee Dabah as Custodians
under the UGMA f/b/o Joia Dabah

By: /s/ Renee Dabah

Name: Renee Dabah
Title: Custodian

Ezra Dabah and Renee Dabah as Custodians
under the UGMA f/b/o Yaacov Dabah

By: /s/ Renee Dabah

Name: Renee Dabah
Title: Custodian

Edward Tawil as Trustee
u/a/d 8/29/88 f/b/o Morris Dabah, Jr.

By:/s/ Edward Tawil

Name: Edward Tawil
Title: Trustee

Edward Tawil as Trustee
u/a/d 8/29/88 f/b/o Michael Dabah

By: /s/ Edward Tawil

Name: Edward Tawil
Title: Trustee

Edward Tawil as Trustee
u/a/d 8/29/88 f/b/o Mac Dabah

By: /s/ Edward Tawil

Name: Edward Tawil
Title: Trustee

Edward Tawil as Trustee
u/a/d 8/29/88 f/b/o Stephen Dabah

By: /s/ Edward Tawil

Name: Edward Tawil
Title: Trustee

Ezra Dabah and Gila Dweck as Trustees
u/a/d 8/31/92 f/b/o Stephen Dabah

By: /s/ Gila Dweck

Name: Gila Dweck
Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Nina Miner

By: /s/ Raine Silverstein

Name: Raine Silverstein
Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Renee Dabah

By: /s/ Raine Silverstein

Name: Raine Silverstein
Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Flori Silverstein

By: /s/ Raine Silverstein

Name: Raine Silverstein
Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Michael Leventhal

By: /s/ Raine Silverstein

Name: Raine Silverstein
Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Leslie Kule

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Samuel Miner

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Eva Dabah

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Joia Dabah

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Moshe Dabah

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Chana Dabah

By: /s/ Raine Silverstein

Name: Raine Silverstein
Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Yaacov Dabah

By: /s/ Raine Silverstein

Name: Raine Silverstein
Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Sarah Silverstein

By: /s/ Raine Silverstein

Name: Raine Silverstein
Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Benjamin Reines

By: /s/ Raine Silverstein

Name: Raine Silverstein
Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Jacqueline Reines

By: /s/ Raine Silverstein

Name: Raine Silverstein
Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Eva Dabah

By: /s/ Renee Dabah

Name: Renee Dabah
Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Joia Dabah

By: /s/ Renee Dabah

Name: Renee Dabah
Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Moshe Dabah

By: /s/ Renee Dabah

Name: Renee Dabah
Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Chana Dabah

By: /s/ Renee Dabah

Name: Renee Dabah
Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Yaacov Dabah

By: /s/ Renee Dabah

Name: Renee Dabah
Title: Trustee

THE SK EQUITY FUND, L.P.

By: SKM PARTNERS, L.P., General Partner

By: /s/ John Megrue
---
its General Partner

SK INVESTMENT FUND, L.P.

By: SKM PARTNERS, L.P., General Partner

By: /s/ John Megrue
---
its General Partner

/s/ Barry Feinberg

Barry Feinberg

Schedule 1
Management Stockholders

1. Ezra Dabah

2. Renee Dabah

3. Barbara Dabah

4. Ivette Dabah

5. Stanley Silver

6. Stanley Silverstein

7. Joseph G. Krusch

8. Elliot F. Krusch

9. Helissa T. Meizlish

10. Sherry Schirippa

11. Gila Dweck Grantor Trust

12. Ezra Dabah and Renee Dabah as custodians under the UGMA, F/B/O Joia Dabah.

13. Ezra Dabah and Renee Dabah as custodians under the UGMA, F/B/O Yaacov Dabah.

14. Ezra Dabah and Gila Dweck as Trustees, U/A/D 8/25/88, F/B/O Mac Dabah.

15. Ezra Dabah and Gila Dweck as Trustees, U/A/D 8/25/88, F/B/O Michael Dabah.

16. Ezra Dabah and Gila Dweck as Trustees, U/A/D 8/25/88, F/B/O Morris Dabah, Jr.

17. Ezra Dabah and Gila Dweck as Trustees U/A/D 8/31/92, F/B/O Stephen Dabah.

18. Edward Tawil as Trustee U/A/D 8/29/88, F/B/O Michael Dabah.

19. Edward Tawil as Trustee U/A/D 8/29/88, F/B/O Morris Dabah, Jr.

20. Edward Tawil as Trustee U/A/D 8/29/88, F/B/O Mac Dabah.

21. Edward Tawil as Trustee U/A/D 8/29/88, F/B/O Stephen Dabah.

22. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Nina Miner.

23. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Renee Dabah.

24. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Flori Silverstein.

25. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Michael Leventhal.

26. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Leslie Kule.

27. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Samuel Miner.

28. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Eva Dabah.

29. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Joia Dabah.

30. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Moshe Dabah.

31. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Chana Dabah.

32. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Yaacov Dabah.

33. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Sarah Silverstein.

34. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Benjamin Reines.

35. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Jacqueline Reines.

36. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Eva Dabah.

37. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Joia Dabah.

38. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Moshe Dabah.

39. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Chana Dabah.

40. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Yaacov Dabah.

Exhibit 3.1A

Initial Directors of the Company

Ezra Dabah
Stanley Silver
Stanley Silverstein
John F. Megrue
David Oddi

Exhibit 3.1B

Amended and Restated Certificate of Incorporation

Exhibit 3.1C

Amended and Restated By-Laws

Exhibit 4.3

Addresses for Notice

[to be inserted]

EXHIBIT 10.4

THE CHILDREN'S PLACE RETAIL STORES, INC.

EMPLOYEE STOCK PURCHASE PLAN

PURPOSE:

THE CHILDREN'S PLACE RETAIL STORES, INC. EMPLOYEE STOCK PURCHASE PLAN (the "Plan") is designed to foster continued cordial employee relations, to encourage and assist its employees and the employees of future subsidiaries in acquiring a stock ownership interest in THE CHILDREN'S PLACE RETAIL STORES, INC. (the "Company") and to help them provide for their future security. The Plan is intended to be an Employee Stock Purchase Plan under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code").

STOCK SUBJECT TO THE PLAN:

Subject to the adjustment provision of the Plan, the aggregate number of shares of Common Stock (the "shares") which may be sold under the Plan is 360,000. The shares may be either shares held in treasury or authorized but unissued shares of Common Stock of the Company. The Company, during the term of the Plan, shall at all times reserve and keep available such number of shares as shall be sufficient to satisfy the requirements of the Plan.

MONTHLY PERIODS:

Monthly period shall mean the monthly period commencing on the first day of each calendar month and ending on the last day of such month. The first period under this Plan shall commence on the first day of the calendar month beginning on or after the day on which the Company's Form S-8 Registration Statement covering the shares relating to this offering of the Common Stock becomes effective.

ELIGIBILITY:

Anyone who is or becomes an employee of the Company, or of any future subsidiary of the Company which is designated by the Compensation Committee ("Compensation Committee") of the Board of Directors of the Company, and who has completed at least 90 days of service with the Company or such subsidiary, is eligible to become a member of the Plan on the first day of the monthly period following the completion of such 90 days of service; provided, however, that no employee shall be granted an option under the Plan to the extent that, immediately after the grant, such employee (or any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code) would own stock of the Company,

and/or hold outstanding options to purchase stock, possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any subsidiary. Notwithstanding any other provision of the Plan, no employee shall be entitled to purchase shares of stock under the Plan and all other employee stock purchase plans of the Company and any parent or subsidiary of the Company with an aggregate fair market value (determined at date of grant) exceeding $25,000 per year for each calendar year in which such option is outstanding at any time.

For purposes of the Plan, "subsidiary" shall mean a corporation of which no less than fifty percent (50%) of the voting shares are held by the Company or a subsidiary of the Company.

JOINING THE PLAN:

Any eligible employee's participation in the Plan shall be effective as of the first day of the monthly period following the day on which the employee completes, signs, and returns to the Company, or one of its designated future subsidiaries, a Subscription Agreement in the form of Exhibit A attached hereto. Membership of any employee in the Plan is completely voluntary.

MEMBER'S CONTRIBUTIONS:

Each member shall elect to make contributions by payroll deduction of such whole percentage, not to exceed ten percent (10%), of his or her gross compensation, as is designated by the member.

Subject to the maximum described above, a member may elect in writing to increase or decrease his or her rate of contribution; such change will become effective the first day of the monthly period following receipt by the Company of such written election. If no change is made, the Subscription Agreement will remain in effect, unless the member has withdrawn from the Plan as hereinafter provided.

A member may withdraw all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form of Exhibit B attached hereto. All of the member's payroll deductions credited to his or her account shall be paid to such member and such member's option for the then-current monthly period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such monthly period. Any such member who has so withdrawn from the Plan shall be eligible to participate in succeeding monthly periods only by completing, signing and returning to the Company, or one of its designated future subsidiaries, a new Subscription Agreement.

The amount of each member's contribution shall be held by the Company in his or her account under the Plan and such contributions shall be credited to such member's individual

account as of the last day of the month during which the compensation from which the contributions were deducted was earned. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions. No interest shall accrue on the payroll deductions of any member in the Plan.

No member will be permitted to make contributions for any period during which he or she is not receiving pay from the Company or one of its designated future subsidiaries.

ISSUANCE OF SHARES:

On the last trading day of each monthly period so long as the Plan shall remain in effect, and provided the member has not before that date withdrawn from the Plan, the Company shall apply the funds credited to the member's account as of that date to the purchase of authorized but unissued shares of its Common Stock, or shares held in treasury, including fractional shares.

The cost to each member for the shares so purchased shall be eighty-five percent (85%) of the mean between the average bid and ask prices of the stock in the over-the-counter market as quoted on the National Association of Securities Dealers Automatic Quotation Systems (NASDAQ), or if the stock is a National Market issue the last sales price of the stock, or if the stock is traded on one or more securities exchanges the average of the closing prices on all such exchanges on the last trading day of the monthly period.

