AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 23, 1999

REGISTRATION STATEMENT NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
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	31-1241495
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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915 SECAUCUS ROAD
SECAUCUS, NEW JERSEY 07094
(201) 558-2400
(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.
915 SECAUCUS ROAD
SECAUCUS, NEW JERSEY 07094
(201) 558-2400
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

STROOCK & STROOCK & LAVAN LLP	FRIED, FRANK, HARRIS, SHRIVER & JACOBSON
180 MAIDEN LANE	ONE NEW YORK PLAZA
NEW YORK, NEW YORK 10038-4982	NEW YORK, NEW YORK 10004-1980
ATTN.: JEFFREY S. LOWENTHAL, ESQ.	ATTN.: VALERIE FORD JACOB, ESQ.
(212) 806-5400	(212) 859-8000

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

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

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, other than securities offered only in connection with dividend or interest reinvestment plans, 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, please 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 SHARES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, par value $.10 per share............	3,450,000 Shares	$48.00	$165,600,000	$46,036.80

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

WE WILL AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL WE 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 SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED JULY 23, 1999

PROSPECTUS

3,000,000 SHARES

[LOGO]

COMMON STOCK

All of the shares of common stock are being sold by certain stockholders of The Children's Place Retail Stores, Inc. The common stock is quoted on the Nasdaq National Market under the symbol "PLCE." On July 21, 1999, the last sale price of the common stock as reported on the Nasdaq National Market was $47 3/4 per share.

INVESTING IN THE COMMON STOCK INVOLVES RISKS WHICH ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 10 OF THIS PROSPECTUS.

	PER SHARE	TOTAL
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters may also purchase up to an additional 450,000 shares from the selling stockholders at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of common stock will be ready for delivery in New York, New York on or about , 1999.

MERRILL LYNCH & CO. BANC OF AMERICA SECURITIES LLC

DEUTSCHE BANC ALEX. BROWN

J.P. MORGAN & CO.

THOMAS WEISEL PARTNERS LLC

The date of this prospectus is , 1999.

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FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements, which are subject to risks, uncertainties, and assumptions described under "Risk Factors," include, among other things:

- our anticipated growth strategies and plans to open additional stores,

- anticipated trends in the children's apparel business,

- future capital expenditures,

- our intention to increase our advertising expenditures, and

- our ability to continue to control costs and maintain quality.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of the risks, uncertainties, and assumptions described under "Risk Factors," the forward-looking events discussed in this prospectus might not occur.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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PROSPECTUS SUMMARY

YOU SHOULD READ THE FOLLOWING SUMMARY TOGETHER WITH THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS AND NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS WE INDICATE OTHERWISE IN THIS PROSPECTUS, REFERENCES TO THE "COMPANY," "THE CHILDREN'S PLACE," "WE," "US" OR "OUR" MEAN THE CHILDREN'S PLACE RETAIL STORES, INC. AND OUR SUBSIDIARIES. "THE CHILDREN'S PLACE," "BABY PLACE," "PLACE," "TCP," "THE PLACE" AND OUR "P" LOGO ARE AMONG OUR REGISTERED TRADEMARKS. ALL REFERENCES TO OUR FISCAL YEARS REFER TO OUR FISCAL YEARS ENDED ON THE SATURDAY NEAREST TO JANUARY 31 OF THE FOLLOWING YEAR. FOR EXAMPLE, REFERENCES TO FISCAL 1998 REFER TO OUR FISCAL YEAR ENDED JANUARY 30, 1999.

THE COMPANY

The Children's Place Retail Stores, Inc. is a growing specialty retailer of apparel and accessories for children from newborn to twelve years of age. We design, source and market our products under our proprietary "The Children's Place" brand name for sale exclusively in our stores. We endeavor to distinguish ourselves by providing our customers a high-quality, focused merchandise selection at prices that represent a substantial value relative to our competitors. Our merchandising strategy is built on offering a collection of interchangeable outfits and accessories to create a coordinated look distinctive to The Children's Place. Our stores are positioned in areas of high pedestrian traffic and are designed to be very accessible, inviting and easy-to-shop. As of July 15, 1999, we operated 254 stores in 31 states, located primarily in regional shopping malls serving a broad range of socioeconomic communities in the eastern half of the United States.

In fiscal 1996, we began to implement an aggressive store opening campaign that resulted in the opening of 47 new stores in fiscal 1997 and 54 new stores in fiscal 1998. In fiscal 1998, our new stores that were operating for their first full fiscal year generated average net sales of approximately $1.3 million and a cash-on-cash return on investment of approximately 86.1%. As a result of these factors and our five consecutive fiscal years of comparable store sales increases, we have generated a compound annual growth rate in net sales and net sales per gross square foot of approximately 27.3% and 10.2%, respectively, and have increased our operating margin from 2.2% to 12.5% from fiscal 1994 to fiscal 1998. During the first three months of fiscal 1999 we opened 30 new stores. Our net sales for the first three months of fiscal 1999 were $92.6 million, representing an increase of 65% over the first three months of fiscal 1998, and comparable store sales increased 32% during this period. Our earnings per share for the first three months of fiscal 1999 were $0.28, representing an increase of 155% over the first three months of fiscal 1998.

The children's apparel industry capitalizes on the fact that children typically require new clothes every season. This industry had total sales in 1998 of $30.1 billion and compound annual growth since 1995 of approximately 5.8%. More importantly, the specialty retail sector of the children's apparel industry has grown at a compound annual rate of approximately 14.1% since 1995 and has increased its market share. In 1998, we represented less than one percent of the children's apparel market, and we believe that we have the opportunity to significantly increase our market share.

Our operating strategy draws upon the following core strengths that we believe have contributed to our success and provide us with a competitive advantage:

MERCHANDISE STRATEGY. We seek to provide our customers:

- distinctive, high-quality clothing and accessories;

- easy-to-coordinate outfits;

- up-to-date styling and colors;

- fresh merchandise through monthly product introductions; and

- an inviting and easy-to-shop store format.

VALUE STRATEGY. We consistently offer our high-quality merchandise at value prices that are generally 20% to 30% below comparable merchandise sold by most of our specialty store competitors.

STRONG BRAND IMAGE. The consistent quality, presentation, styling and coordination of our distinctive merchandise, as well as the use of lifestyle images in our advertising and the exclusivity of The Children's Place product to our stores, further strengthen our brand image.

LOW-COST SOURCING. Our extensive sourcing relationships in the Far East and our knowledge of the material and manufacturing costs of apparel enable us to achieve significant cost savings in the manufacture of our merchandise.

EXPERIENCED MANAGEMENT. Our 14-person management team averages 20 years of apparel or retail industry experience and eight years of experience with The Children's Place. This team is led by Ezra Dabah, Stanley Silver and Clark Hinkley, each of whom has over 25 years of experience in the apparel or retail industry.

Our broad merchandise appeal and consistent value pricing result in a highly portable store concept which we believe can be operated profitably in malls, strip centers and street locations in a wide variety of geographic and demographic regions. As a result, we believe that we have the opportunity to substantially increase our store base.

To continue to grow our brand and seek to increase our sales and earnings per share, we:

- plan to open approximately 80 new stores in fiscal 1999 (of which 45 were open as of July 15, 1999) and approximately 100 new stores in fiscal 2000;

- have reformatted our merchandise presentation to consolidate our five overlapping merchandise departments into three distinct departments to both reduce duplicative stock keeping units and improve our merchandise presentation; and

- have upgraded the fixtures in our stores to enhance the perceived value of our merchandise and the easy-to-shop format of our stores.

To support this growth, during the second quarter of fiscal 1999, we have been relocating to a larger distribution center and corporate headquarters facility in Secaucus, New Jersey. We relocated our distribution center operations to the new facility in May. We are moving our corporate headquarters staff and remaining personnel shortly, and expect to complete the relocation by July 31, 1999.

THE OFFERING

Common stock offered by the selling stockholders.......	3,000,000 shares
Shares outstanding after the offering...................	25,276,770 shares
Use of proceeds.............	We will not receive any of the proceeds of the sale of our common stock offered by this prospectus.
Risk factors.................	See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of the common stock.
NASDAQ National Market symbol.....................	PLCE

The number of shares that will be outstanding after the offering excludes 1,980,556 shares of common stock issuable upon the exercise of outstanding options, of which 840,804 were exercisable as of July 15, 1999.

SUMMARY FINANCIAL AND OPERATING DATA

	FISCAL YEAR ENDED(1)					THREE MONTHS ENDED	
	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999	MAY 2, 1998	MAY 1, 1999
						(UNAUDITED)	(UNAUDITED)
STATEMENT OF OPERATIONS DATA (IN THOUSANDS, EXCEPT PER SHARE DATA):							
Net sales	$ 107,953	$ 122,060	$ 143,838	$ 192,557	$ 283,853	$ 55,999	$ 92,621
Gross profit	33,724	38,626	53,767	69,001	117,404	21,915	39,323
Operating income	2,329	4,062	12,802	14,465	35,454	4,682	12,232
Income before income taxes and extraordinary item	1,026	1,690	9,522	11,679	35,020	4,623	12,377
Provision (benefit) for income taxes(2)	54	36	(20,919)	4,695	14,358	1,881	4,994
Income before extraordinary item	972	1,654	30,441	6,984	20,662	2,742	7,383
Extraordinary gain (loss)(3)	490	0	0	(1,743)	0	0	0
Net income	$ 1,462	$ 1,654	$ 30,441	$ 5,241	$ 20,662	$ 2,742	$ 7,383
Diluted income per common share before extraordinary item				$ 0.29	$ 0.80	$ 0.11	$ 0.28
Extraordinary item				(0.07)	0.00	0.00	0.00
Diluted net income per common share				$ 0.22	$ 0.80	$ 0.11	$ 0.28
Diluted weighted average common shares outstanding(4)				24,358	25,909	25,605	26,620
SELECTED OPERATING DATA:							
Number of stores open at end of period	87	91	108	155	209	178	239
Comparable store sales increase(5)(6)	13%	10%	9%	2%	14%	7%	32%
Average net sales per store (in thousands)(6)(7)	$ 1,264	$ 1,362	$ 1,479	$ 1,487	$ 1,569	$ 343	$ 415
Average square footage per store(8)	4,786	4,528	4,284	4,123	4,055	4,089	4,077
Average net sales per gross square foot(6)(9)	$ 259	$ 292	$ 335	$ 350	$ 382	$ 83	$ 103

	MAY 1, 1999
	(UNAUDITED)
BALANCE SHEET DATA (IN THOUSANDS):	
Working capital	$ 29,087
Total assets	132,546
Long-term debt	0
Stockholders' equity	88,803

(FOOTNOTES ON FOLLOWING PAGE)

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(1) All references to our 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 1998 mean the fiscal year ended January 30, 1999. 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.

(3) The extraordinary gain during fiscal 1994 represented the forgiveness of debt in connection with a debt restructuring undertaken with the consent of our creditors. The extraordinary loss in fiscal 1997 represented the write-off of unamortized deferred financing costs and unamortized debt discount as a result of the repayment of long-term debt in conjunction with our initial public offering in September 1997.

(4) The weighted average common shares outstanding used in computing diluted income per common share before extraordinary item and diluted net income per common share for fiscal 1997 are based on the number of common shares and common share equivalents outstanding as if our recapitalization at the time of our initial public offering had occurred on the first day of fiscal 1997. During and prior to the fiscal year ended February 1, 1997, our Common Stock was not publicly traded and in light of the significant changes in our capital structure resulting from a private placement of our Common Stock in July 1996 (as discussed in Note 3--1996 Private Placement in the Notes to the Consolidated Financial Statements), earnings per share for that year and earlier periods is not presented due to a lack of comparability.

(5) We define 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.

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

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

(8) 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.

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

Our principal executive offices were recently relocated to 915 Secaucus Road, Secaucus, New Jersey 07094. Our telephone number at that location is (201) 558-2400.

RISK FACTORS

AN INVESTMENT IN OUR COMMON STOCK (THE "COMMON STOCK") OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS AND CAUTIONARY STATEMENTS, AS WELL AS THE OTHER INFORMATION SET FORTH IN OR INCORPORATED BY REFERENCE INTO THIS PROSPECTUS, BEFORE MAKING AN INVESTMENT IN THE COMMON STOCK OFFERED IN THIS PROSPECTUS.

CERTAIN MATTERS DISCUSSED UNDER THE CAPTIONS "RISK FACTORS," "BUSINESS" AND "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND ELSEWHERE IN THIS PROSPECTUS OR IN THE INFORMATION INCORPORATED BY REFERENCE INTO THIS PROSPECTUS CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"). SOME OF THE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING WORDS SUCH AS "BELIEVES," "EXPECTS," "MAY," "COULD," "WILL," "SHOULD," "SEEKS," "APPROXIMATELY," "INTENDS," "PLANS," "ESTIMATES" OR "ANTICIPATES," OR THE NEGATIVE OF THOSE WORDS OR OTHER COMPARABLE TERMINOLOGY. THE DISCUSSION OF FINANCIAL TRENDS, STRATEGY, PLANS OR INTENTIONS MAY ALSO INCLUDE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES AND OTHER FACTORS THAT COULD CAUSE ACTUAL RESULTS TO BE VERY DIFFERENT FROM THOSE PROJECTED.

RISK OF INABILITY TO SUSTAIN AGGRESSIVE GROWTH STRATEGY

Our net sales have grown significantly during the past several years, primarily as a result of the opening of new stores and, to a lesser extent, due to increases in our comparable store sales. We intend to continue to pursue an aggressive growth strategy for the foreseeable future, and our future operating results will depend largely upon our ability to open and operate new stores successfully and to manage a larger business profitably. We anticipate opening approximately 80 new stores during fiscal 1999 (of which 45 were open as of July 15, 1999) and approximately 100 new stores during fiscal 2000.

We are subject to a variety of business risks generally associated with rapidly growing companies. Our ability to open and operate new stores successfully depends on many factors, including, among others, the availability of suitable store locations, the ability to negotiate acceptable lease terms, the ability to timely complete necessary construction, the ability to successfully integrate new stores into our existing operations, the ability to hire and train store personnel and the ability to recognize and respond to regional differences in customer preferences (such as climate-related preferences).

We cannot assure you that we will be able to continue to achieve our planned expansion on a timely and profitable basis or that we will be able to achieve results similar to those achieved in existing locations in prior periods. In addition, as our business grows, we anticipate that we will not be able to sustain the current annual growth rate of our store base of approximately 30%. Operating margins may also be adversely affected during periods in which we have incurred expenses in anticipation of new store openings. Furthermore, we need to continually evaluate the adequacy of our store management and our management information and distribution systems to manage our planned expansion. Any failure to successfully and profitably execute our expansion plans could have a material adverse effect on our business.

We will incur capital expenditures of approximately $55 million and $50 million in fiscal 1999 and 2000, respectively. We believe that cash generated from operations and funds available under our working capital revolving credit facility will be sufficient to fund our capital and other cash flow requirements for at least the next 12 months. We recently amended our existing working capital revolving credit facility in fiscal 1999 to provide greater financial flexibility. However, we expect that as we continue to grow we will be required to seek additional funds for our capital and other cash flow needs, and we cannot assure you that we will be able to obtain such funds.

POTENTIAL DISRUPTIONS IN RECEIVING AND DISTRIBUTION INCLUDING RELOCATION OF DISTRIBUTION FACILITY

During the second quarter of fiscal 1999, we have been relocating to a larger distribution center and corporate headquarters facility in Secaucus, New Jersey. We relocated our distribution center operations in May and have continued to distribute merchandise manually from the new facility in the same manner as we did at our old facility. We have also installed and tested a new automated warehouse management system in the new facility. Based upon the satisfactory testing of this system to date, we expect the system to be operational on or about July 31, 1999. However, it is possible that delays, cost overruns or other complications in the relocation to the new distribution center or in the implementation of the new warehouse management system could result in a significant interruption in the receipt and distribution of our merchandise. Any such disruption could have a material adverse effect on our business.

Our merchandise is shipped through freight consolidators or directly from manufacturers to our distribution center in Secaucus, New Jersey. Our operating results depend in large part on the orderly operation of our receiving and distribution process, which depends on manufacturers' adherence to shipping schedules and our effective management of our distribution facility. In addition, we cannot assure you that we have anticipated, or will be able to anticipate, all of the changing demands which our expanding operations will impose on our receiving and distribution system. Furthermore, it is possible that events beyond our control, such as a strike or other disruption affecting the parcel service that delivers substantially all of our merchandise to our stores, could result in delays in delivery of merchandise to our stores. Any such event could have a material adverse effect on our business.

NEED TO ANTICIPATE AND RESPOND TO MERCHANDISE TRENDS

Our continued success will depend in part on our ability to anticipate and respond to fashion trends and consumer preferences. Our design, manufacturing and distribution process generally takes up to nine months, during which time fashion trends and consumer preferences may change. If we fail in any way to anticipate, identify or respond to future fashion trends, such a failure may adversely affect customer acceptance of our products or require substantial markdowns, which could have a material adverse effect on our business. In addition, certain public school districts in various markets in which we have stores are increasingly requiring that their grade school students wear uniforms, which may have a material adverse effect on our business.

RELIANCE ON INFORMATION SYSTEMS

We rely on various information systems to manage our operations and regularly make investments to upgrade, enhance or replace such systems. In connection with our relocation, we have installed and tested a new automated warehouse management system. Based upon the satisfactory testing of this system to date, we expect the system to be operational on or about July 31, 1999. We also recently relocated our computer center to the new facility. We intend to replace our current point-of-sale ("POS") software and hardware with an upgraded system during fiscal 1999. We recently implemented this upgraded system in several stores and plan to install it in the remainder of our stores during fiscal 1999. Any delays or difficulties in transitioning to these or other new systems, or in integrating these systems with our current systems, or any other disruptions affecting our information systems, could have a material adverse effect on our business.

UNCERTAINTY OF SUCCESS OF NEW MERCHANDISE PRESENTATION

In July 1999, we implemented a new merchandise presentation strategy, through which we consolidated separate departments for older and younger boys and girls into one boys and one girls department, and expanded our newborn department. We also recently upgraded the display fixtures in approximately two-thirds of our existing stores and installed these fixtures in our new stores. We believe these initiatives should simplify, facilitate and enhance the shopping experience of our customers by eliminating duplicative merchandise displays and creating more space within our stores. However, these changes are recent, and therefore we cannot predict the impact they will have on customers familiar with our former layout and departmental structure. The failure of our new merchandise presentation initiatives could have a material adverse effect on our business.

DEPENDENCE ON UNAFFILIATED MANUFACTURERS AND INDEPENDENT AGENTS

We do not own or operate any manufacturing facilities and therefore are dependent upon independent third parties for the manufacture of all of our products. Our products are currently manufactured to our specifications, pursuant to purchase orders, by more than 60 independent manufacturers located primarily in Asia. We have no exclusive or long-term contracts with our manufacturers and compete with other companies for manufacturing facilities. In addition, we have no formal written agreement with the Hong Kong-based trading company through which we purchase approximately 35% of our products. We also purchase approximately 30% of our products from a single agent in Taiwan, which has an exclusive arrangement with us. Although we believe that we have established close relationships with our 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 our business.

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

Our business is subject to the risks generally associated with purchasing from foreign countries. Some of these risks are foreign governmental regulations, political instability, 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 our manufacturing sources are located. We cannot predict the effect that such factors will have on our business arrangements with foreign manufacturing sources. If any of these factors rendered the conduct of business in a particular country undesirable or impractical, or if our current foreign manufacturing sources ceased doing business with us for any reason, our business could be materially adversely affected. Our business is also subject to the risks associated with changes in U.S. legislation and regulations relating to imported apparel products, including quotas, duties, taxes and other charges or restrictions on imported apparel. We cannot predict whether such changes or other charges or restrictions will be imposed upon the importation of our products in the future, or the effect any such event would have on our business. However, if China were to lose its Most Favored Nation trading status with the United States, that event could have a material adverse effect on our business.

We require our independent manufacturers to operate in compliance with applicable laws and regulations and our internal requirements. While our purchasing guidelines promote ethical business practices, we do not control these manufacturers or their labor practices. The violation of labor or other laws by one of the independent manufacturers we use 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 our business.

EFFECT OF FLUCTUATIONS IN QUARTERLY RESULTS AND SEASONALITY ON INCOME

As is the case with many apparel retailers, we experience seasonal fluctuations in our net sales and net income. Our net sales and net income are generally weakest during the first two fiscal quarters, and are lower during the second fiscal quarter than during the first fiscal quarter. For example, in fiscal 1998, 21.8%, 17.7%, 28.6% and 31.9% of our net sales for stores open for the full fiscal year occurred in the first, second, third and fourth quarters, respectively. We have experienced first and second quarter losses in the past, and we may experience losses in certain quarters in the future. Our first quarter results are heavily dependent upon sales during the period leading up to the Easter holiday and weak sales during this period could have a material adverse effect on our operating results. Our third quarter results are heavily dependent upon back-to-school sales and our fourth quarter results are heavily dependent upon sales during the holiday season. Weak sales during either of these periods could have a material adverse effect on our operating results.

Our 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 costs, net sales contributed by new stores, increases or decreases in comparable store sales, weather conditions, shifts in timing of certain holidays, changes in our merchandise mix and overall economic conditions. Any failure by us to meet our business plans for, in particular, the third and fourth quarter of any fiscal year would have a material adverse effect on our earnings, which in all likelihood would not be offset by satisfactory results achieved in other quarters of the same fiscal year. In addition, because our expense levels are based in part on expectations of future sales levels, a shortfall in expected sales could result in a disproportionate decrease in our net income.

CHANGES IN COMPARABLE STORE SALES RESULTS FROM PERIOD TO PERIOD

Numerous factors affect our comparable store sales results including, among others, weather conditions, fashion trends, merchandise assortment, the retail sales environment, economic conditions and our success in executing our business strategy. Our quarterly comparable store sales results have fluctuated significantly in the past and we anticipate that our quarterly comparable store sales will continue to fluctuate in the future. In addition, we do not expect our comparable store sales to continue to increase at rates similar to those recently experienced. Moreover, comparable store sales for any particular period may decrease in the future. Comparable store sales results are often followed closely by the investment community and significant fluctuations in such results may affect the price of our Common Stock. Any such variations in our comparable store sales results could have a material adverse effect on our business and on the market price of our Common Stock.

FOREIGN CURRENCY FLUCTUATIONS

We conduct our business in U.S. dollars. However, because we purchase substantially all of our products overseas, the cost of these products may be affected by changes in the values of the relevant currencies. To date, we have not considered it necessary to hedge against foreign currency fluctuations. Although foreign currency fluctuations have had no material adverse effect on our business in the past, we cannot predict whether such fluctuations will have such an effect in the future.

DEPENDENCE ON KEY PERSONNEL

The leadership of Ezra Dabah, our Chief Executive Officer and Chairman of the Board, Stanley Silver, our President and Chief Operating Officer, and Clark Hinkley, our Executive Vice President, Merchandising, has been instrumental in our success. The loss of the services of Mr. Dabah, Mr. Silver or Mr. Hinkley could have a material adverse effect on our business. We have entered into employment agreements with Messrs. Dabah, Silver and Hinkley, but we cannot assure you that we will be able to retain their services. In addition, other members of management have substantial experience and expertise in our 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 we grow, could have a material adverse effect on our business. We are not protected by any key-man or similar life insurance for any of our executive officers.