Any moneys remaining in such member's account equaling less than the sum required to purchase one share shall be used to purchase a fractional share. Any moneys remaining in such member's account by reason of his or her prior election not to purchase shares in a given monthly period, as aforesaid, or moneys remaining in such member's account by reason of application of the provision of the next paragraph hereof, shall be promptly returned to the member.

Notwithstanding anything above to the contrary, (a) if the number of shares members desire to purchase at the end of any monthly period exceeds the number of shares then available under the Plan, the shares available shall be allocated among such members in proportion to their contributions during the monthly period; and (b) no funds in an employee's account shall be applied to the purchase of shares and no shares hereunder shall be issued unless such shares are covered by an effective registration statement under the Securities Act of 1933, as amended, or by an exemption therefrom.

The Company will coordinate the maintenance of an account in street name at an approved brokerage firm reflecting all purchases pursuant to the Plan. If requested by a member, the Company shall arrange the delivery to such member, as appropriate, of a certificate representing the shares purchased upon exercise of his or her option. The costs associated with such requested delivery shall be borne by the member.

TERMINATION OF MEMBERSHIP:

A member's membership in the Plan will be terminated when the member (a) voluntarily elects to withdraw from the Plan, (b) terminates employment with the Company or one of its future designated subsidiaries, or (c) dies. Upon termination of membership, the terminated member shall not be entitled to rejoin the Plan until the first day of the monthly period immediately following the monthly period in which the termination occurs. Upon termination of membership, the member shall be entitled to the amount of his or her individual account within thirty (30) days after termination.

ADMINISTRATION OF THE PLAN:

The Plan shall be administered by the Compensation Committee. The Compensation Committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Compensation Committee shall be conclusive and binding upon all parties.

Any taxes applicable to the member's account shall be charged or credited to the member's account by the Company. In any event, the member shall make available to the Company or a subsidiary, promptly when requested by the Company or subsidiary, sufficient funds to meet any withholding requirements in respect of shares issued under the Plan with respect to the member, under any Federal, State or local tax rules, and the Company or subsidiary shall be entitled to take and authorize such steps as it may deem advisable in order to have such funds made available to the Company or subsidiary out of any funds or property due or to become due to the member.

MODIFICATION AND TERMINATION:

The Company expects to continue the Plan until such time as the shares reserved for issuance under the Plan have been sold. The Company reserves, however, the right to amend, alter, or terminate the Plan in its discretion; provided, however, that any amendment which requires stockholder approval pursuant to Section 423 of the Code shall be subject to stockholder approval in such a manner and to such a degree as required. Upon any termination of the Plan, each member shall be entitled to the amount of his or her individual account within thirty (30) days after termination.

ADJUSTMENTS UPON CHANGES IN CAPITALIZATION:

Appropriate and proportionate adjustments shall be made by the Compensation Committee in the number and class of shares of stock subject to the Plan, and to the rights granted hereunder and the prices applicable to such rights, in the event of a stock dividend, stock split, reverse stock split, recapitalization, reorganization, merger, consolidation, acquisition, separation, or like change in the capital structure of the Company.

ASSIGNABILITY OF RIGHTS:

No option of any employee to purchase shares of Common Stock under the Plan shall be assignable by him or her, by operation of law, or otherwise, except to the extent permitted by the law of descent, and distribution, and during the employee's lifetime such option shall be exercisable only by the employee.

NO RIGHT OF EMPLOYMENT:

Nothing contained herein shall be construed to confer on any employee any right to be continued in the employ of the Company or any subsidiary or derogate from any right of the Company or any subsidiary to retire, request the resignation of or discharge any employee, at any time, with or without cause.

EFFECTIVE DATE OF PLAN; STOCKHOLDER APPROVAL:

The Plan shall become effective, following adoption by the Board of Directors and approval by the stockholders of the Company, upon the consummation of the Company's initial public offering of its Common Stock.

CONDITIONS UPON ISSUANCE OF COMMON STOCK:

The shares of Common Stock to be issued pursuant to the provisions of the Plan shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such Common Stock pursuant thereto shall comply with all applicable provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Common Stock may then be listed. The Company shall have the right, in its sole discretion, to legend any shares of Common Stock which may be issued pursuant to the Plan, or may issue stop transfer orders in respect thereof.

[EXHIBIT A TO EMPLOYEE STOCK PURCHASE PLAN
TO BE INSERTED]

[EXHIBIT B TO EMPLOYEE STOCK PURCHASE PLAN
TO BE INSERTED]

EXHIBIT 10.5

Management Incentive Plan

(as adopted by the Company's Board of Directors)

Under the Management Incentive Plan, key executives of The Children's Place Retail Stores, Inc. (the "Company") with significant operating and financial responsibility, may earn seasonal cash incentive compensation payments that are paid twice each year.

Prior to the beginning of each six month period, the Compensation Committee will establish operating income objectives. Any objectives set anticipate a "stretch" performance level, and are based on an analysis of historical performance and growth expectations for the business. These objectives and determination of results are based entirely on financial measures.

The Compensation Committee will also establish annual incentive compensation targets for eligible executives; such targets range from 10% to 50% of base salary. Executives earn their target incentive compensation if the Company achieves the established operating income. The amount of incentive compensation paid to executives can range from zero to double their targets, based upon the extent to which operating income objectives are achieved. The minimum level at which an executive may earn any incentive payment, and the level at which an executive may earn the maximum incentive payment of double the target, will be established by the Compensation Committee prior to the commencement of each bonus period, and actual payouts are based on a straight-line interpolation based on these minimum and maximum levels and the target operating income objectives.

Exhibit 10.12

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT dated as of September 18, 1997 among THE CHILDREN'S PLACE RETAIL STORES, INC., a Delaware corporation (the "Company"), THE SK EQUITY FUND, L.P., a Delaware limited partnership ("SK"), SK INVESTMENT FUND, L.P., a Delaware limited partnership ("SKIF"), BARRY FEINBERG, each of the Persons listed on Schedule 1 and as signatory hereto (each, a "Management Stockholder" and, collectively, the "Management Stockholders"), and LEGG MASON WOOD WALKER, INCORPORATED, a Maryland corporation ("Legg Mason") (all such Persons, other than the Company, the "Stockholders").

RECITALS

A. The Company and the Stockholders entered into a Registration Rights Agreement dated as of June 28, 1996 (the "Original Registration Rights Agreement"), setting forth certain obligations of the Company in respect of the registration of shares of its Common Stock under the Securities Act of 1933, as amended.

B. The Company and the Stockholders have now agreed that, in connection with the Company's initial public offering, it is desirable and in the best interest of the Company that the Original Registration Rights Agreement be amended and restated in its entirety to read as hereinafter set forth.

NOW, THEREFORE, the parties hereto agree that the Original Registration Rights Agreement is hereby amended and restated in its entirety, effective as of the Effective Date (as defined below), to read in its entirety as follows:

I. DEFINITIONS

1.l Definitions. (a) In addition to the terms defined elsewhere herein, the following terms have the following meanings when used herein with initial capital letters:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, such Person. For the purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Agreement, as the same may be amended from time to time.

"Board of Directors" means the Board of Directors of the Company.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized by law to close.

"Charter" means the Amended and Restated Certificate of Incorporation of the Company, as amended from time to time.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Common Stock, par value $0.10 per share, of the Company.

"Director" means a member of the Board of Directors.

"Effective Date" means the date of consummation of the Company's initial public offering under the Securities Act.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Initial Investment" means the investment of $20,505,712 by SK, SKIF, and Barry Feinberg in the Company.

"Legg Mason Holder" means Legg Mason or any Transferee thereof.

"LM Agreement" means the letter agreement dated January 25, 1996 by and between the Company and Legg Mason, as amended to the date hereof.

"Management Permitted Transferee" means with respect to any Management Stockholder, (i) any spouse or lineal descendant of such Management Stockholder, (ii) any trust all of the beneficial interests in which is held by such Management Stockholder and/or such Management Stockholder's spouse and/or lineal descendants and (iii) any other Management Stockholder; provided, however, that each such Transferee will be a Management Permitted Transferee for purposes of this Agreement only if such Transferee shall have executed and delivered to the Company an instrument reasonably satisfactory to the SK Holders pursuant to which the Transferee shall have agreed to be bound by the terms of this Agreement applicable to its Transferor.

"Management Stockholder Group" means each of the Management Stockholders or any Management Permitted Transferee.

"Person" means an individual, corporation, partnership, trust, association or any other entity or organization, including without limitation a government or political subdivision or an agency or instrumentality thereof.

"pro rata" means, with respect to any offer including Common Stock, an offer based on the relative percentages of Common Stock then held by all of the holders of Common Stock to whom such offer is made.

"Public Offering" means any primary or secondary public offering of Common Stock of the Company pursuant to an effective registration statement under the Securities Act, other than pursuant to a registration statement on Form S-4 or Form S-8 or any successor or similar form.

"Qualified Underwriter" means a firm listed on Schedule 2 or otherwise selected by mutual agreement of the SK Holders and the Company.

"Registrable Securities" means, as the context requires, (a) with respect to the SK Holders, the shares of Common Stock then held by the SK Holders, and any additional shares of Common Stock ("Additional Shares") subsequently paid, issued or distributed in respect of such shares of Common Stock by way of stock dividend or distribution or stock split or in connection with a combination of shares, recapitalization, reorganization, merger, consolidation, pursuant to the Charter or otherwise, (b) with respect to the Management Stockholders, the shares of Common Stock held as of the Effective Date and any Additional Shares issued in respect thereof and any Additional Shares issued upon exercise of stock options granted to any such Management Stockholder, and (c) with respect to Legg Mason, the shares of Common Stock held as of the Effective Date and any Additional Shares issued in respect thereof. Registrable Securities will cease to be Registrable Securities when and to the extent that (i) a registration statement relating to such securities has been declared effective under the Securities Act and such Registrable Securities have been disposed of pursuant to such effective Registration Statement, (ii) such Registrable Securities have been transferred to a party in violation of the Stockholders Agreement, (iii) such Registrable Securities have ceased to be outstanding, or (iv) such securities may be sold in a single transaction without registration pursuant to Rule 144.