COMPETITION

The children's apparel retail business is highly competitive. We compete in substantially all of our 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., Kmart Corporation, Target (a division of Dayton Hudson Corporation) and Kids "R" Us (a division of Toys "R" Us, Inc.). We also compete with a wide variety of specialty stores, other national and regional retail chains, catalog companies and Internet retailers. One or more of our competitors are present in substantially all of the malls in which we have stores. Many of our competitors are larger than The Children's Place and have access to significantly greater financial, marketing and other resources than we have. We cannot assure you that we will be able to compete successfully against existing or future competition.

UNCERTAINTY OF NET OPERATING LOSS CARRYFORWARDS

We utilized $11.6 million, $8.1 million and $39.9 million of our net operating loss carryforwards ("NOLs") to offset taxable income that we earned in our 1996, 1997 and 1998 taxable years, respectively, leaving NOLs of approximately $0.1 million which we utilized in our 1999 taxable year. As the amount and availability of these NOLs are subject to review by the Internal Revenue Service, we cannot assure you that the NOLs will not be reduced as the result of an audit of our tax returns. If the amount of these NOLs were reduced or their availability limited, we could be liable for additional taxes with respect to our 1996 through 1998 taxable years. Any such reduction or restriction could have a material adverse effect on our business.

CONTROL BY CERTAIN STOCKHOLDERS

As of July 15, 1999, Ezra Dabah and certain members of his family beneficially own 8,808,494 shares of our Common Stock, constituting approximately 34.7% 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"), own 6,704,053 shares or approximately 26.6% of the outstanding Common Stock. After giving effect to this offering, Ezra Dabah and certain members of his family will beneficially own 7,908,494 shares of our Common Stock, constituting approximately 31.2% of the outstanding Common Stock (7,773,494 shares or approximately 30.6% of the outstanding Common Stock if the underwriters' over-allotment option is fully exercised), and the SK Funds will beneficially own 4,704,053 shares or approximately 18.6% of the outstanding Common Stock (4,404,053 shares or approximately 17.4% of the outstanding Common Stock if the underwriters' over-allotment option is fully exercised). Under a stockholders agreement, Ezra Dabah, the SK Funds and certain other stockholders, who following this offering will continue to own in the aggregate approximately 50.7% of the outstanding Common Stock, have agreed to vote for the election of two nominees of the SK Funds and three nominees of Ezra Dabah to our Board of Directors in any election of directors. As a result, the SK Funds and Ezra Dabah are, and will continue to be, able to control the election of our directors. In addition, if the SK Funds and Mr. Dabah were to vote together, they would be able to substantially determine the outcome of any matter submitted to a vote of our stockholders for approval.

SENSITIVITY TO ECONOMIC, REGIONAL AND OTHER BUSINESS CONDITIONS

Our 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. We are, and will continue to be, susceptible to changes in regional economic conditions, weather conditions, demographic and population characteristics, consumer preferences and other regional factors. We are 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 our 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 our business.

RISK OF GEOGRAPHIC EXPANSION

Most of our stores are located in the northeastern and mid-Atlantic United States. In the past, we have typically expanded our operations in states where we presently have operations or in contiguous states. In fiscal 1999 and fiscal 2000, in addition to continuing this expansion strategy, we expect to open stores in new markets and in markets that we have recently penetrated. As a result, we are, and will continue to be, susceptible to differences in demographic and population characteristics, regional economic conditions, climate and other weather-related conditions, consumer preferences and other geographical factors. We cannot assure you that, as we expand into new regions, including the west coast, we will be able to achieve results comparable to those we have achieved in prior periods in regions where we already conduct business.

POSSIBILITY OF CHANGE OF TERMS IN PRIVATE LABEL CREDIT CARD

Sales under "The Children's Place" credit card program represented approximately 12% of our net sales in fiscal 1998. Our private label credit card program is operated by an unaffiliated third party, Hurley State Bank, through its agent, SPS Payment Services, Inc., on terms that currently do not provide for recourse against The Children's Place. In connection with our efforts to increase the number of cardholders and encourage use of our private label credit card, we may, from time to time, consider changing these arrangements to provide for either full or partial recourse. Any such changes may subject us to losses from unpaid charges and could have a material adverse effect on our business.

FAILURE OF OUR SYSTEMS TO RECOGNIZE YEAR 2000

The Year 2000 issue exists because many computer applications currently use two-digit date fields to designate a year. As the century date occurs, date sensitive systems may not properly recognize and process the Year 2000 which could cause a system failure or other computer errors leading to disruptions in normal business processing. Although we are taking prudent business precautions and developing contingency plans to minimize any business disruption caused by the Year 2000, we cannot predict whether we will be adversely impacted by a failure caused by the Year 2000. These risks include, but are not limited to, power and communications disruptions, failures of our information technology systems, the ability of any of our significant domestic or foreign suppliers, service providers, agents or trading companies to become Year 2000 compliant and disruptions in the distribution channels including both domestic and foreign ports, customs and transportation vendors.

STOCK PRICE VOLATILITY

Our Common Stock, which is quoted on 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 our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results, our comparable store sales results, announcements by other apparel retailers, the overall economy and the condition of the financial markets could cause the price of our Common Stock to fluctuate substantially.

ANTI-TAKEOVER PROVISIONS OF APPLICABLE DELAWARE LAW AND OUR CERTIFICATE OF INCORPORATION AND BYLAWS

Certain provisions of our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated ByLaws (the "ByLaws") may 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, (1) classify our Board of Directors into three classes, each of which will serve for different three year periods, (2) provide that only the Chairman of the Board of Directors may call special meetings of the stockholders, (3) 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, (4) provide that all vacancies on our 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, (5) establish certain advance notice procedures for nominations of candidates for election as directors and for stockholder proposals to be considered at stockholders' meetings, and (6) 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, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, as amended (the "DGCL"), which would require a two-thirds vote of stockholders for any business combination (such as a merger or sales of all or substantially all of our assets) between The Children's Place 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 our Common Stock.

POTENTIAL IMPACT OF SHARES ELIGIBLE FOR FUTURE SALE ON STOCK PRICE

Sales of substantial amounts of our Common Stock in the public market following this offering could adversely affect the market price of our Common Stock. Immediately following this offering, an aggregate of 9,933,684 shares of our currently outstanding Common Stock (10,383,684 shares if the underwriters' over-allotment option is fully exercised) will be freely tradable without restriction or registration under the Securities Act, except to the extent held by our affiliates. An additional 15,343,086 restricted shares (14,893,086 shares if the underwriters' over-allotment option is fully exercised) will be eligible for sale subject to compliance with volume and other limitations under Rule 144 of the Securities Act. As of July 15, 1998, an additional 840,804 shares are subject to issue upon the exercise of vested stock options previously granted by us, all of which would be freely tradable if issued subject to compliance with Rule 144 in the case of our affiliates.

USE OF PROCEEDS

All net proceeds from the sale of the shares of our Common Stock will go to the selling stockholders. Accordingly, we will not receive any of the proceeds from the sale of the shares of our Common Stock offered by this prospectus.

PRICE RANGE OF COMMON STOCK

Our Common Stock is listed on the Nasdaq National Market under the symbol "PLCE." The following table sets forth the range of high and low closing sales prices on the Nasdaq National Market of our Common Stock for the calendar periods indicated.

	HIGH	LOW
1997		
Third Quarter (from September 19, 1997)	$ 15.75	$ 14.13
Fourth Quarter	14.25	4.44
1998		
First Quarter	9.06	5.06
Second Quarter	11.38	8.13
Third Quarter	11.00	8.06
Fourth Quarter	25.13	9.13
1999		
First Quarter	33.25	23.56
Second Quarter	48.63	27.38
Third Quarter (through July 21, 1999)	52.56	39.25

On July 21, 1999, the last reported sale price of our Common Stock was $47.75 per share.

DIVIDEND POLICY

We have never paid dividends on our Common Stock and do not anticipate paying dividends on our Common Stock in the foreseeable future. Our Board of Directors presently intends to retain any future earnings of The Children's Place to finance our operations and the expansion of our business. Our working capital revolving credit facility prohibits any payment of dividends. Any determination in the future to pay dividends will depend upon our earnings, financial condition, cash requirements, future prospects, covenants in our working capital revolving credit facility and any future debt instruments and such other factors as the Board of Directors deems appropriate at the time.

SELECTED FINANCIAL AND OPERATING DATA

The following table sets forth certain historical financial and operating data for The Children's Place. The selected historical financial data is qualified by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the financial statements and notes thereto included elsewhere in this prospectus. Certain prior fiscal year balances set forth below have been reclassified to conform to fiscal 1998 presentation. The historical information for the three months ended May 2, 1998 and May 1, 1999, and at May 2, 1998 and May 1, 1999, has been derived from our unaudited financial statements and reflects, in our opinion, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position as of, and the results for, such interim periods.

	FISCAL YEAR ENDED(1)					THREE MONTHS ENDED	
	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999	MAY 2, 1998	MAY 1, 1999
						(UNAUDITED)	(UNAUDITED)
STATEMENT OF OPERATIONS DATA (IN THOUSANDS, EXCEPT PER SHARE DATA):							
Net sales	$ 107,953	$ 122,060	$ 143,838	$ 192,557	$ 283,853	$ 55,999	$ 92,621
Cost of sales	74,229	83,434	90,071	123,556	166,449	34,084	53,298
Gross profit	33,724	38,626	53,767	69,001	117,404	21,915	39,323
Selling, general and administrative expenses	27,873	30,757	35,966	46,451	70,313	14,460	22,594
Pre-opening costs	178	311	982	2,127	3,030	1,110	1,201
Depreciation and amortization	3,344	3,496	4,017	5,958	8,607	1,663	3,296
Operating income	2,329	4,062	12,802	14,465	35,454	4,682	12,232
Interest expense (income), net	1,303	1,925	2,884	2,647	324	59	(150)
Other expense, net	0	447	396	139	110	0	5
Income before income taxes and extraordinary item	1,026	1,690	9,522	11,679	35,020	4,623	12,377
Provision (benefit) for income taxes(2)	54	36	(20,919)	4,695	14,358	1,881	4,994
Income before extraordinary item	972	1,654	30,441	6,984	20,662	2,742	7,383
Extraordinary gain (loss)(3)	490	0	0	(1,743)	0	0	0
Net income	$ 1,462	$ 1,654	$ 30,441	$ 5,241	$ 20,662	$ 2,742	$ 7,383
Diluted income per common share before extraordinary item				$ 0.29	$ 0.80	$ 0.11	$ 0.28
Extraordinary item				(0.07)	0.00	0.00	0.00
Diluted net income per common share				$ 0.22	$ 0.80	$ 0.11	$ 0.28
Diluted weighted average common shares outstanding(4)				24,358	25,909	25,605	26,620
SELECTED OPERATING DATA:							
Number of stores open at end of period	87	91	108	155	209	178	239
Comparable store sales increase(5)(6)	13%	10%	9%	2%	14%	7%	32%
Average net sales per store (in thousands)(6)(7)	$ 1,264	$ 1,362	$ 1,479	$ 1,487	$ 1,569	$ 343	$ 415
Average square footage per store(8)	4,786	4,528	4,284	4,123	4,055	4,089	4,077
Average net sales per gross square foot(6)(9)	$ 259	$ 292	$ 335	$ 350	$ 382	$ 83	$ 103

	JANUARY 28, 1995	FEBRUARY 3, 1996	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999	MAY 2, 1998	MAY 1, 1999
						(UNAUDITED)	(UNAUDITED)
BALANCE SHEET DATA (IN THOUSANDS):							
Working capital (deficit)........	$ (10,398)	$ (17,630)	$ 11,951	$ 20,238	$ 35,531	$ 21,676	$ 29,087
Total assets.....................	26,556	32,073	64,479	79,353	110,761	83,022	132,546
Long-term debt...................	21,626	15,735	20,504	26	2	2	0
Stockholders' equity (deficit)...	(13,388)	(11,735)	27,298	58,467	80,607	61,461	88,803

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(1) All references to our 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 1998 mean the fiscal year ended January 30, 1999. 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.

(3) The extraordinary gain during fiscal 1994 represented the forgiveness of debt in connection with a debt restructuring undertaken with the consent of our creditors. The extraordinary loss in fiscal 1997 represented the write-off of unamortized deferred financing costs and unamortized debt discount as a result of the repayment of long-term debt in conjunction with our initial public offering in September 1997.

(4) The weighted average common shares outstanding used in computing diluted income per common share before extraordinary item and diluted net income per common share for fiscal 1997 are based on the number of common shares and common share equivalents outstanding as if our recapitalization at the time of our initial public offering had occurred on the first day of fiscal 1997. During and prior to the fiscal year ended February 1, 1997, our Common Stock was not publicly traded and in light of the significant changes in our capital structure resulting from a private placement of our Common Stock in July 1996 (as discussed in Note 3--1996 Private Placement in the Notes to the Consolidated Financial Statements), earnings per share for that year and earlier periods is not presented due to a lack of comparability.

(5) We define 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.

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

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

(8) 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.

(9) 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

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH OUR AUDITED FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED ELSEWHERE IN THIS PROSPECTUS. THE FOLLOWING DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT REFLECT OUR PLANS, ESTIMATES AND BELIEFS. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE DISCUSSED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED BELOW AND ELSEWHERE IN THIS PROSPECTUS, PARTICULARLY IN "RISK FACTORS."

OVERVIEW

The Children's Place Retail Stores, Inc. is a specialty retailer of apparel and accessories for children from newborn to twelve years of age. As of July 15, 1999, we operated 254 stores in 31 states, located primarily in regional shopping malls in the eastern half of the United States, with 20 of these stores in operation west of the Mississippi River. In fiscal 1996, we began to implement an aggressive growth strategy designed to capitalize on our business strengths and strong store economics. From July 1, 1996 through the end of fiscal 1996, we opened 16 stores and closed one store, growing to 108 stores. During fiscal 1997 and fiscal 1998, we opened 47 and 54 new stores, respectively. The majority of these stores were opened in existing and contiguous markets. In fiscal 1998, we also entered into several new markets, including Atlanta, St. Louis and Kansas City.

We intend to continue our expansion program and currently plan to open approximately 80 stores in fiscal 1999 (of which 45 were open as of July 15, 1999) and approximately 100 stores in fiscal 2000. Our store expansion program will continue to focus on expanding our presence in existing and contiguous markets. We opened stores in several new markets -- Colorado, Utah and northern Florida -- in fiscal 1999, and we plan to enter the northern California, Washington, Oregon, southern Florida, Louisiana and Texas markets in fiscal 2000.

Our net sales have grown significantly during the past several years, primarily as a result of new store openings and, to a lesser extent, increases in comparable store sales. We define our 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. We reported comparable store sales growth over prior years of 13%, 10%, 9%, 2% and 14% during fiscal 1994, 1995, 1996, 1997 and 1998, respectively, and 32% for the first three months of fiscal 1999. We believe that these increases were primarily the result of successful merchandising and operational programs, together with well-positioned store real estate. We do not expect our comparable store sales to continue to increase at rates similar to those recently experienced.

In order to support our aggressive growth strategy, we continue to assess and build our administrative infrastructure and our management information and distribution systems. During fiscal 1998, we added resources in virtually all of our administrative functions to support our present and planned store growth. During the second quarter of fiscal 1999, we have been relocating to a larger distribution center and corporate headquarters facility in Secaucus, New Jersey. We relocated our distribution center operations in May and have continued to distribute merchandise manually from the new facility in the same manner as we did at our old facility. We have also installed and tested a new automated warehouse management system in the new facility. Based upon the satisfactory testing of this system to date, we expect the system to be operational on or about July 31, 1999. We are moving our corporate headquarters staff and remaining personnel shortly, and expect to complete the relocation by July 31, 1999. This relocation will support our need for additional space for our distribution center and administrative staff, and we believe the facility will support approximately 500 stores. In addition, during fiscal 1999, we plan to replace our POS software and hardware with an updated system. We recently implemented this upgraded POS system in several stores and plan to install it in the remainder of our stores during fiscal 1999.

In July 1999, we implemented a new merchandise presentation strategy, and we recently upgraded the display fixtures and other elements of our store design in approximately two-thirds of our existing stores, in order to simplify, facilitate and enhance the shopping experience of our customers. During fiscal 1998 and the first three months of fiscal 1999, we accelerated depreciation expense by approximately $0.8 million and $0.8 million, respectively, for store fixtures that were eliminated in connection with the refixturing. We expect to accelerate depreciation expense by a total of approximately $1.2 million during fiscal 1999 to complete this program. During the first quarter of fiscal 1999, we opened, through a wholly-owned Hong Kong subsidiary, an office in Hong Kong, which currently employs approximately ten people, and for which we initially expect to incur an annual cost of approximately $1.5 million.

In the first quarter of fiscal 1999, we tested the use of television advertising to increase consumer awareness of "The Children's Place" brand. We intend to use television and other forms of advertising beginning in fiscal 2000. We also view the use of our private label credit card as an important marketing and communication tool. Our private label card sales accounted for approximately 12% of our fiscal 1998 net sales.

RESULTS OF OPERATIONS

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

	FISCAL YEAR ENDED			THREE MONTHS ENDED	
	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999	MAY 2, 1998	MAY 1, 1999
				(UNAUDITED)	(UNAUDITED)
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	62.6	64.2	58.6	60.9	57.5
Gross profit	37.4	35.8	41.4	39.1	42.5
Selling, general and administrative expenses	25.0	24.1	24.8	25.8	24.4
Pre-opening costs	0.7	1.1	1.1	2.0	1.3
Depreciation and amortization	2.8	3.1	3.0	3.0	3.6
Operating income	8.9	7.5	12.5	8.3	13.2
Interest expense (income), net	2.0	1.4	0.1	0.1	(0.2)
Other expense, net	0.3	0.1	0.1	--	--
Income before income taxes and extraordinary item	6.6	6.0	12.3	8.2	13.4
Provision (benefit) for income taxes	(14.5)	2.4	5.0	3.3	5.4
Extraordinary loss	--	0.9	--	--	--
Net income	21.1%	2.7%	7.3%	4.9%	8.0%
Number of stores, end of period	108	155	209	178	239

THREE MONTHS ENDED MAY 1, 1999 COMPARED TO THREE MONTHS ENDED MAY 2, 1998

Net sales increased by $36.6 million, or 65%, to $92.6 million during the first three months of fiscal 1999 from $56.0 million during the first three months of fiscal 1998. Net sales for the 30 new stores opened during the first three months of fiscal 1999, as well as the other stores that did not qualify as comparable stores, contributed $20.7 million of the net sales increase. During the first three months of fiscal 1999, we continued our expansion strategy of opening the majority of new stores in clusters within existing and contiguous markets. As of May 1, 1999, we operated 239 stores in 28 states, primarily located in regional shopping malls in the eastern half of the United States, with 17 of these stores in operation west of the Mississippi River. During the first three months of fiscal 1999, we entered several new markets including Colorado and northern Florida.

Our comparable store sales increased 32% and contributed $15.9 million of our net sales increase during the first three months of fiscal 1999. Comparable store sales increased 7% during the first three months of fiscal 1998. The comparable store sales increase during the first three months of fiscal 1999 was experienced across all merchandise divisions.

Gross profit increased by $17.4 million to $39.3 million during the first three months of fiscal 1999 from $21.9 million during the first three months of fiscal 1998. As a percentage of net sales, gross profit increased to 42.5% during the first three months of fiscal 1999, from 39.1% during the first three months of fiscal 1998. The increase in gross profit, as a percentage of net sales, was principally due to higher initial markups achieved through effective product sourcing and the continued strength of the dollar, and the leveraging of store occupancy costs over a higher sales base, partially offset by higher markdowns. During the first three months of fiscal 1999, our higher markdowns were attributable to several planned promotions which we did not have in the prior year.

Selling, general and administrative expenses increased $8.1 million to $22.6 million during the first three months of fiscal 1999 from $14.5 million during the first three months of fiscal 1998. Selling, general and administrative expenses were 24.4% of net sales during the first three months of fiscal 1999 as compared with 25.8% during the first three months of fiscal 1998. The decrease as a percentage of net sales was primarily due to the leveraging of store and administrative expenses over a higher sales base, partially offset by increased advertising and marketing costs associated with The Children's Place brand development. During the first three months of fiscal 1999, we spent approximately $1.7 million, or 1.8% of net sales, on these programs.

During the first three months of fiscal 1999, pre-opening costs were $1.2 million, or 1.3% of net sales, as compared to $1.1 million, or 2.0% of net sales, during the first three months of fiscal 1998. The decrease in pre-opening costs, as a percentage of net sales, during the first three months of fiscal 1999 reflected the leverage of such costs over a higher sales base. We opened 30 stores and 23 stores during the first three months of fiscal 1999 and the first three months of fiscal 1998, respectively.

Depreciation and amortization amounted to $3.3 million, or 3.6% of net sales, during the first three months of fiscal 1999, as compared to $1.7 million, or 3.0% of net sales, during the first three months of fiscal 1998. The increase in depreciation and amortization primarily was a result of accelerated depreciation taken in conjunction with store re-fixturings and renovations, as well as the increase in our store base. During the first three months of fiscal 1999, we accelerated depreciation expense by $1.4 million, or 1.5% of net sales, in conjunction with these programs. These increases as a percentage of net sales were partially offset by the leveraging of depreciation and amortization expense over a higher sales base.

Due to our net cash investment position, we recorded net interest income of $0.2 million, or 0.2% of net sales, during the first three months of fiscal 1999. During the first three months of fiscal 1998, we recorded net interest expense of $0.1 million, or 0.1% of net sales, due to borrowings under our working capital revolving credit facility.

Our provision for income taxes for the first three months of fiscal 1999 was $5.0 million, as compared to $1.9 million during the first three months of fiscal 1998. The increase in our provision for income taxes during the first three months of fiscal 1999 is due to our increased operational earnings. During the first three months of fiscal 1999, we utilized our remaining $0.1 million in NOLs and expect to pay the majority of our tax provision in cash. During the first three months of fiscal 1998, the majority of our tax provision was not paid in cash due to utilization of our NOLs.

We recorded net income of $7.4 million and $2.7 million during the first three months of fiscal 1999 and the first three months of fiscal 1998, respectively.

YEAR ENDED JANUARY 30, 1999 COMPARED TO YEAR ENDED JANUARY 31, 1998

Net sales increased by $91.3 million, or 47%, to $283.9 million during fiscal 1998 from $192.6 million during fiscal 1997. Net sales for the 54 new stores opened, as well as other stores that did not qualify as comparable stores, contributed $67.1 million of the sales increase. As of January 30, 1999, The Children's Place operated 209 stores in 26 states primarily located in regional shopping malls in the eastern half of the United States. During fiscal 1998, we entered several new markets, including Atlanta, St. Louis and Kansas City. Our comparable store sales increased 14% and contributed $24.2 million to the net sales increase during fiscal 1998. Comparable store sales increased 2% during fiscal 1997. Our fiscal 1998 comparable store sales increase was experienced across all major merchandise departments.