"Registration Expenses" means all (i) registration and filing fees with the Commission, (ii) fees and expenses of compliance with state securities or blue sky laws (including without limitation reasonable fees and disbursements of a qualified independent underwriter, if any, counsel in connection therewith and the reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses of the Company (including without limitation all salaries and expenses of officers and employees performing legal or accounting duties), (v) fees and expenses of counsel and independent public accountants for the Company, (vi) fees and expenses of any additional experts retained by the Company in connection with such registration, (vii) fees and expenses of listing the Registrable Securities, if any, (viii) transfer taxes, and (ix) reasonable fees and expenses of one counsel for the Stockholders, which counsel will be selected by the Stockholders holding a majority of Registrable Securities included in the registration.

"Regulation D" means Regulation D under the Securities Act.

"Rule 144" means Rule 144 under the Securities Act, as such rule may be amended from time to time.

"Securities Act" means the Securities Act of 1933, as amended.

"Shelf Registration" means a registration statement on the appropriate form pursuant to Rule 415 under the Securities Act (or any successor rule that may be adopted by the Commission).

"SK Holder" means SK, SKIF or Barry Feinberg or any Transferee thereof. For purposes of this Agreement, any action contemplated to be taken by the SK Holders will be effective if approved by the SK Holder which owns the largest portion of the Common Stock owned by all SK Holders as of the relevant time.

"SK Limit" means an amount of Registrable Securities equal to the lesser of (x) an amount comprising 50% of the aggregate amount of Registrable Securities to be sold by all stockholders pursuant to the registration statement in question and (y) an amount of Registrable Securities having a market value equal to the Initial Investment.

"Stockholders Agreement" means the Amended and Restated Stockholders Agreement dated as of the date hereof by and among the Company, SK, SKIF, Barry Feinberg and the Management Stockholders.

"Transferee" means any Person to whom any Stockholder transfers any Common Stock (other than in a sale pursuant to an effective registration statement under the Securities Act or without registration pursuant to Rule 144) in accordance with the Stockholders Agreement and who agrees in writing to be bound by and to comply with all applicable provisions of this Agreement.

"Underwriter" means a securities dealer who purchases any Registrable Securities as a principal in connection with a distribution of such Registrable Securities and not as part of such dealer's market-making activities.

II. REGISTRATION RIGHTS

2.1 SK Demand Registration. (a) At any time and from time to time following the nine month anniversary of the Effective Date, the SK Holders may make written requests for registration under the Securities Act of all or part of the SK Holders' Registrable Securities (a "SK Demand Registration"); provided, however, that the Company will not be obligated to effect an SK Demand Registration on more than 3 occasions. Such request will specify the number of shares of Registrable Securities proposed to be offered for sale by the SK Holders and will also specify the intended method of disposition thereof. In connection therewith, the Company will give the notices required by Section 2.2(a) but as applied to an SK Demand Registration.

(b) If the SK Holders so elect, the offering of the SK Holders' Registrable Securities pursuant to such SK Demand Registration will be in the form of an underwritten offering. The SK Holders will select a Qualified Underwriter as the managing Underwriter and, subject to the LM Agreement, any additional underwriters in connection with the offering. A registration will not count as an SK Demand Registration until it has become effective.

(c) If, in connection with any SK Demand Registration, the Company or any other Stockholders also propose to sell securities and the managing Underwriter of an offering described in this Section 2.1 advises the Company, the SK Holders and such other Stockholders in writing that the success or pricing of the offering would be materially and adversely affected by the inclusion of all of the securities requested to be included, then the Company will include in such registration (i) first, the Registrable Securities requested to be included by the SK Holders, which number of securities to be registered will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter, (ii) second, such number of other Registrable Securities as the Management Stockholders and the Legg Mason Holder propose to offer for sale and the managing Underwriter recommends be included in such offering, allocated pro rata among such Stockholders, which number of securities to be registered will be reduced to the extent necessary to reduce the total amount of Securities to be included in such offering to the amount recommended by such managing underwriter, (iii) third, the securities the Company proposes to offer for sale, which number of securities to be registered will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter and (iv) fourth, such number of other Registrable Securities as the Stockholders propose to offer for sale and the managing Underwriter recommends be included in such offering, allocated pro rata among such Stockholders.

(d) Notwithstanding the foregoing provisions of this Section 2.1, the SK Holders may not request an SK Demand Registration (i) if a registration statement has been filed by the Company with the Commission, unless such registration statement has been withdrawn or has been effective for a period of 90 calendar days, or (ii) if an underwritten offering of Common Stock (whether for the account of the Company or any other security holders) has been consummated within the preceding nine months; provided, however, the limitations in this sentence will not apply if the SK Holders were not given the opportunity, in accordance with Section 2.2, to include their Registrable Securities in the registration statement described in clause (i) or the underwritten offering described in clause (ii) (as applicable).

(e) Notwithstanding the foregoing provisions of this Section 2.1, in the event the Company receives notice of an SK Demand Registration, the Company may elect once, and only once, by written notice to the SK Holders within 20 days after receipt of such notice, to proceed with a registration of Common Stock for the Company's account in lieu of proceeding with the SK Demand Registration, in which case the provisions of Section 2.2 (and not this Section 2.1) will apply. If the Company exercises the right described in the preceding sentence, the SK Holders will not be deemed (for purposes of determining the number of future SK Demand Registrations that may be demanded under the terms of this Agreement) to have exercised the right to request an SK Demand Registration unless at least 80% of the Registrable Securities that the SK Holders desired to include in such registration were included pursuant to Section 2.2.

2.2 Piggyback Rights. (a) If the Company proposes to file a registration statement under the Securities Act with respect to an offering of any shares of Common Stock (i) for its own account (other than a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission)) or (ii) for the account of any holder of its securities,

including without limitation an SK Demand Registration or a Nomura Demand Registration or a registration of shares to be sold by the Management Stockholders, who will have the right to demand such registration at any time and from time to time, subject to the rights of the Company and the other Stockholders hereunder, or a registration of shares to be sold by the Legg Mason Holder, then the Company will give written notice of such proposed offering to the holders of Registrable Securities as soon as practicable (provided that holders of Registrable Securities will be given such notice not less than 20 calendar days prior to the deadline set by the Company for electing to include Registrable Securities in such offering), and such notice will offer such holders the opportunity, in accordance with Section 2.2(b), to register such number of shares of Registrable Securities as such holders may request on the same terms and conditions as the registration of the Company's or such other holders' securities. If the Company so elects, the offering contemplated by this Section 2.2 will be in the form of an underwritten offering. The Company will select a Qualified Underwriter as the managing Underwriter and, subject to the LM Agreement, any additional underwriters in connection with the offering.

(b) Whenever the Company proposes to file a registration statement in accordance with Section 2.2(a) (except in the case of an SK Demand Registration, for which Section 2.1(c) will govern), the Company will include in such registration all Registrable Securities which any Stockholder requests to be included therein; provided, however, that if the managing Underwriter of an underwritten offering under this Section 2.2 advises the Company and such Stockholders in writing that the number of securities requested to be included in such registration exceeds the number of shares of Common Stock which can be sold in such offering or would have an adverse impact on the price of such securities, then the Company will include in such registration (i) first, the securities the Company proposes to sell and (ii) second, the Registrable Securities of the Stockholders requested to be included in such registration, allocated in accordance with Section 2.4.

(c) A request by any Stockholder to include Registrable Securities in a proposed underwritten offering pursuant to this Section 2.2 will not be deemed to be a request for a demand registration pursuant to Section 2.1.

2.3 Certain Limitations. Notwithstanding any other provision hereof, (i) neither the Company nor any Stockholder will have the right to initiate or demand a registration hereunder unless (x) it proposes to include therein Registrable Securities which it believes in good faith to have a value of at least $30,000,000 or (y) in the case of any Stockholder, not less than 80% of the Registrable Securities owned by the SK Holders or the Management Stockholders are to be included therein and (ii) the managing Underwriter and any co-managing underwriter of any offering hereunder must be a Qualified Underwriter.

2.4 Allocation of Registrable Securities Among Stockholders. In the event of any registration to which the proviso to Section 2.2(b) applies, after all securities that the Company proposes to sell are included in such registration, Registrable Securities of the stockholders requested to be included in such registration will be included therein according to the following priorities: (i) first, the Registrable Securities proposed to be included by the SK Holders will be included, up to the SK Limit (after giving effect to all prior sales of Registrable Securities of the

SK Holders), which number of securities to be registered will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter, (ii) second, any Registrable Securities proposed to be included by the Management Stockholders and the Legg Mason Holder, up to an amount equal to the number of Registrable Securities to be included for the account of the SK Holders, allocated pro rata among such Stockholders, which number of securities to be registered will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter, and (iii) third, any remaining Registrable Securities proposed to be included by the Stockholders which the managing Underwriter recommends be included shall be included, allocated pro rata among such stockholders.

III. REGISTRATION PROCEDURES

3.1 Filings; Information. Whenever a Stockholder (the "Registering Stockholder") requests that any Registrable Securities be registered pursuant to Article II, the Company will use its best efforts to effect the registration of such Registrable Securities to the extent required by Article II, as promptly as is practicable, and in connection with any such request:

(a) The Company will as expeditiously as possible prepare and file with the Commission a registration statement on any form for which the Company then qualifies and which counsel for the Company deems appropriate and available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and use its best efforts to cause such filed registration statement to become and remain effective for a period of not less than 90 calendar days or, if less, the period required for such Registrable Securities to be sold; provided, however, that if the Company furnishes to the Registering Stockholder a certificate signed by the Company's Chief Executive Officer stating that the Board of Directors has determined that it would be materially detrimental or otherwise materially disadvantageous to the Company or its Stockholders (whether because of any proposed material transaction or otherwise) for such a registration statement to be filed as expeditiously as possible, the Company will have a period of not more than 120 calendar days within which to file such registration statement measured from the date of the Company's receipt of the Registering Stockholder's request for registration.