Gross profit increased by $48.4 million to $117.4 million during fiscal 1998 from $69.0 million during fiscal 1997. As a percentage of net sales, gross profit increased to 41.4% during fiscal 1998 from 35.8% during fiscal 1997. The increase in gross profit as a percentage of net sales was principally due to higher initial markups achieved through more effective product sourcing and a stronger dollar, as well as to lower markdowns. As a percentage of net sales, gross profit was also favorably impacted by a leveraging of store occupancy, buying and distribution expenses over a higher sales base.

Selling, general and administrative expenses increased $23.8 million to $70.3 million during fiscal 1998 from $46.5 million during fiscal 1997. As a percentage of net sales, selling, general and administrative expenses increased to 24.8% of net sales during fiscal 1998 from 24.1% of net sales during fiscal 1997. The increase was primarily due to increases in our administrative infrastructure to support our growth and higher marketing expenses to promote consumer recognition of "The Children's Place" brand. In addition, our incentive payouts in fiscal 1998 were higher, and higher as a percentage of net sales, as our increased operating performance for that year resulted in the payment of higher incentive bonuses than were paid in fiscal 1997. The increase in selling, general and administrative expenses as a percentage of net sales was partially offset by the leveraging of store expenses over a higher sales base.

During fiscal 1998, pre-opening costs were $3.0 million, or 1.1% of net sales, as compared to $2.1 million, or 1.1% of net sales, during fiscal 1997. The increase in pre-opening costs in fiscal 1998 reflected the opening of 54 stores, as compared to 47 stores during fiscal 1997. Pre-opening expenses for fiscal 1998 also reflect certain expenses incurred for approximately 26 stores opened during the first quarter of fiscal 1999.

Depreciation and amortization amounted to $8.6 million, or 3.0% of net sales, during fiscal 1998 as compared to $6.0 million, or 3.1% of net sales, during fiscal 1997. The increase in depreciation and amortization primarily was a result of the increase in stores. The decrease as a percentage of net sales during fiscal 1998 reflects the leverage of depreciation and amortization expense over a higher sales base.

Interest expense, net, for fiscal 1998 was $0.3 million, or 0.1% of net sales, as compared to $2.6 million, or 1.4% of net sales, during fiscal 1997. The decrease in interest expense, net, was primarily due to the elimination of interest expense on our long-term debt, which was repaid with a portion of the proceeds from our initial public offering, and lower borrowings and effective interest rates under our working capital revolving credit facility.

Other expense, net, for fiscal 1998 and fiscal 1997 was $0.1 million and consisted of anniversary fees related to our working capital revolving credit facility during both periods.

During fiscal 1998, a provision for income taxes of $14.4 million was recorded, as compared to $4.7 million during fiscal 1997. Due to the utilization of our NOLs, the majority of our 1998 tax provision was not paid in cash. However, we made cash payments of approximately $2.3 million for our fiscal 1998 taxes related to the payment of taxes based on the federal alternative minimum tax, state minimum taxes and state taxes for states in which we did not have NOLs. We utilized the remaining $0.1 million of our NOLs during the three months ended May 1, 1999.

As a result of the repayment of our long-term debt with a portion of the net proceeds from our initial public offering, we recorded a non-cash extraordinary item of $1.7 million, net of taxes, for fiscal 1997 that represented the write-off of unamortized deferred financing costs and unamortized debt discount.

The Children's Place had net income of $20.7 million and $5.2 million in fiscal 1998 and fiscal 1997, respectively.

YEAR ENDED JANUARY 31, 1998 COMPARED TO YEAR ENDED FEBRUARY 1, 1997

Net sales increased by $48.8 million, or 34%, to $192.6 million during fiscal 1997 from $143.8 million during fiscal 1996. Net sales for the 47 new stores opened, as well as other stores that did not qualify as comparable stores, contributed $46.2 million of the sales increase, partially offset by the closing of one store during 1996 which contributed $0.4 million of net sales during fiscal 1996. Our comparable store sales increased 2% and contributed $3.0 million of the sales increase during fiscal 1997. Comparable store sales increased 9% during fiscal 1996. Our fiscal 1997 comparable store sales increase was primarily attributable to strength in the newborn and big girls departments, partially offset by weaker sales in the little boys and little girls departments.

Gross profit increased by $15.2 million to $69.0 million during fiscal 1997 from $53.8 million during fiscal 1996. As a percentage of net sales, gross profit decreased to 35.8% during fiscal 1997 from 37.4% during fiscal 1996. The decrease in gross profit as a percentage of net sales was principally due to higher markdowns which were required to clear excess inventory. As a percentage of net sales, gross profit was also unfavorably impacted by higher store occupancy costs partially offset by a higher initial markup. The increased store occupancy costs resulted from new stores that had not been open long enough to leverage their rent through an established sales base.

Selling, general and administrative expenses increased $10.5 million to $46.5 million during fiscal 1997 from $36.0 million during fiscal 1996. As a percentage of net sales, selling, general and administrative expenses decreased to 24.1% of net sales during fiscal 1997 from 25.0% of net sales during fiscal 1996. The decrease as a percentage of net sales was primarily due to lower corporate administrative expenses which benefited from the leverage of the increased sales base, partially offset by higher store payroll and other store expenses.

During fiscal 1997, pre-opening costs were $2.1 million, or 1.1% of net sales, as compared to $1.0 million, or 0.7% of net sales, during fiscal 1996. The increase in pre-opening costs in fiscal 1997 reflected the opening of 47 stores, as compared to 18 stores during fiscal 1996, partially offset by cost saving measures implemented in fiscal 1997 to reduce store pre-opening costs.

Depreciation and amortization amounted to $6.0 million, or 3.1% of net sales, during fiscal 1997 as compared to $4.0 million, or 2.8% of net sales, during fiscal 1996. The increase in depreciation and amortization primarily was a result of the increase in stores.

Interest expense, net, for fiscal 1997 was $2.6 million, or 1.4% of net sales, as compared to $2.9 million, or 2.0% of net sales, during fiscal 1996. The decrease in interest expense, net, was primarily due to the repayment of our long-term debt with a portion of the proceeds from our initial public offering.

Other expense, net, for fiscal 1997 amounted to $0.1 million, or 0.1% of net sales, as compared to $0.4 million, or 0.3% of net sales, during fiscal 1996. During fiscal 1997 and fiscal 1996, other expenses were comprised primarily of an anniversary fee and other miscellaneous fees related to our working capital revolving credit facility. During fiscal 1996, other expenses also contained credit agreement amendment fees related to our working capital revolving credit facility.

Our provision for income taxes for fiscal 1997 was $4.7 million, as compared with an income tax benefit of $20.9 million in the prior year. Our provision for income taxes for fiscal 1997 reflected a provision based on effective statutory rates. Throughout fiscal 1996, our provision for income taxes provided for the payment of federal alternative minimum taxes and minimum taxes in most states due to the utilization of our NOLs. During the fourth quarter of fiscal 1996, we reversed a $21.0 million valuation allowance on our deferred tax asset on our balance sheet. The majority of the fiscal 1997 tax provision was not paid in cash. However, we made cash tax payments for the federal alternative minimum tax, state minimum taxes and state taxes for states in which we did not have NOLs.

As a result of the repayment of our long-term debt with a portion of the net proceeds from the initial public offering, we recorded a non-cash extraordinary item of $1.7 million, net of taxes, for fiscal 1997 that represented the write-off of unamortized deferred financing costs and unamortized debt discount.

The Children's Place had net income of $5.2 million and $30.4 million in fiscal 1997 and fiscal 1996, respectively.

LIQUIDITY AND CAPITAL RESOURCES

DEBT SERVICE/LIQUIDITY

Our primary uses of cash are financing new store openings and providing for working capital, which primarily represents the purchase of inventory. Our working capital needs follow a seasonal pattern, peaking during the second and third quarters when inventory is purchased for the back-to-school and holiday merchandise lines. We have been able to meet our cash needs principally by using cash flow from operations and seasonal borrowings under our working capital revolving credit facility. Since our initial public offering, we have had no long-term debt obligations other than obligations under capital leases.

In June 1999, we increased our working capital revolving credit facility with Foothill Capital Corporation. The facility currently provides for borrowings up to $50.0 million (including a sublimit for letters of credit of $40.0 million). Previously our working capital revolving credit facility provided for borrowings up to $30.0 million (including a sublimit for letters of credit of $20.0 million). The amount that may be borrowed under our working capital revolving credit facility depends upon our levels of inventory and accounts receivable. Amounts outstanding under the facility bear interest at a floating rate equal to the prime rate or, at our option, the 30-day LIBOR Rate plus a pre-determined spread. The LIBOR spread is 1.50% or 2.00%, depending upon our financial performance from time to time. Borrowings under the facility mature in July 2002 and provide for one year automatic renewal options.

As of January 30, 1999 and May 1, 1999, there were no borrowings under our working capital revolving credit facility. In addition, as of January 30, 1999 and May 1, 1999, we had outstanding $10.6 million and $14.3 million, respectively, in letters of credit under our working capital revolving credit facility. Availability under the working capital revolving credit facility as of January 30, 1999 and May 1, 1999 was $19.3 million and $15.7 million, respectively. As of January 30, 1999 and May 1, 1999 the interest rate charged under the working capital revolving credit facility was 7.75% per annum.

Our working capital revolving 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 our annual capital expenditures, as defined in the working capital revolving credit facility, as well as a prohibition on the payment of dividends. Credit extended under the working capital revolving credit facility is secured by a first priority security interest in our present and future assets.

We were in compliance with all of the financial covenants under our working capital revolving credit facility as of May 1, 1999.

CASH FLOWS/CAPITAL EXPENDITURES

Cash flows provided by operating activities were $35.0 million, $11.3 million and $7.8 million in fiscal 1998, 1997 and 1996, respectively. During the first three months of fiscal 1999 and 1998, cash flows provided by operating activities were $24.1 million and $8.6 million, respectively. In fiscal 1998, cash flows from operating activities increased as a result of an increase in operating earnings, the utilization of our NOLs and increases in current liabilities, partially offset by an increased investment in inventory to support the store expansion program. In fiscal 1997, cash flows from operating activities increased as a result of an increase in operating earnings and accounts payable, partially offset by an increased inventory investment. During the first three months of fiscal 1999, cash flows provided by operating activities increased primarily as a result of our improved operating earnings, a seasonal decrease in inventory and increases in our current liabilities, partially offset by increases in our current assets. In order to provide a more comprehensive merchandise presentation in our stores, during fiscal 1998 we implemented a practice of accelerating receipt of inventory for the upcoming season. This practice enables us to deliver coordinated items from different sources to our stores in the same shipment, rather than as the merchandise arrives at our distribution center. In addition, our inventory levels include merchandise that has been purchased in anticipation of increased sales at existing stores and new store openings during the following quarter. A result of these practices over the past year has generally been to increase our inventory levels more rapidly than our sales. For example, during the fourth quarter of fiscal 1998, inventory grew by 74% over the prior year's fourth quarter while our sales grew by 49%. This result may occur again in future quarters.

Cash flows used in investing activities were $19.8 million, $17.2 million and $8.5 million in fiscal 1998, 1997 and 1996, respectively, and $15.3 million and $5.0 million in the first three months of fiscal 1999 and 1998, respectively. Cash flows used in investing activities relate primarily to store openings and remodelings. In a typical new store, capital expenditures (net of landlord contribution), initial inventory (net of merchandise payables) and pre-opening costs approximate $0.4 million. In fiscal 1998, 1997 and 1996, we opened 54, 47 and 18 stores while remodeling 3, 10 and 5 stores, respectively. In the first three months of fiscal 1999 and 1998, we opened 30 and 23 stores and remodeled 3 and 2 stores respectively. Cash flows used in investing activities also included ongoing store capital programs and computer equipment for our corporate headquarters office. During fiscal 1998 and the first three months of fiscal 1999, capital expenditures also included capital expenditures related to the new distribution center and corporate headquarters facility, warehouse management system and new POS software and hardware.

We will incur capital expenditures during fiscal 1999 of approximately $55 million, which we plan to fund principally from cash flow from operations. These expenditures primarily relate to the opening of approximately 80 stores and 9 store remodelings and capital expenditures related to the relocation of the distribution center and corporate headquarters facility, as well as store re-fixturings. Capital expenditures also include ongoing store capital programs, new POS software and equipment and a new warehouse management system and equipment. During the first three months of fiscal 1999, our capital expenditures included approximately $10.0 million for new stores, remodelings and re-fixturings, $4.4 million for renovations to our new distribution and corporate headquarters facility and $0.9 million for our new warehouse management system.

During the second quarter of fiscal 1999, we have been relocating to a larger distribution center and corporate headquarters facility in Secaucus, New Jersey. We believe this distribution center will support approximately 500 stores. We expect to make a cash outlay of $11.0 million to renovate the facility, of which $4.9 million was spent during fiscal 1998 and the first three months of fiscal 1999. In addition, we have installed and tested a new automated warehouse management system at a total cost of approximately $4.5 million, of which $3.0 million has been spent during fiscal 1998 and the first three months of fiscal 1999.

Cash flows provided by financing activities were $0.4 million, $3.3 million and $3.5 million in fiscal 1998, 1997 and 1996, respectively. Cash flows provided by financing activities were $0.8 million in the first three months of fiscal 1999 and cash flows used in financing activities were $0.8 million in the first three months of fiscal 1998. In fiscal 1998, cash flows provided by financing activities reflected funds received from the exercise of employee stock options and employee stock purchases partially offset by a net repayment of our working capital revolving credit facility. In fiscal 1997, cash flows provided by financing activities resulted from our initial public offering, offset by the repayment of our long-term debt and the repurchase of certain warrants. In fiscal 1996, cash flows provided by financing activities resulted from the 1996 Private Placement. 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 our working capital revolving credit facility. During the first three months of fiscal 1999, cash flows provided by financing activities reflected funds received from the exercise of employee stock options and employee stock purchases. During the first three months of fiscal 1998, cash flows used in financing activities reflected the net repayment of borrowings outstanding under our working capital facility, partially offset by funds received from the exercise of employee stock options and employee stock purchases.

We believe that cash generated from operations and funds available under our working capital revolving credit facility will be sufficient to fund our capital and other cash flow requirements for at least the next 12 months. In addition, as we continue our store expansion program we will consider additional sources of financing to fund our long-term growth.

Our ability to meet our capital requirements will depend on our ability to generate cash from operations and successfully implement our store expansion plans.

QUARTERLY RESULTS AND SEASONALITY

Our 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 costs, net sales contributed by new stores, increases or decreases in comparable store sales, weather conditions, shifts in timing of certain holidays, changes in our merchandise mix and overall economic conditions.

Our business is also subject to seasonal influences, with heavier concentrations of sales during the back-to-school and holiday seasons. As is the case with many retailers of apparel and related merchandise, we typically experience lower net sales and net income during the first two fiscal quarters, and net sales and net income are lower during the second fiscal quarter than during the first fiscal quarter. Our first quarter results are heavily dependent upon sales during the period leading up to the Easter holiday. Our third quarter results are heavily dependent upon back-to-school sales and our fourth quarter results are heavily dependent upon sales during the holiday season. We have experienced first and second quarter losses in the past, and we may experience losses in certain quarters 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.

The following table sets forth certain statement of operations data and operating data for each of our last nine fiscal quarters. The quarterly statement of operations data and selected operating data set forth below were derived from our unaudited financial statements and reflect, in our opinion, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results of operations for these fiscal quarters.

	FISCAL 1997			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT FOR STORE DATA)			
Net sales	$ 39,203	$ 33,534	$ 54,489	$ 65,331
Operating income (loss)	2,618	(1,922)	6,656	7,113
Comparable store sales increase (decrease)	5%	(1%)	0%	5%
Stores open at end of period	119	134	151	155

	FISCAL 1998			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT FOR STORE DATA)			
Net sales	$ 55,999	$ 48,014	$ 82,496	$ 97,344
Operating income (loss)	4,682	(664)	14,619	16,817
Comparable store sales increase	7%	8%	18%	18%
Stores open at end of period	178	189	203	209

	FISCAL 1999			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT FOR STORE DATA)			
Net sales	$ 92,621	--	--	--
Operating income	12,232	--	--	--
Comparable store sales increase	32%	--	--	--
Stores open at end of period	239	--	--	--

YEAR 2000 COMPLIANCE

The Year 2000 issue exists because many computer applications currently use two-digit date fields to designate a year. As the century date occurs, date sensitive systems may not properly recognize and process the Year 2000, which could cause a system failure or other computer errors, leading to disruptions in normal business processing. During fiscal 1997, we began a program to ensure that our operations would not be adversely impacted by software and other system and equipment failures related to the Year 2000.

During the second quarter of fiscal 1998, we engaged the services of a consulting firm to help ensure that we had fully assessed the risks associated with the Year 2000 and to assist in the development of a comprehensive implementation plan. In addition, we established a project team to coordinate and address the Year 2000 issue. The Year 2000 project has been divided into four phases: (1) inventory and risk assessment; (2) remediation of non-compliant systems, equipment and suppliers; (3) implementation and testing; and (4) contingency planning.

The inventory and risk assessment phase of the Year 2000 project is complete. During this phase, we assessed our information systems hardware and software, equipment containing date-sensitive embedded chips, electronic data interchange and the Year 2000 preparedness of our key suppliers and service providers.

Our plans call for our critical information systems to be Year 2000 compliant by the end of the third quarter of fiscal 1999. We believe that approximately 70% of our systems were Year 2000 compliant at the end of the first quarter of fiscal 1999. We plan to perform a systems test of our applications software in our new corporate headquarters facility. We have also installed and tested a new automated warehouse management system in the new facility, which we expect to be operational on or about July 31, 1999. We recently implemented our new POS system in several stores and plan to install it in the remainder of our stores during fiscal 1999. We replaced our general ledger system in June 1999. We believe these new systems are all Year 2000 compliant. Contingency plans continue to be modified to provide uninterrupted management information systems support in the event that we are unable to replace our warehouse management system and POS system.

We plan to rely primarily on our existing management information systems staff supplemented by outside consultants to modify, replace and test systems for Year 2000 compliance. We incurred external costs of approximately $0.3 million during fiscal 1998 in connection with our Year 2000 compliance, and no such costs during the first three months of fiscal 1999. We expect to incur a total of $0.3 million in external costs in fiscal 1999. In addition, we utilized approximately $0.4 million and $0.1 million in internal management information systems resources during fiscal 1998 and the first three months of fiscal 1999, respectively. We expect to utilize a total of $0.4 million of internal management information systems resources in fiscal 1999. The cost of Year 2000 remediation is not expected to have a material adverse impact on our business in future periods.

We have completed our initial assessment of the Year 2000 preparedness of our service providers and key suppliers through written communications, oral communications and visual inspection. Despite these efforts, we cannot assure the timely compliance of these service providers and suppliers and may be adversely affected by a failure of a significant third party to become Year 2000 compliant. Additionally, since we procure most of our merchandise from foreign sources, we are also at risk to the extent foreign suppliers and infrastructures are not properly prepared to handle the Year 2000. Contingency plans have been implemented to mitigate the risk of dependence on foreign suppliers and distribution channels through an accelerated receipt of merchandise for the spring 2000 selling season. We anticipate that we will incur approximately $0.2 million in additional inventory carrying costs associated with the earlier receipt of this merchandise. We believe that the accelerated receipt of this inventory should mitigate the risk of a material failure to receive our merchandise for re-sale.

Although we are working to minimize any business disruption caused by the Year 2000, we may be adversely impacted by a failure related to the Year 2000. These risks include, but are not limited to, power and communications disruptions, failures of our information technology systems, the inability of a significant supplier or service provider to become Year 2000 compliant and disruptions in the distribution channels including both foreign and domestic ports, customs, and transportation vendors.

As noted above, we have developed and continue to modify our contingency plans which will allow for the continuation of business operations in the event that we or any of our significant suppliers or service providers do not properly address Year 2000 issues. We expect to continue to modify and refine our contingency plans through the fourth quarter of fiscal 1999. Where needed, we will modify our contingency plans based on the test results of our information systems hardware and software, the timeliness of replacement system implementations and the ongoing assessment of risk associated with third party suppliers and service providers. The cost of the conversions and the completion dates set forth above are based on our estimates and may be updated as additional information becomes available.

BUSINESS

OVERVIEW

The Children's Place Retail Stores, Inc. is a growing specialty retailer of apparel and accessories for children from newborn to twelve years of age. We design, source and market our products under our proprietary "The Children's Place" brand name for sale exclusively in our stores. Our merchandising objective is to provide our customers with high-quality products at prices that represent substantial value relative to our competitors. We seek to position our stores in areas of high pedestrian traffic and design them to be very accessible, inviting and easy-to-shop. As of July 15, 1999, we operated 254 stores in 31 states, located primarily in regional shopping malls in the eastern half of the United States.

We provide high-quality products that appeal to customers from a broad range of socioeconomic and demographic profiles. We believe that the combination of our distinctive approach to merchandising, the inherent value we offer our customers and the growing strength of our proprietary brand generates this broad appeal. Our designers interpret current fashion trends and combine them with a broad color palette to develop a selection of coordinated outfits specifically designed for children. We create freshness in our stores by generally introducing a new merchandise line each month. These lines are designed to convey a unified theme across a season by incorporating consistent color palettes into merchandise that our customers can easily combine into coordinated and interchangeable outfits and accessories. We believe that our updated merchandise styling, coordinated, high-quality products and consistent value pricing have created name recognition and customer loyalty for "The Children's Place" brand.

In fiscal 1996, we began to implement an aggressive store opening campaign to capitalize on our business strengths and our strong store economics. During fiscal 1997 and fiscal 1998, we opened 47 and 54 new stores, respectively. Our comparable store sales have increased for each of the past five fiscal years. This has contributed to our overall growth and yielded an increase in our net sales per gross square foot from $259 in fiscal 1994 to $382 in fiscal 1998. Our net sales have increased at a compound annual growth rate of approximately 27.3%, from $108.0 million in fiscal 1994 to $283.9 million in fiscal 1998. Over that same period of time, our operating income margin has increased from 2.2% to 12.5%. During the first three months of fiscal 1999 we opened 30 new stores. Our net sales for the first three months of fiscal 1999 were $92.6 million, representing an increase of 65% over the first three months of fiscal 1998, and comparable store sales increased 32% during this period. Our earnings per share for the first three months of fiscal 1999 were $0.28, representing an increase of 155% over the first three months of fiscal 1998.

We intend to continue our expansion program and plan to open approximately 80 stores during fiscal 1999 (of which 45 were open as of July 15, 1999) and approximately 100 stores during fiscal 2000. Our broad merchandise appeal and consistent value pricing result in a highly portable store concept which we believe can operate profitably in a wide variety of geographic and demographic regions. In fiscal 1998, our new stores that were operating for their first full fiscal year generated a cash-on-cash return on investment of approximately 86.1%. We believe that we have the opportunity to significantly increase our domestic store base from the 254 stores we currently operate.