(b) The Company will, if requested, prior to filing such registration statement or any amendment or supplement thereto, furnish to the Registering Stockholder and each applicable Underwriter, if any, copies thereof, and thereafter furnish to the Registering Stockholder and each such Underwriter, if any, such number of copies of such registration statement, amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein) and the prospectus included in such registration statement (including each preliminary prospectus) as the Registering Stockholder or each such Underwriter may reasonably request in order to facilitate the sale of the Registrable Securities.

(c) After the filing of the registration statement, the Company will promptly notify the Registering Stockholder of any stop order issued or, to the Company's knowledge, threatened

to be issued by the Commission or any state securities agency or authority and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(d) The Company will endeavor to qualify the Registrable Securities for offer and sale under such other securities or blue sky laws of such jurisdictions in the United States as the Registering Stockholder reasonably requests; provided, however, that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection (d), (ii) subject itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction.

(e) The Company will as promptly as is practicable notify the Registering Stockholder, at any time when a prospectus relating to the sale of the Registrable Securities is required by law to be delivered in connection with sales by an Underwriter or dealer, of the occurrence of any event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and promptly make available to the Registering Stockholder and to the Underwriters any such supplement or amendment. The Registering Stockholder agrees that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in the preceding sentence, the Registering Stockholder will forthwith discontinue the offer and sale of Registrable Securities pursuant to the registration statement covering such Registrable Securities until receipt by the Registering Stockholder and the Underwriters of the copies of such supplemented or amended prospectus and, if so directed by the Company, the Registering Stockholder will deliver to the Company all copies, other than permanent file copies then in the Registering Stockholder possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. In the event the Company gives such notice, the Company will extend the period during which such registration statement will be effective as provided in Section 3.1(a) by the number of days during the period from and including the date of the giving of such notice to the date when the Company will make available to the Registering Stockholder such supplemented or amended prospectus.

(f) The Company will enter into customary agreements (including in the case of an underwritten offering an underwriting agreement in customary form) and the Company and its officers will take such other actions as are reasonably required in order to expedite or facilitate the sale of such Registrable Securities, including participation in any "road show" undertaken in connection with such sale.

(g) The Company will furnish to the Registering Stockholder and to each Underwriter a signed counterpart, addressed to the Registering Stockholder or such Underwriter, of (i) an opinion or opinions of counsel to the Company and (ii) a comfort letter or comfort letters from the Company's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as the Registering Stockholder or the managing Underwriter may reasonably request.

(h) The Company will make generally available to its security holders, as soon as reasonably practicable, an earnings statement covering a period of 12 months, beginning within three months after the effective date of the registration statement, which earnings statement will satisfy the provisions of Section 11(a) of the 1933 Act and the rules and regulations of the Commission thereunder.

(i) The Company will use its reasonable efforts to cause all such Registrable Securities to be listed on each securities exchange on which securities of the same class issued by the Company are then listed.

(j) The Company may require the Registering Stockholder promptly to furnish in writing to the Company such information regarding the Registering Stockholder, the plan of distribution of the Registrable Securities and other information as the Company may from time to time reasonably request or as may be legally required in connection with such registration. The furnishing of such information will be a condition to the Company's obligations hereunder.

3.2 Registration Expenses. Registration Expenses incurred in connection with any registration made or requested to be made pursuant to Article II will be borne by the Company, whether or not any such registration statement becomes effective, to the extent permitted by applicable law. The Registering Stockholder will pay, on a pro rata basis, any underwriting fees, discounts or commissions attributable to the sale of the Registrable Securities.

3.3 Indemnification by the Company. The Company agrees to indemnify and hold harmless each Registering Stockholder, its officers and directors, and each Person, if any, who controls each such Registering Stockholder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages, liabilities and expenses caused by any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information furnished in writing to the Company by or on behalf of such Registering Stockholder expressly for use therein; provided, however, that the foregoing indemnity agreement with respect to any preliminary prospectus will not inure to the benefit of any Registering Stockholder if a copy of the current prospectus was not provided to the applicable purchaser by such Registering Stockholder and such current copy of the prospectus would have cured the defect giving rise to such loss, claim, damage, liability or expenses. The Company also agrees to indemnify any Underwriters of the Registrable Securities, their officers and directors and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the Registering Stockholders provided in this Section 3.3.

3.4 Indemnification by Registering Stockholders. Each Registering Stockholder registering shares pursuant to Article II agrees, severally but not jointly, to indemnify and hold

harmless the Company, its officers and Directors and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Registering Stockholder, but only with reference to information related to such Registering Stockholder furnished in writing by or oh behalf of such Registering Stockholder expressly for use in any registration statement or prospectus relating to the Registrable Securities, or any amendment or supplement thereto or any preliminary prospectus; provided, however, that in no event will the liability of any Registering Stockholder under this Section 3.4 be greater in amount than the dollar amount of the proceeds received by such holder upon the sale of the Registrable Securities giving rise to such indemnification obligation. Each such Registering Stockholder also agrees to indemnify and hold harmless any Underwriters of the Registrable Securities, their officers and directors and each Person who controls such Underwriters on such terms as provided for in underwriting agreement relating to such offering.

3.5 Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) is instituted involving any person in respect of which indemnity may be sought pursuant to Section 3.3 or Section 3.4, such Person will promptly notify the Person against whom such indemnity may be sought in writing and the indemnifying party upon request of the indemnified party will retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and will pay the fees and disbursements of such counsel related to the proceeding; provided, however, that the failure to so notify the indemnifying Person shall not relieve the indemnifying party from any liability that it may otherwise have to such indemnified Person, except to the extent the indemnifying Person shall have been materially prejudiced by such failure. In any such proceeding, any indemnified party will have the right to retain its own counsel, but the fees and expenses of such counsel will be at the expense of such indemnified party unless (a) the indemnifying party and the indemnified party have mutually agreed to the retention of such counsel or (b) the named parties to any such proceeding (including any impleaded parties) include both the indemnified party and the indemnifying party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, in which case the fees and expenses of such counsel will be paid by the Company. It is understood that the indemnifying party will not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such indemnified parties, and that all such reasonable fees and expenses will be reimbursed as they are incurred. In the case of the retention of any such separate firm for the indemnified parties, such firm will be designated in writing by the indemnified parties. The indemnifying party will not be liable for any settlement of any proceeding effected without its consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the indemnifying party will indemnify and hold harmless such indemnified parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment.

3.6 Contribution. (a) If the indemnification provided for herein is for any reason unavailable to the indemnified parties in respect of any losses, claims, damages or liabilities referred to herein, then each such indemnifying

party, in lieu of indemnifying such indemnified party, will contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company, the Registering Stockholders and any Underwriter in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company, the Registering Stockholders and the Underwriter will be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(b) The Company and each Registering Stockholder agree that it would not be just and equitable if contribution pursuant to this Section 3.6 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding subsection. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding subsection will be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 3.6, no Registering Stockholder will be required to contribute any amount by reason of such untrue or alleged untrue statement or omission or alleged omission in excess of the amount received by such Registering Stockholder upon the sale of the Registrable Securities giving rise to such contribution obligation. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

3.7 Participation in Underwritten Registrations. Notwithstanding any other provision of this Agreement, no Person may participate in any underwritten registration hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any reasonable underwriting arrangements approved by the Company or other Persons entitled hereunder to approve such arrangements and (b) completes and executes all customary questionnaires, powers of attorney, indemnities, underwriting agreements, "lock-up" agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights.

3.8 Rule 144. The Company will file any reports required to be filed by it under the Securities Act and the Exchange Act and will take such further action as any Stockholder may reasonably request to the extent required from time to time to enable the Stockholders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 under the Exchange Act, as such Rule may be amended from time to time, or other appropriate rule or regulation adopted by the Commission. Upon the request of any Stockholder, the Company will deliver to the Stockholder a written statement as to whether the Company has complied with such reporting requirements.

3.9 Restrictions on Public Sale by Holders of Registrable Securities. (a) If and to the extent requested by the managing Underwriter or Underwriters in the case of an underwritten Public Offering, each of the Stockholders agrees not to effect, except as part of such registration, any sale of the shares of Common Stock or a similar security of the Company, or any securities convertible into or exchangeable or exercisable for such securities during such time period to which the Company agrees not to effect any sale of securities in connection therewith, or to which the Registering Stockholder agrees if the Company does not include any securities therein. In addition, each of the Stockholders agrees to execute any customary lock-up agreement reasonably requested by the managing Underwriter to confirm its agreement in accordance with the preceding sentence, but only if identical lock-up agreements are required of all Stockholders.

(b) Nothing in this Agreement will diminish or otherwise affect the restrictions on transfer contained in the Stockholders Agreement.

3.10 Limitation on Future Registration Rights. So long as the SK Holders continue to own Common Stock, the Company will not grant or agree to grant registration rights in respect of any Common Stock of the Company (or securities convertible or exchangeable into or exercisable for Common Stock) to any other Person which would interfere with the rights of the SK Holders hereunder, without the prior written consent of the SK Holders. The provisions of this Section 3.10 will cease to apply with respect to the SK Holders once the shares of Common Stock beneficially owned by the SK Holders represent less than 10% of the shares of Common Stock beneficially owned by the SK Holders on the Effective Date.

IV. MISCELLANEOUS

4.1 Headings. The headings in this Agreement are for convenience of reference only and will not control or affect the meaning or construction of any provisions hereof.

4.2 Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior agreements and understandings, both oral and written, among the parties with respect to the subject matter of this Agreement. This Agreement is not intended to confer upon any Person other than the parties hereto and thereto any rights or remedies hereunder or thereunder.

4.3 Notices. Any notice, request, instruction or other document required or permitted to be given hereunder by any party hereto to another party hereto will be in writing and will be given to such party at its address set forth in Annex I attached hereto, with, in the case of the Company, a copy sent to the Company's Secretary at the Company's principal executive offices or to such other address as the party to whom notice is to be given may provide in a written notice to the party giving such notice, a copy of which written notice will be on file with the Secretary of the Company. Each such notice, request or other communication will be effective (a) if given by certified mail, 96 hours after such communication is deposited in the mails with certified postage prepaid addressed as aforesaid, (b) one Business Day after being furnished to a nationally recognized overnight courier for next Business Day delivery, and (c) on the date sent if sent by electronic facsimile transmission, receipt confirmed.

4.4 Governing Law. This Agreement will be governed by, and construed in accordance with, the laws of the State of New York without regard to the conflict of laws rules of such state, provided, however, that to the extent any of the respective rights or obligations of the parties relate to matters of the General Corporation Law of the State of Delaware (the "GCL"), the provisions of the GCL shall govern in respect thereof.

4.5 Severability. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

4.6 Termination. All rights and obligations hereunder will extend and continue to apply until such time as all Registrable Securities may be offered and sold without registration under the Securities Act.

4.7 Successors, Assigns and Transferees. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, assigns and permitted Transferees. Except as expressly contemplated hereby, neither this Agreement nor any provision hereof will be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and permitted assigns.

4.8 Amendments; Waivers. (a) No failure or delay on the part of any party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided will be cumulative and not exclusive of any rights or remedies provided by law.

(b) Neither this Agreement nor any term or provision hereof may be amended or waived except by an instrument in writing signed, by (i) the Company, (ii) the SK Holders owning a majority of the Common Stock then held by the SK Holders and entitled to the benefits of this Agreement, and (iii) the Stockholders, other than the SK Holders, owning a majority of the Registrable Securities then held by such Stockholders and entitled to the benefits of this Agreement.

4.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

4.10 Remedies. The parties hereby acknowledge that money damages would not be adequate compensation for the damages that a party would suffer by reason of a failure of any other party to perform any of the obligations under this Agreement. Therefore, each party hereto agrees that specific performance is the only appropriate remedy under this Agreement and hereby waives the claim or defense that any other party has an adequate remedy at law.

4.11 Consent to Jurisdiction. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of either (i) any court located in the Borough of Manhattan or the United States Federal Court sitting in the Southern District of New York or (ii) any court located in the State of Delaware or the United States District Court for the District of Delaware (including any appellate court therefrom) over any suit, action or proceeding arising out of or relating to this Agreement. Each of the parties hereto consents to process being served in any such suit, action or proceeding by serving a copy thereof upon the agent for service of process, provided that to the extent lawful and possible, written notice of such service will also be mailed to such party, as the case may be. Each of the parties hereto agrees that such service will be deemed in every respect effective service of process upon such party hereto, in any such suit, action or proceeding and will be taken and held to be valid personal service upon such party. Nothing in this subsection will affect or limit any right to serve process in any manner permitted by law, to bring proceedings in the courts of any jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction. Each of the parties hereto waives any right it may have to assert the doctrine of forum non conveniens or to object to venue to the extent any proceeding is brought in accordance with this Section 4.11. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

By: /s/ Ezra Dabah

Name: Ezra Dabah
Title: Chief Executive Officer and Chairman of the Board

/s/ Ezra Dabah

Ezra Dabah

/s/ Renee Dabah

Renee Dabah

/s/ Ivette Dabah

Ivette Dabah

/s/ Stanley Silverstein

Stanley Silverstein

/s/ Stanley Silver

Stanley Silver

/s/ Barbara Dabah

Barbara Dabah

/s/ Joseph Krusch

Joseph Krusch

/s/ Elliott F. Krusch

Elliott F. Krusch

/s/ Helissa T. Meizlish

Helissa T. Meizlish

/s/ Sherry Schirippa

Sherry Schirippa

Gila Dweck Grantor Trust

By: /s/ Ezra Dabah

    Name: Ezra Dabah
    Title: Trustee

Ezra Dabah and Gila Dweck as
Trustees u/a/d 8/25/88 f/b/o Morris
Dabah, Jr.

By: /s/ Gila Dweck

    Name: Gila Dweck
    Title: Trustee

Ezra Dabah and Gila Dweck as Trustees
u/a/d 8/25/88 f/b/o Michael Dabah

By: /s/ Gila Dweck

    Name: Gila Dweck
    Title: Trustee

Ezra Dabah and Gila Dweck as Trustees
u/a/d 8/25/88 f/b/o Mac Dabah

By: /s/ Gila Dweck

    Name: Gila Dweck
    Title: Trustee

Ezra Dabah and Renee Dabah as Custodians
under the UGMA f/b/o Joia Dabah

By: /s/ Renee Dabah

    Name: Renee Dabah
    Title: Custodian

Ezra Dabah and Renee Dabah as Custodians
under the UGMA f/b/o Yaacov Dabah

By: /s/ Renee Dabah

    Name: Renee Dabah
    Title: Custodian

Edward Tawil as Trustee
u/a/d 8/29/88 f/b/o Morris Dabah, Jr.

By: /s/ Edward Tawil

    Name: Edward Tawil
    Title: Trustee

Edward Tawil as Trustee
u/a/d 8/29/88 f/b/o Michael Dabah

By: /s/ Edward Tawil

    Name: Edward Tawil
    Title: Trustee

Edward Tawil as Trustee
u/a/d 8/29/88 f/b/o Mac Dabah

By: /s/ Edward Tawil

    Name: Edward Tawil
    Title: Trustee

Edward Tawil as Trustee
u/a/d 8/29/88 f/b/o Stephen Dabah

By: /s/ Edward Tawil

    Name: Edward Tawil
    Title: Trustee

Ezra Dabah and Gila Dweck as Trustees
u/a/d 8/31/92 f/b/o Stephen Dabah

By: /s/ Gila Dweck

    Name: Gila Dweck
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Nina Miner

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Renee Dabah

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Flori Silverstein

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Michael Leventhal

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Leslie Kule

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Samuel Miner

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Eva Dabah

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Joia Dabah

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Moshe Dabah

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Chana Dabah

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Yaacov Dabah

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Sarah Silverstein

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Benjamin Reines

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Raine Silverstein and Ezra Dabah as Trustees
u/a/d 2/2/97 f/b/o Jacqueline Reines

By: /s/ Raine Silverstein

    Name: Raine Silverstein
    Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Eva Dabah

By: /s/ Renee Dabah

    Name: Renee Dabah
    Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Joia Dabah

By: /s/ Renee Dabah

    Name: Renee Dabah
    Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Moshe Dabah

By: /s/ Renee Dabah

    Name: Renee Dabah
    Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Chana Dabah

By: /s/ Renee Dabah

    Name: Renee Dabah
    Title: Trustee

Renee Dabah and Raine Silverstein, Trustees
u/a/d 2/2/97 f/b/o Yaacov Dabah

By: /s/ Renee Dabah

    Name: Renee Dabah
    Title: Trustee

THE SK EQUITY FUND, L.P.

By: SKM PARTNERS, L.P., General Partner

By: /s/ John Megrue
---
its General Partner

SK INVESTMENT FUND, L.P.

By: SKM PARTNERS, L.P., General Partner

By: /s/ John Megrue
---
its General Partner

/s/ Barry Feinberg
Barry Feinberg

LEGG MASON WOOD WALKER, INCORPORATED

By:

Name:
Title:

Schedule 1

Management Stockholders

1. Ezra Dabah

2. Renee Dabah

3. Barbara Dabah

4. Ivette Dabah

5. Stanley Silver

6. Stanley Silverstein

7. Joseph G. Krusch

8. Elliot F. Krusch

9. Helissa T. Meizlish

10. Sherry Schirippa

11. Gila Dweck Grantor Trust

12. Ezra Dabah and Renee Dabah as custodians under the UGMA, F/B/O Joia Dabah.

13. Ezra Dabah and Renee Dabah as custodians under the UGMA, F/B/O Yaacov Dabah.

14. Ezra Dabah and Gila Dweck as Trustees, U/A/D 8/25/88, F/B/O Mac Dabah.

15. Ezra Dabah and Gila Dweck as Trustees, U/A/D 8/25/88, F/B/O Michael Dabah.

16. Ezra Dabah and Gila Dweck as Trustees, U/A/D 8/25/88, F/B/O Morris Dabah, Jr.

17. Ezra Dabah and Gila Dweck as Trustees U/A/D 8/31/92, F/B/O Stephen Dabah.

18. Edward Tawil as Trustee U/A/D 8/29/88, F/B/O Michael Dabah.

19. Edward Tawil as Trustee U/A/D 8/29/88, F/B/O Morris Dabah, Jr.

20. Edward Tawil as Trustee U/A/D 8/29/88, F/B/O Mac Dabah.

21. Edward Tawil as Trustee U/A/D 8/29/88, F/B/O Stephen Dabah.

22. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Nina Miner.

23. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Renee Dabah.

24. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Flori Silverstein.

25. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Michael Leventhal.

26. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Leslie Kule.

27. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Samuel Miner.

28. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Eva Dabah.

29. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Joia Dabah.

30. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Moshe Dabah.

31. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Chana Dabah.

32. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Yaacov Dabah.

33. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Sarah Silverstein.

34. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Benjamin Reines.

35. Raine Silverstein and Ezra Dabah as Trustees U/A/D 2/2/97, F/B/O Jacqueline Reines.

36. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Eva Dabah.

37. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Joia Dabah.

38. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Moshe Dabah.

39. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Chana Dabah.

40. Renee Dabah and Raine Silverstein as Trustees U/A/D 2/2/97 F/B/O Yaacov Dabah.

Schedule 2

Qualified Underwriters

Montgomery Securities
Alex Brown & Sons
Smith Barney
Morgan Stanley
Goldman Sachs
Bear Stearns
Legg Mason Wood Walker
Donaldson Lufkin & Jenrette
Merrill Lynch
Robinson Humphrey
Lehman Brothers
CS First Boston
Paine Webber
Furman Selz
Salomon Brothers

EXHIBIT 10.15

REDEMPTION AGREEMENT

THIS AGREEMENT is made as of the 18th day of September, 1997, between The Children's Place Retail Stores, Inc., a Delaware corporation (the "Company"), and Nomura Holding America Inc., a Delaware corporation ("Nomura").

RECITALS

WHEREAS, the Company expects to undertake an initial public offering (the "IPO") of its Common Stock in September 1997 or as soon thereafter as practicable;

WHEREAS, as set forth in Section 1.1 hereof, the Company desires to purchase and redeem from Nomura, and Nomura desires to sell to the Company, concurrently with the consummation of the IPO, that certain warrant (the "Warrant"), dated June 28, 1996, issued by the Company to Nomura entitling Nomura to purchase up to 16,602.1 shares of the Company's Series A Common Stock, par value $0.10 per share (the "Series A Common Stock"), at an exercise price of $321.24 per share;

WHEREAS, prior to the consummation of the IPO, the Company expects to effect a 120-for-one stock split (the "Stock Split") of the Series A Common Stock and to redesignate (the "Reclassification") the Series A Common Stock as Common Stock (the "Common Stock"); and

WHEREAS, after giving effect to the Stock Split and Reclassification, the Warrant will be exercisable for 1,992,252 shares of Common Stock at an exercise price of $2.677 per share.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements of the parties contained herein, the sufficiency of which is hereby acknowledged, and intending to be legally bound, the Company and Nomura agree as follows:

I. PURCHASE AND SALE; REDEMPTION; CLOSING

1.1. Redemption of Warrant. On the terms and subject to the conditions set forth in this Agreement, concurrently with the consummation of the IPO (the date of such consummation, the "IPO Closing Date"), the Company will purchase and redeem (such purchase and redemption, the "Warrant Redemption"), and Nomura will sell and transfer to the Company, the Warrant (in its entirety) for an aggregate purchase price (the "Redemption Price"), payable in immediately available funds, which shall equal (after giving effect to the Stock Split and the Reclassification) the product of (x) the IPO price per share of Common Stock minus the IPO underwriting discount per share of Common Stock minus the $2.677 exercise price per share of Common Stock multiplied by (y) the 1,992,252 shares of Common Stock subject to the Warrant.

1.2. Closing. The closing (the "Closing") of the Warrant Redemption contemplated hereunder will take place at the offices of Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York (or such other location in the City of New York as the Company may designate), immediately following the consummation of the IPO and concurrently with the repayment (the "Note Repayment") to Nomura by the Company of the $20,000,000 aggregate original principal amount of its 12% Senior Subordinated Notes due 2002 (the "Nomura Note"), together with the payment to Nomura by the Company of any accrued and unpaid interest thereon and of such reasonable attorney's fees and disbursements as are incurred by Nomura in connection with the IPO and Warrant Redemption, on the IPO Closing Date or on such later date as the parties may agree (the date on which the Closing occurs is herein referred to as the "Closing Date"). At the Closing:

(a) Nomura will deliver to the Company the certificate or certificates representing the Warrant, together with an instrument of assignment duly executed in blank and such other documents as the Company may reasonably request to transfer record ownership of the Warrant to the Company; and

(b) The Company will deliver to Nomura the Redemption Price in immediately available funds by wire transfer to an account designated by Nomura by notice to the Company in accordance with this Agreement not later than two business days prior to the Closing Date.

1.3. Proceedings. Except as otherwise specifically provided for in this Agreement, all proceedings that will be taken and all documents that will be executed and delivered by the parties hereto on the Closing Date will be deemed to have been taken and executed simultaneously and no proceeding will be deemed taken nor any document executed and delivered until all have been taken, executed and delivered.

II. REPRESENTATIONS AND WARRANTIES OF NOMURA

2.1. Nomura represents and warrants to the Company, as follows:

2.1.1. Authority; Enforceability. The execution, delivery and performance by Nomura of this Agreement is within Nomura's corporate powers and has been duly authorized by all necessary corporate action on the part of Nomura. This Agreement constitutes a valid and binding agreement of Nomura, enforceable against Nomura in accordance with its terms, except as enforceability may be affected by bankruptcy, insolvency, moratorium or other similar laws.

2.1.2. No Conflicts. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof will not, violate or conflict with in any respect or result in a breach under any contract, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Nomura or its property or assets.

2.1.3. No Consents. No consent of, approval or filing with, any court or other governmental authority is required to be obtained or made by or with respect to Nomura in connection with the execution and delivery of this Agreement or the consummation by Nomura of the transactions contemplated hereby.

2.1.4. Ownership of Warrant. The Warrant is owned, lawfully of record and beneficially, by Nomura, free and clear of any Liens (as defined) and is the only warrant for capital stock of the Company or other equity interest in the Company owned by Nomura.

As used herein, "Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset but shall not include the right of any Nomura officer or employee to any portion of the net proceeds received by Nomura from the Warrant Redemption. For purposes of this Agreement, a person will be deemed to own subject to a Lien any property or asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

2.1.5. Title. Upon the repurchase of the Warrant by the Company, the Company will acquire good title to the Warrant, free and clear of all Liens, other than Liens arising from, through or as a result of any action or omission other than of Nomura or any other holder of the Warrant prior to the Closing.

III. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

3.1. The Company represents and warrants to Nomura as follows:

3.1.1. Corporate Authorization; Enforceability. The execution, delivery and performance by the Company of this Agreement is within the Company's corporate powers and has been duly authorized by all necessary corporate action on the part of the Company. This Agreement constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as enforceability may be affected by bankruptcy, insolvency, moratorium or other similar laws.

3.1.2. No Conflicts. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof will not, violate or conflict with in any respect or result in a breach under any contract, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company or its property or assets.

3.1.3. No Consents. No consent of, approval or filing with, any court or other governmental authority is required to be obtained or made by or with respect to the Company in connection with the execution and delivery of this Agreement or the consummation by the Company of the transactions contemplated hereby.

IV. CONDITIONS TO CLOSING

4.1. Conditions to Obligations of Nomura. The obligations of Nomura to consummate the Closing are subject to the satisfaction of the following conditions:

4.1.1. Representations, Warranties and Covenants of the Company. (a) The representations and warranties of the Company made in this Agreement shall be true and correct as of the date hereof and as of the Closing, as though made as of the Closing, and (b) the Company shall have performed and complied with all terms, agreements and covenants contained in this Agreement required to be performed or complied with by the Company on or before the Closing Date;

4.1.2. IPO. The IPO shall have been consummated; the IPO price per share of Common Stock (without deducting the IPO underwriting discount per share of Common Stock) shall have been at least $13.00; and the Company shall have applied $20 million of proceeds from the IPO to repay the Nomura Note.

4.2. Conditions to Obligations of the Company. The obligations of the Company to consummate the Closing are subject to the satisfaction of the following conditions:

4.2.1. Representations, Warranties and Covenants of Nomura. (a) The representations and warranties of Nomura made in this Agreement shall be true and correct as of the date hereof and as of the Closing, as though made as of the Closing, and (b) Nomura shall have performed and complied with all terms, agreements and covenants contained in this Agreement required to be performed or complied with by Nomura on or before the Closing Date.

4.2.2. IPO. The IPO shall have been consummated.

V. PROVISIONS CONCERNING CERTAIN RIGHTS OF NOMURA

5.1 Waiver of Registration Rights. In accordance with Section 4.8 of that certain Registration Rights Agreement, dated as of June 28, 1996 (the "Registration Rights Agreement"), by and among the Company, Nomura and certain stockholders of the Company, Nomura hereby waives the following:

(a) any requirement set forth in the Registration Rights Agreement that the Company provide Nomura with notice of the filing of a registration statement under the Securities Act of 1933, as amended, with respect to the IPO; and

(b) any rights Nomura may have under the Registration Rights Agreement to request that the Company include in the IPO any Registrable Securities (as defined in the Registration Rights Agreement) held by Nomura.

5.2 Note Prepayment. Nomura and the Company confirm their agreement that notwithstanding any provision contained in the Note and Warrant Purchase Agreement dated June 28, 1996, the Company shall have the right to repay the Note on the IPO Closing Date, without any prior notice and without any prepayment premium.

VI. SURVIVAL; INDEMNIFICATION

6.1. Survival. The representations and warranties of the parties contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith will survive the Closing until 18 months after the Closing Date. All covenants and agreements of the parties contained in this Agreement will survive the Closing indefinitely.

6.2. Indemnification. (a) Nomura will indemnify the Company and hold it harmless from any and all losses, liabilities and expenses (including, without limitation, expenses of investigation and attorneys' fees and expenses) incurred or suffered by the Company and resulting or arising from: (i) any misrepresentation or breach of any representation or warranty by Nomura contained in this Agreement or (ii) any breach by Nomura of any covenant or undertaking made or to be performed by Nomura pursuant to this Agreement.

(b) The Company will indemnify Nomura and hold it harmless from any and all losses, liabilities and expenses (including, without limitation, expenses of investigation and attorneys' fees and expenses) incurred or suffered by Nomura and resulting or arising from: (i) any misrepresentation or breach of any representation or warranty by the Company contained in this Agreement or (ii) any breach by the Company of any covenant or undertaking made or to be performed by the Company pursuant to this Agreement. In addition, the Company will indemnify Nomura in accordance with, and to the extent of, the indemnification provisions set forth in the Registration Rights Agreement, all as if Nomura were a Registering Stockholder (as defined in the Registration Rights Agreement) with respect to the IPO.