THE CHILDREN'S APPAREL INDUSTRY

According to the U.S. Bureau of the Census, the U.S. population from newborn to 13 years of age comprised 54.9 million children or 20.3% of the total U.S. population in 1998. In addition, the birthrate in the United States is approximately 4.0 million per year. According to industry sources, retail sales of apparel for newborn to 13 year old children have grown at a compound annual rate of approximately 5.8%, from $25.5 billion in 1995 to $30.1 billion in 1998. In 1998, average apparel expenditures per child were approximately $550, reflecting a compound annual growth rate of approximately 5.2% since

1995. We believe that average apparel expenditures per child will continue to grow due to several demographic factors, including (1) births among an increasing number of older, working women with greater disposable income for expenditures on children and (2) an increasing number of grandparents who represent a key consumer segment for infant and toddler products. The growth in children's apparel sales in specialty retail stores has outpaced the overall children's apparel industry, growing at a compound annual rate of approximately 14.1%, from $3.4 billion in 1995 to $5.1 billion in 1998 and increasing as a percentage of the overall children's apparel market from 13.5% to 16.9% during the same period of time.

Since children typically require new clothes every season as they grow, we believe that the children's apparel market is price-sensitive. Consequently, we believe that the value created by the price and quality of our merchandise has enabled us to establish a desirable market position. In 1998, we represented less than one percent of the children's apparel market, and we believe that we have the opportunity to significantly increase our market share.

COMPETITIVE ADVANTAGES

We believe that the following strengths have contributed to our success and provide us with a competitive advantage:

MERCHANDISING STRATEGY. Our merchandising strategy is built on offering a collection of interchangeable outfits and accessories to create a coordinated look distinctive to The Children's Place. We offer a focused assortment of styles in a variety of colors and patterns, with the aim of consistently creating a fresh, youthful feel that we believe distinguishes "The Children's Place" brand. We divide the year into four three-month merchandising seasons: spring, summer, back-to-school and holiday. Within each season we typically introduce a new merchandise line each month to continually generate freshness in our stores. Each line is built around a central seasonal theme and includes a stylish assortment of coordinated basic and fashion apparel with complementary accessories designed to encourage multiple item purchases and wardrobe building.

VALUE STRATEGY. We offer high-quality clothing and accessories under "The Children's Place" brand name at prices generally 20% to 30% below most of our specialty store competitors. We employ this consistent value pricing strategy across our entire merchandise offering. We believe that the consistent value pricing of our high-quality products has enabled us to build a broad and loyal base of customers who regularly purchase from us as their children grow. To generate increased customer traffic through a sense of urgency and heightened excitement among our customers, we began a program in the second half of fiscal 1998 of running promotions on select seasonal merchandise for a limited time, augmented by periodic targeted promotions of key individual items.

STRONG BRAND IMAGE. We believe that we have built a strong brand image for "The Children's Place" by: (1) offering high-quality products, (2) providing a distinctive collection of coordinated and interchangeable outfits and accessories, (3) maintaining a consistent merchandise presentation and an easy-to-shop store layout, (4) employing lifestyle images in our marketing visuals, and (5) selling our merchandise exclusively in our stores. We believe these factors foster consumer loyalty to "The Children's Place" brand name. In our continuing efforts to enhance the appeal and recognition of our brand name, we have recently increased our emphasis on merchandise with logos. Our logo merchandise bears our "Place," "Place Sport," "P," "Place USA" or other "Place" logos. Our goal is to make The Children's Place the first name in the minds of consumers when they think of children's apparel.

LOW-COST SOURCING. We control the design, sourcing and presentation of our products, all of which are marketed under our proprietary brand name. We believe that this control is essential in assuring the consistency and quality of our merchandise and brand image, as well as in our ability to deliver value to our customers. We have established close, long-standing and mutually beneficial relationships with numerous manufacturers, buying agents and trading companies. Through these relationships and our management team's extensive knowledge of the material and manufacturing costs of apparel, we believe that we are able to procure high-quality merchandise at low cost, which enables us to maintain our gross margin levels while offering our customers high-quality products at value prices. We further believe that our integrated merchandise approach, from in-house design to in-store presentation, enables us to identify and respond to market trends, uphold rigorous product quality standards, manage the cost of our merchandise and strengthen our brand name. During the first quarter of fiscal 1999, we opened a Hong Kong office in order to further enhance our ability to capitalize on new sourcing opportunities, to increase our quality assurance standards and compliance and to respond to changing merchandise trends and supplier base dynamics more effectively and efficiently.

EXPERIENCED MANAGEMENT TEAM. Our 14-member management team is led by Ezra Dabah, Stanley Silver and Clark Hinkley, each of whom has over 25 years of experience in the apparel or retail industry. Mr. Dabah guides the management of The Children's Place using his broad apparel merchandising and buying knowledge refined during his lengthy tenure in the apparel market, including more than 15 years in the children's segment of the market. Mr. Dabah provides the foundation for our low-cost product procurement and substantial sourcing relationships in the Far East, from which he has been sourcing products since 1972. Mr. Silver contributes his financial expertise and extensive knowledge of store operations and real estate procurement derived from his experiences at Grand Met PLC, Mothercare PLC and The Limited and is instrumental in the growth and development of our business. Mr. Hinkley, through his significant management and merchandising experience developed while he served in various management positions with The Talbots, Inc. and Dayton Hudson Corporation, greatly strengthens our merchandising capabilities. In addition, the other members of our management team have an average of 16 years of retail or apparel industry experience and an average of nine years with The Children's Place.

GROWTH STRATEGIES

NEW STORE OPENINGS. In fiscal 1996, we began an aggressive store opening campaign to capitalize further on our competitive advantages and strong store economics. We intend to open approximately 80 new stores in fiscal 1999 (of which 45 were open as of July 15, 1999) and approximately 100 new stores in fiscal 2000. In fiscal 1998, our new stores that were operating for their first full fiscal year generated average net sales of approximately $1.3 million and generated a cash contribution of approximately $309,000. Our average investment for these stores, including capital expenditures (net of landlord contribution), initial inventory (net of merchandise payables) and pre-opening costs, was approximately $359,000. As a result, these stores generated a cash-on-cash return on investment of approximately 86.1% in their first full fiscal year of operation. We opened stores in Colorado, Utah and northern Florida in fiscal 1999, and we plan to open stores in northern California, Washington, Oregon, southern Florida, Louisiana and Texas in fiscal 2000. We also expect to continue to open new stores in our existing markets. We will continue to increase our store base as rapidly as we deem prudent.

NEW MERCHANDISING AND MARKETING INITIATIVES. To optimize sell-through, we continually evaluate our approach to (1) our merchandise offering, (2) visual presentation of our merchandise and (3) our marketing initiatives. In fiscal 1999, we are undertaking three major merchandising and marketing initiatives.

(1) REFORMATTING OF MERCHANDISE PRESENTATION. We reformatted the merchandising of our stores beginning with our fiscal 1999 back-to-school season. Historically, we have segmented merchandise within our stores into five areas: big boys sizes 5 to 16; big girls sizes 5 to 16; little boys sizes 18 months to 5; little girls sizes 18 months to 5; and newborn sizes 0 to 24 months. Beginning with the back-to-school 1999 line, we transitioned to a store merchandise presentation format that features three segments: boys sizes 4 to 16; girls sizes 4 to 16; and newborn sizes 0 to 36 months.

This new format will enable us to reduce duplicative stock keeping units ("SKUs") and sizes, while also providing a clearer merchandise statement to our customers. By consolidating all merchandise of a particular style into one area of the store, we will be able to display merchandise in a fashion that conveys our commitment to key items in a more compelling manner.

(2) STORE REFIXTURING. We recently upgraded the fixtures and other elements of our store design in approximately two-thirds of our existing stores in an effort to enhance the perceived value of our merchandise by presenting our products in a more upscale environment. With this refixturing and the reformatting of our merchandise presentation, we expect to increase the open space within the store, particularly the aisles, to enhance the shopping experience of our customers by making it easier for them to view our product offerings and by facilitating stroller access.

(3) INCREASING OUR EXTERNAL MARKETING EFFORTS. To date, we have utilized in-store and in-mall marketing materials and, to a lesser extent, direct-mail marketing to promote "The Children's Place" image and brand name. These marketing efforts have contributed to our increases in comparable store sales and our net sales per gross square foot over our past five fiscal years. To capitalize on our increased store base, we have recently decided to expand and enhance our external marketing efforts. To do so, we are pursuing two primary courses of action.

BROADCAST ADVERTISING. In the first quarter of fiscal 1999, we tested the use of television advertising. We plan to use television and other forms of advertising beginning in fiscal 2000. We believe that new advertising initiatives will be an important tool in raising consumer awareness of our high-quality, value-priced products and in strengthening "The Children's Place" brand name.

DIRECT-MAIL MARKETING. We have recently increased our emphasis on our direct-mail marketing campaign. We target existing customers through our private label credit card database and reverse appending of our customers who pay by credit card and check. In fiscal 1998, we undertook a 400,000 customer mailing. Recipients of the mailing were given a preferred customer status that allowed them to purchase certain merchandise below our ticketed price upon the presentation of the mailing for a limited time. Data on respondents was gathered through the tracking of bar codes on the mailers and retained in our database for future reference. Customer response to our 1998 mailing exceeded industry averages and our initial expectations. We have since expanded our database to over 800,000 customers and intend to expand the reach and strengthen the content of this campaign.

NEW DISTRIBUTION CENTER. During the second quarter of fiscal 1999, we have been relocating to a larger distribution center and corporate headquarters facility in Secaucus, New Jersey. We relocated our distribution center operations in May and have continued to distribute merchandise manually from the new facility in the same manner as we did at our old facility. We have also installed and tested a new automated warehouse management system in the new facility. Based upon the satisfactory testing of this system to date, we expect the system to be operational on or about July 31, 1999. We expect this increased automation will enable us to provide merchandise replenishment much more efficiently than was permitted by our previous distribution system and to better coordinate our introduction of new merchandise lines across our stores in different geographic regions. We believe that this heightened efficiency should yield fewer missed sales opportunities due to out of stock positions. We believe our new distribution center will support approximately 500 stores.

MERCHANDISING

Our merchandising strategy is built on offering a collection of interchangeable outfits and accessories to create a coordinated look distinctive to The Children's Place. We offer a focused assortment of styles in a variety of colors and patterns, with the aim of consistently creating a fresh, youthful feel that we believe distinguishes the "The Children's Place" brand. In fiscal 1998, we derived approximately 40%, 30%, 17% and 13% of our net sales from girls apparel, boys apparel, newborn apparel and accessories, respectively. We divide the year into four three-month merchandising seasons and within each season we typically introduce a new merchandise line each month. Approximately 80% of each new line is delivered to the stores with the introduction of each line and the remainder is reserved for replenishment.

To execute our merchandising strategy, we rely on the coordinated efforts of our merchandise management team, our design and product development team and our merchandise planning team. These teams consist of a total of 52 full-time employees. These teams, in conjunction with senior management, review our prior season results to determine the specific styles and numbers of products that we will offer in upcoming seasons. The merchandise management team selects specific styles for production from the assortment of designs that are created by the design and product development team each season. Then, based upon the production quantities determined by the merchandise managers and the merchandise planning team, the sourcing and procurement team arranges for the manufacture of the selected styles.