6.3 Limitation of Indemnification. The indemnification obligations of Nomura will not exceed the amount of the Redemption Price.

VII. MISCELLANEOUS

7.1. Termination. (a) This Agreement shall automatically terminate and be null, void and of no further effect if the IPO Closing has not occurred by October 31, 1997 for any reason.

(b) If this Agreement is terminated by reason of a willful and intentional breach of any provision hereof by any party, the breaching party will be liable for damages incurred by the nonbreaching party as a result of such breach, which damages will include, without limitation, any out-of-pocket costs and expenses incurred by the nonbreaching party in connection with the enforcement of its rights hereunder (including reasonable fees and disbursements of counsel).

7.2. Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be mailed postage prepaid by first-class registered or certified airmail, or sent by nationally recognized overnight express courier service, or transmitted by telecopier, and shall be deemed given when so mailed or sent, or, if telecopied, when receipt of transmission is acknowledged, and shall be delivered as addressed as follows:

(a) If to the Company, to:

The Children's Place
1 Dodge Drive
West Caldwell, NJ 07006
Telecopier: (973) 808-5637
Attn: Steven Balasiano, Esq.

or to such other person or place as the Company shall designate to Nomura in writing; and

(b) If to Nomura, to:

Nomura Holding America Inc.
2 World Financial Center, Building B
New York, NY 10281-1198
Telecopier: (212) 667-1029
Attn: Howard Gellis, or his authorized representative

or to such other person or place as Nomura shall designate to the Company in writing;

provided, however, that any notice of change of address shall be effective only upon receipt.

7.3. Amendments. This Agreement may not be modified or amended except pursuant to an instrument in writing signed by the Company and Nomura.

7.4. Successors and Assigns. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that neither party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party hereto.

7.5. No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein, expressed or implied, will give or be construed to give to any person or entity, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder.

7.6. Counterparts. This Agreement may be signed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

7.7. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

7.8. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS RULES AS TO CONFLICTS OF LAW.

7.9. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

7.10. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

THE CHILDREN'S PLACE RETAIL STORES, INC.

By: /s/ Steven Balasiano

Name: Steven Balasiano
Title: Secretary

NOMURA HOLDING AMERICA INC.

By:

Name:
Title:

EXHIBIT 10.16

REDEMPTION AGREEMENT

THIS AGREEMENT is made as of the 18th day of September, 1997, between The Children's Place Retail Stores, Inc., a Delaware corporation (the "Company"), and Legg Mason Wood Walker, Incorporated, a Maryland corporation ("Legg Mason").

RECITALS

WHEREAS, the Company expects to undertake an initial public offering (the "IPO") of its Common Stock in September 1997 or as soon thereafter as practicable;

WHEREAS, the Company issued to Legg Mason that certain warrant (the "Original Warrant"), dated June 28, 1996, entitling Legg Mason to purchase up to 6,225.8 shares of the Company's Series A Common Stock, par value $0.10 per share (the "Series A Common Stock"), at an exercise price of $321.24 per share;

WHEREAS, the Original Warrant has been cancelled and reissued by the Company to Legg Mason as two separate warrants, each dated September 18, 1997, with one such warrant (the "Redemption Warrant") entitling Legg Mason to purchase up to 4,150.5333 shares of Series A Common Stock and the other such warrant (the "Exercise Warrant") entitling Legg Mason to purchase up to 2,075.2667 shares of Series A Common Stock, in each case at an exercise price of $321.24 per share and, otherwise, upon the same terms and conditions as the Original Warrant;

WHEREAS, prior to the consummation of the IPO, the Company expects to effect a 120-for-one stock split (the "Stock Split") of the Series A Common Stock and to redesignate (the "Reclassification") the Series A Common Stock as Common Stock (the "Common Stock");

WHEREAS, after giving effect to the Stock Split and Reclassification, the Redemption Warrant will be exercisable for 498,064 shares of Common Stock and the Exercise Warrant will be exercisable for 249,032 shares of Common Stock, in each case at an exercise price of $2.677 per share;

WHEREAS, as set forth in Section 1.1 hereof, the Company desires to purchase and redeem from Legg Mason, and Legg Mason desires to sell to the Company, concurrently with the consummation of the IPO, the Redemption Warrant; and

WHEREAS, Legg Mason desires to exercise the Exercise Warrant concurrently with the consummation of the IPO.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements of the parties contained herein, the sufficiency of which is hereby acknowledged, and intending to be legally bound, the Company and Legg Mason agree as follows:

I. PURCHASE AND SALE; REDEMPTION; CLOSING

1.1. Redemption of Warrant. On the terms and subject to the conditions set forth in this Agreement, concurrently with the consummation of the IPO (the date of such consummation, the "IPO Closing Date"), the Company will purchase and redeem (such purchase and redemption, the "Warrant Redemption"), and Legg Mason will sell and transfer to the Company, the Redemption Warrant (in its entirety) for an aggregate purchase price (the "Redemption Price"), payable in immediately available funds, which shall equal (after giving effect to the Stock Split and the Reclassification) the product of (x) the IPO price per share of Common Stock minus the IPO underwriting discount per share of Common Stock minus the $2.677 exercise price per share of Common Stock subject to the Redemption Warrant multiplied by (y) the 498,064 shares of Common Stock subject to the Redemption Warrant.

1.2. Closing. The closing (the "Closing") of the Warrant Redemption contemplated hereunder will take place at the offices of Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York (or such other location in the City of New York as the Company may designate), immediately following the consummation of the IPO and concurrently with the exercise by Legg Mason of the Exercise Warrant on the IPO Closing Date or on such later date as the parties may agree (the date on which the Closing occurs is herein referred to as the "Closing Date"). At the Closing:

(a) Legg Mason will deliver to the Company the certificate or certificates representing the Redemption Warrant, together with an instrument of assignment duly executed in blank and such other documents as the Company may reasonably request to transfer record ownership of the Redemption Warrant to the Company; and

(b) The Company will deliver to Legg Mason the Redemption Price in immediately available funds by wire transfer to an account designated by Legg Mason by notice to the Company in accordance with this Agreement not later than two business days prior to the Closing Date.

1.3. Proceedings. Except as otherwise specifically provided for in this Agreement, all proceedings that will be taken and all documents that will be executed and delivered by the parties hereto on the Closing Date will be deemed to have been taken and executed simultaneously and no proceeding will be deemed taken nor any document executed and delivered until all have been taken, executed and delivered.

II. REPRESENTATIONS AND WARRANTIES OF LEGG MASON

2.1. Legg Mason represents and warrants to the Company, as follows:

2.1.1. Authority; Enforceability. The execution, delivery and performance by Legg Mason of this Agreement is within Legg Mason's corporate powers and has been duly authorized by all necessary corporate action on the part of Legg Mason. This Agreement constitutes a valid and binding agreement of Legg Mason, enforceable against Legg Mason in accordance with its terms, except as enforceability may be affected by bankruptcy, insolvency, moratorium or other similar laws.

2.1.2. No Conflicts. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof will not, violate or conflict with in any respect or result in a breach under any contract, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Legg Mason or its property or assets.

2.1.3. No Consents. No consent of, approval or filing with, any court or other governmental authority is required to be obtained or made by or with respect to Legg Mason in connection with the execution and delivery of this Agreement or the consummation by Legg Mason of the transactions contemplated hereby.

2.1.4. Ownership of Warrant. Each of the Redemption Warrant and Exercise Warrant is owned, lawfully of record and beneficially, by Legg Mason, free and clear of any Liens (as defined). The Redemption Warrant and the Exercise Warrant are the only warrants for capital stock of the Company or other equity interest in the Company owned by Legg Mason.

As used herein, "Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset but shall not include the right of any Legg Mason officer or employee to any portion of the net proceeds received by Legg Mason from the exercise or other disposition of either the Redemption Warrant or the Exercise Warrant or any portion thereof. For purposes of this Agreement, a person will be deemed to own subject to a Lien any property or asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

III. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

3.1. The Company represents and warrants to Legg Mason as follows:

3.1.1. Corporate Authorization; Enforceability. The execution, delivery and performance by the Company of this Agreement is within the Company's corporate powers and has been duly authorized by all necessary corporate action on the part of the Company. This Agreement constitutes a valid and binding agreement of the Company, enforceable against the

Company in accordance with its terms, except as enforceability may be affected by bankruptcy, insolvency, moratorium or other similar laws.

3.1.2. No Conflicts. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof will not, violate or conflict with in any respect or result in a breach under any contract, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company or its property or assets.

3.1.3. No Consents. No consent of, approval or filing with, any court or other governmental authority is required to be obtained or made by or with respect to the Company in connection with the execution and delivery of this Agreement or the consummation by the Company of the transactions contemplated hereby.

3.1.4. Notice of Adjustment. The certificate of the Chief Financial Officer of the Company, to be dated as of the effective date of the Stock Split, prepared in accordance with Section 5 of the Original Warrant and delivered to Legg Mason (the "Notice of Adjustment"), will properly give effect to the Stock Split and the Reclassification. All adjustments and calculations set forth in the Notice of Adjustment will be made by the Company in good faith and will be accurate and correct as of the effective date of the Stock Split. Each assumption underlying any such calculation will be reasonable at the time of its determination.

IV. CONDITIONS TO CLOSING

4.1. Conditions to Obligations of Legg Mason. The obligations of Legg Mason to consummate the Closing are subject to the satisfaction of the following conditions:

4.1.1. Representations, Warranties and Covenants of the Company. (a) The representations and warranties of the Company made in this Agreement shall be true and correct as of the date hereof and as of the Closing, as though made as of the Closing, and (b) the Company shall have performed and complied with all terms, agreements and covenants contained in this Agreement required to be performed or complied with by the Company on or before the Closing Date.

4.1.2. IPO. The IPO shall have been consummated and the IPO price per share of Common Stock (without deducting the IPO underwriting discount per share of Common Stock) shall have been at least $13.00.

4.2. Conditions to Obligations of the Company. The obligations of the Company to consummate the Closing are subject to the satisfaction of the following conditions:

4.2.1. Representations, Warranties and Covenants of Legg Mason. (a) The representations and warranties of Legg Mason made in this Agreement shall be true and correct as of the date hereof and as of the Closing, as though made as of the Closing, and (b) Legg Mason

shall have performed and complied with all terms, agreements and covenants contained in this Agreement required to be performed or complied with by Legg Mason on or before the Closing Date.

4.2.2. IPO. The IPO shall have been consummated.

V. PROVISIONS CONCERNING CERTAIN RIGHTS OF LEGG MASON

5.1 Waiver of Registration Rights. In accordance with Section 4.8 of that certain Registration Rights Agreement, dated as of June 28, 1996 (the "Registration Rights Agreement"), by and among the Company, Legg Mason and certain stockholders of the Company, Legg Mason hereby waives the following:

(a) any requirement set forth in the Registration Rights Agreement that the Company provide Legg Mason with notice of the filing of a registration statement under the Securities Act of 1933, as amended, with respect to the IPO; and

(b) any rights Legg Mason may have under the Registration Rights Agreement to request that the Company include in the IPO any Registrable Securities (as defined in the Registration Rights Agreement) held by Legg Mason.

VI. EXERCISE OF EXERCISE WARRANT

6.1. Exercise Warrant to be Exercised Upon Consummation of the IPO. Subject to the conditions set forth in Section 4.1 hereof, Legg Mason agrees to exercise the Exercise Warrant in full in accordance with its terms not later than concurrently with the consummation of the IPO on the IPO Closing Date. The Company acknowledges that, as provided in the Exercise Warrant, Legg Mason shall have the right to pay the $666,658.66 aggregate exercise price payable in respect of the Exercise Warrant by surrendering the right to receive a portion of the 249,032 shares with respect to which the Exercise Warrant is exercisable (after giving effect to the Stock Split) equal to the product obtained by multiplying 249,032 by a fraction, the numerator of which is $2.677 and the denominator of which is the IPO price per share of Common Stock.

VII. SURVIVAL; INDEMNIFICATION

7.1. Survival. The representations and warranties of the parties contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith will survive the Closing until 18 months after the Closing Date. All covenants and agreements of the parties contained in this Agreement will survive the Closing indefinitely.

7.2. Indemnification. (a) Legg Mason will indemnify the Company and hold it harmless from any and all losses, liabilities and expenses (including, without limitation, expenses

of investigation and attorneys' fees and expenses) incurred or suffered by the Company and resulting or arising from: (i) any misrepresentation or breach of any representation or warranty by Legg Mason contained in this Agreement or (ii) any breach by Legg Mason of any covenant or undertaking made or to be performed by Legg Mason pursuant to this Agreement.

(b) The Company will indemnify Legg Mason and hold it harmless from any and all losses, liabilities and expenses (including, without limitation, expenses of investigation and attorneys' fees and expenses) incurred or suffered by Legg Mason and resulting or arising from: (i) any misrepresentation or breach of any representation or warranty by the Company contained in this Agreement or (ii) any breach by the Company of any covenant or undertaking made or to be performed by the Company pursuant to this Agreement. In addition, the Company will indemnify Legg Mason in accordance with, and to the extent of, the indemnification provisions set forth in the Registration Rights Agreement, all as if Legg Mason were a Registering Stockholder (as defined in the Registration Rights Agreement) with respect to the IPO.

7.3 Limitation of Indemnification. The indemnification obligations of Legg Mason will not exceed the amount of the Redemption Price.

VIII. MISCELLANEOUS

8.1. Termination. (a) This Agreement shall automatically terminate and be null, void and of no further effect if the IPO Closing has not occurred by October 31, 1997 for any reason.

(b) If this Agreement is terminated by reason of a willful and intentional breach of any provision hereof by any party, the breaching party will be liable for damages incurred by the nonbreaching party as a result of such breach, which damages will include, without limitation, any out-of-pocket costs and expenses incurred by the nonbreaching party in connection with the enforcement of its rights hereunder (including reasonable fees and disbursements of counsel).

8.2. Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be mailed postage prepaid by first-class registered or certified airmail, or sent by nationally recognized overnight express courier service, or transmitted by telecopier, and shall be deemed given when so mailed or sent, or, if telecopied, when receipt of transmission is acknowledged, and shall be delivered as addressed as follows:

(a) If to the Company, to:

The Children's Place
1 Dodge Drive
West Caldwell, NJ 07006
Telecopier: (973) 808-5637
Attn: Steven Balasiano, Esq.

or to such other person or place as the Company shall designate to Legg Mason in writing; and

(b) If to Legg Mason, to:

Legg Mason Wood Walker, Incorporated
1735 Market Street, Suite 1100
Philadelphia, PA 19103
Telecopier: (215) 568-2031
Attn: Seth J. Lehr, or his authorized representative

or to such other person or place as Legg Mason shall designate to the Company in writing;

provided, however, that any notice of change of address shall be effective only upon receipt.

8.3. Amendments. This Agreement may not be modified or amended except pursuant to an instrument in writing signed by the Company and Legg Mason.

8.4. Successors and Assigns. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that neither party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party hereto.

8.5. No Third Party Beneficiaries. Except as provided in Article VII, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein, expressed or implied, will give or be construed to give to any person or entity, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder.

8.6. Counterparts. This Agreement may be signed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

8.7. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

8.8. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS RULES AS TO CONFLICTS OF LAW.

8.9. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

8.10. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

THE CHILDREN'S PLACE RETAIL STORES, INC.

By: /s/ Steven Balasiano

Name: Steven Balasiano
Title: Secretary

LEGG MASON WOOD WALKER, INCORPORATED

By:

Name:
Title:

THE CHILDREN'S PLACE RETAIL STORES, INC, EXHIBIT 11.1
CALCULATION OF PRO FORMA NET INCOME PER SHARE

	Year ended February 1, 1997	Six months ended August 2, 1997
Net income	$ 30,441	$ (733)
Pro forma weighted average common shares and common share equivalents (a)	23,804,185	23,804,185
Pro forma net income (loss) per common share	$ 1.28	$ (0.03)

(a) Calculation of pro forma weighted average common shares and common share equivalents:

Year ended February 1, 1997	Number of Shares	Months Outstanding	Weighted Average	Comments
	12,760,800			Outstanding common stock
	7,659,888 (b)			SKM investment and conversion to Series A
	604,241 (c)			Legg Mason Warrants
	1,611,305 (d)			Nomura (Noteholder) Warrant
	1,167,951 (e)			Management options
	23,804,185	12	23,804,185	

Six months ended August 2, 1997				
	12,760,800			Outstanding common stock
	7,659,888 (b)			SKM investment and conversion to Series A
	604,241 (c)			Legg Mason Warrants
	1,611,305 (d)			Nomura (Noteholder) Warrant
	1,167,951 (e)			Management options
	23,804,185	6	23,804,185	

(b) Conversion of Series B Common Stock to Series A

Option or Warrant	Shares under option or Warrant	Exercise price	Market price	Common share Equivalents
(c) Legg Mason warrants	747,096	$ 2.677	$ 14.00 (f)	604,241
(d) Noteholder warrants	1,992,252	$ 2.677	$ 14.00 (f)	1,611,305
(e) Management options	1,444,080	$ 2.677	$ 14.00 (f)	1,167,951

THE CHILDREN'S PLACE RETAIL STORES, INC, EXHIBIT 11.1
CALCULATION OF PRO FORMA SUPPLEMENTAL EARNINGS PER SHARE (CONTINUED)

	Year ended February 1, 1997	Six months ended August 2, 1997
Net income as reported	$ 30,441	$ (733)
Plus: elimination of interest expense	1,079(a)	910(a)
Adjusted net income	$ 31,520	$ 177
Pro forma weighted average common shares outstanding, as reported	23,804,185	23,804,185
Plus: shares to be issued to retire debt and repurchase warrants	3,618,049(b)	3,618,049(b)
Less: common share equivalents related to warrants being repurchased included within weighted average common shares outstanding	2,014,132(c)	2,014,132(c)
Adjusted pro forma weighted average common shares outstanding	25,408,102	25,408,132
	$ 1.23	$ 0.01

(a) Elimination of interest expense

Deferred financing amortization	$ 134	$ 145
Nomura Interest	1,440	1,213
Nomura discount amortization	225	159
TOTAL	$ 1,799	$ 1,517
Less: income tax benefit	(720)	(607)
	$ 1,079	$ 910

(b) Calculation of shares issued to acquire debt and repurchase warrants

Principal to be retired	$ 20,000	$ 20,000
Warrants to be repurchased	25,757	25,757
Plus: estimated IPO costs	1,350	1,350
	$ 47,107	$ 47,107
Estimated IPO price	$ 14.00	$ 14.00
Less: underwriters discount (7%)	(0.98)	(0.98)
Net proceeds per share	$ 13.02	$ 13.02
Shares required to be issued to pay debt and repurchase warrants	3,618,049	3,618,049

(c) Common share equivalents related to warrants being repurchased

Noteholder warrant	1,611,305
2/3 of Legg Mason warrant	402,827
	2,014,132

These common share equivalents are included in the pro forma weighted average common share equivalents as presented in the financial statements. These must be deducted for the purpose of calculating pro forma supplemental weighted average common shares outstanding so that such share amounts are not double counted

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

As independent public accountants, we hereby consent to the use of our report dated March 13, 1997 (and to all references to our Firm) included in or made a part of this Registration Statement on Form S-1.

/s/ ARTHUR ANDERSEN LLP

New York, New York

September 18, 1997