Our design and product development team consists of our Vice President of Trend Development, our Trend Manager, our Vice President of Design and Product Development, and designers, assistant designers, graphic designers and other artists. This team analyzes and interprets current and emerging fashion trends, translating them into a broad selection of children's clothing and accessories in an array of fashionable colors and patterns that are appropriate for upcoming seasons. Work on each of our seasonal lines begins approximately nine months before the season, with the gathering of market intelligence on fashion trends. This process involves 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. After the Vice President of Trend Development and the Trend Manager, in consultation with senior management and the Vice President of Design and Product Development, arrive at a consensus regarding the fashion themes for a coming season, the designers and other artists translate these themes into an assortment of basic and fashion designs that seek to reflect the fresh and youthful image of "The Children's Place" brand. These interpretations include variations in fabric and other materials, product color, decoration and age-appropriate silhouette. Potential items are designed using computer aided design technology, giving us the opportunity to consider a wide range of style and fashion options.

The merchandise management team creates a detailed purchasing plan with the assistance of the merchandise planning team for the season covering each department, category and key basic item, based on historical and current selling trends. The merchandise planning team consists of our Vice President of Merchandise Planning and Allocation, a director of planning, a director of allocation, merchandise planners, store planners and allocators.

We typically order the quantities contemplated by the purchasing plan six months before the season, while retaining the flexibility to order additional merchandise to respond quickly to new fashion trends and demand for key basic items. The production process takes approximately six months from order confirmation to receipt of merchandise at our distribution facility. The merchandise planning team monitors current and future inventory levels on a weekly basis and analyzes sales patterns to predict future demand for various categories. We regularly monitor sales of each style and color and maintain some flexibility to adjust merchandise on order for future seasons or to accelerate delivery of merchandise. The merchandise allocation team is responsible for planning and allocating merchandise to each store based on sales volume levels and other factors.

In addition to our season-to-season development of merchandise, we regularly evaluate opportunities for selective product extensions and new product introductions. In fiscal 1998, we expanded our offerings of outerwear, underwear and denim merchandise. We also introduced bath products into our stores. We expect to continue to seek opportunities to expand our customer base and increase sales in our stores through further development of existing merchandise categories and continued introduction of new merchandise classifications.

SOURCING AND PROCUREMENT

We combine 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, including costs of materials and components. This knowledge enables us to determine the most cost-effective country and manufacturer from which to source each item and to obtain low prices. Relying on our supplier relationships and management's knowledge of manufacturing costs, we believe we have been able to arrange for the manufacture of high-quality products at low cost. One important aspect of our sourcing strategy is that our Chief Executive Officer, Ezra Dabah, who has over 25 years of apparel buying and merchandising experience, frequently travels to meet with our agents and manufacturers. In addition, during the first quarter of fiscal 1999, we opened, through a wholly-owned Hong Kong subsidiary, an office in Hong Kong which currently employs approximately ten people and for which our annual expense will initially be approximately $1.5 million. We believe the Hong Kong office will enable us to obtain more favorable material and manufacturing costs, better identify and act on new supply opportunities, and expedite development of merchandise samples. We expect the Hong Kong office will also help us to foster stronger relationships with suppliers, manufacturers, agents and trading companies in the Far East.

Our sourcing team makes on-site visits to our independent agents and various manufacturers to negotiate product costs, finalize technical specifications of each product and confirm delivery of merchandise manufactured to our specifications. Our apparel is produced to our specifications by more than 60 independent manufacturers located primarily in the Far East and elsewhere in Asia. In fiscal 1998, the majority of our merchandise was produced in Taiwan, Hong Kong, China and Turkey. The remainder of our merchandise was produced in Thailand, the United States, South Korea, the Philippines, Cambodia and other countries. We continue to pursue sourcing opportunities.

We have no exclusive or long-term contracts with our manufacturers and typically transact business on an item-by-item basis under purchase orders at freight on board cost in U.S. dollars. We are parties to agency agreements with commissioned independent agents in the Far East and in Turkey to oversee our production and assist in sourcing and pre-production approval, quality inspection and ensuring timely delivery of merchandise. We also purchase approximately 35% of our merchandise through a Hong Kong-based trading company, with which we have no formal written agreement, for most of our procurements from manufacturers located in Hong Kong, China, the Philippines and Cambodia. Although they are not contractually obligated to do so, the Hong Kong-based trading company, and a commissioned independent agent in Taiwan through which we purchase approximately 30% of our products, each have exclusive arrangements with The Children's Place. We have developed long-term, continuous relationships with key individual manufacturers and material suppliers which have yielded numerous benefits, including quality control and low costs, and have afforded us flexible working arrangements and a steady flow of merchandise supply. The establishment of our Hong Kong office should enable us to strengthen these relationships, facilitate the development of new ones and improve quality control and product costs.

We employ a tracking system that enables us to anticipate potential delivery delays in our orders and take action to mitigate the impact of such delays. By using this system together with our purchase order and advanced shipping notification systems, we and our independent agents actively monitor the status of each purchase order from order confirmation to merchandise receipt. We experience occasional shipment delays, but no such delay has had a material adverse effect on our business. We continue to pursue software technologies to further enhance communication of the production and pre-approval status of our work-in-process directly from our overseas agents.

To ensure quality and promote consumer confidence in our products, we utilize our own, in-house quality assurance laboratory to test and evaluate fabric, trimming materials and pre-production samples against a comprehensive range of physical performance standards before production begins. The quality control personnel of our independent agents visit the various manufacturing facilities to monitor and improve the quality control and production process, which is augmented by our director of quality control. With this focus on pre-production quality approval, we are generally able to detect and correct quality-related problems before bulk production begins. We do not accept our finished apparel products until each purchase order receives formal certification of compliance from our agents' inspectors. We anticipate that the opening of our Hong Kong office will enhance our quality control by enabling us to monitor component and manufacturing quality at close range and address related problems at an early stage.

COMPANY STORES

EXISTING STORES. As of July 15, 1999, we operated 254 stores in 31 states, primarily located in the eastern half of the United States. Most of our stores are clustered in and around major metropolitan areas. Our stores are concentrated in major regional malls, with the exception of 20 outlet stores and 17 street and strip center stores. The following map and table set forth the number of stores in each state as of July 15, 1999:

[MAP OF THE UNITED STATES INDICATING THE NUMBER OF STORE LOCATIONS BY STATE]

STATE	# OF STORES
Arkansas	1
Colorado	2
Connecticut	8
Delaware	3
Florida	4
Georgia	10
Illinois	19
Indiana	7
Iowa	1
Kansas	3
Kentucky	4
Maine	3
Maryland	13
Massachusetts	14
Michigan	12
Minnesota	5

STATE	# OF STORES
Mississippi	1
Missouri	4
Nebraska	2
New Hampshire	4
New Jersey	23
New York	40
North Carolina	8
Ohio	14
Pennsylvania	21
South Carolina	4
Tennessee	7
Utah	2
Virginia	11
West Virginia	1
Wisconsin	3

STORE ENVIRONMENT. Over the past five years, our prototype store has been reduced in size from approximately 5,500 square feet to approximately 4,000 square feet, which we believe is the most efficient size for our stores. Our prototype features a design that incorporates light maple wood floors, fixtures and trim set against white walls. We believe that the environment created by our "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 our 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. Each merchandise line is displayed as a separate collection of coordinated basic and fashion items, with matching accessories. We continually refine our merchandise presentation strategy to improve the shopping experience of our customers. We recently installed new wood fixtures and display tables which we believe will further enhance the shopping experience at The Children's Place. In addition, we expect that the new departmental structure we implemented in July 1999 will allow us to simplify and facilitate The Children's Place shopping experience and present our merchandise more clearly by eliminating duplicative merchandise displays and creating more space for customers within our stores. We believe that our merchandise presentation effectively displays "The Children's Place" distinctive 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 coordinated items, store management is provided monthly with detailed written and visual store plans that specify merchandise placement. Standardization of store design, merchandise presentation and window displays 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, we believe that we are able to maintain and enhance "The Children's Place" brand image.

As of July 15, 1999, over 90% of our stores (excluding outlet stores) have the same design element as our "apple-maple" prototype. We generally remodel our stores to the prototype specifications as their leases are renewed. In some cases, conversion to the prototype involves relocation within a mall as well as a reduction in space.

Our 20 outlet stores generally measure in excess of 5,000 square feet and represent approximately 8% of our store base. The outlet stores are located in outlet centers and are strategically placed within each market to serve as a vehicle to consolidate markdown merchandise from our other stores.

STORE OPERATIONS. Our store operations are directed by our Vice President of Store Operations, five regional managers and approximately 35 district managers. Individual stores are managed by a store manager and up to three co-managers depending on sales volume. A typical store employs one to two full-time sales associates and several part-time sales associates. We hire 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 achieving planned store sales goals, staff scheduling and supervising customer service, store presentation standards, payroll productivity and inventory shrink. Customer service is a major focus for store management and sales associates, and continuing efforts are made to maximize selling productivity. We engage in an ongoing process of training management and sales associates in the areas of customer service, selling skills, merchandise presentation, procedures and controls, utilizing visual aids, training manuals and training workshops.

In order to motivate our regional, district and store managers, we offer an incentive compensation plan. Under the plan, managers of our stores who meet planned monthly goals for sales, payroll productivity and inventory shrink are awarded a sliding bonus based upon the amount by which their respective stores exceed such targets. District and regional managers receive bonuses based upon the incentive compensation awarded to their store managers and management turnover.

Management maintains a high level of communication between our corporate headquarters and stores. Frequent communication 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, home office and district manager meetings engender a strong team culture. We continue to improve the communication between our corporate headquarters and our stores with the use of new technology. To this end, and to enhance customer service, we recently implemented our new POS software and hardware in several stores and plan to install it in the remainder of our stores during fiscal 1999.

STORE EXPANSION PROGRAM

In fiscal 1996, we began to implement an aggressive growth strategy designed to capitalize on our business strengths and strong store economics. In the last three fiscal years we increased our number of stores from 91 to 209, opening 47 and 54 stores in fiscal 1997 and fiscal 1998, respectively. We intend to continue our store expansion program and currently plan to open approximately 80 stores in fiscal 1999 (of which 45 were open as of July 15, 1999) and approximately 100 stores in fiscal 2000.

In fiscal 1998, new stores for which fiscal 1998 was the first full year of operations had average net sales of approximately $1.3 million. 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 approximately $359,000. In fiscal 1998, store level operating cash flow for these stores was approximately $309,000 (23.8% of net sales), yielding a cash-on-cash return on investment of approximately 86.1%.

Our expansion strategy focuses primarily on mall-based locations. The regional malls which we target are typically high volume centers, generally 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). We conduct extensive on-site visits and 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. Our most important considerations in evaluating a store location within a mall are placement of the store relative to mall traffic patterns and proximity to other children's retailers. In addition, we continuously evaluate opportunities to add stores in other types of locations, including urban street locations and outlet and strip centers.

Our expansion strategy is to establish clusters of stores in states in which we already have stores or in contiguous states in order to strengthen "The Children's Place" brand name recognition. We opened stores in Colorado, Utah and northern Florida in fiscal 1999, and we plan to open stores in northern California, Washington, Oregon, southern Florida, Louisiana and Texas in fiscal 2000.

MARKETING

ADVERTISING AND PROMOTION. We strive to enhance our reputation and image in the marketplace and build recognition and equity in "The Children's Place" brand name by advertising our image, product and value message through in-store photographs, product displays and direct mail. To date, we have primarily relied on pedestrian traffic and our reputation, loyal customer base and brand image to generate sales. In the first quarter of fiscal 1999, we tested the use of television advertising to strengthen "The Children's Place" brand name recognition. We plan to use television and other forms of advertising beginning in fiscal 2000. Our point of purchase marketing strategy uses lifestyle images to highlight the individual departments and seasonal fashion looks, promoting key basic items at price points representing substantial value, and focusing on store-front and window displays and signage to attract customers into the stores. We also occasionally offer promotions on certain items to attract customers and increase sales. To encourage larger purchases, we periodically distribute through direct mail coupons providing a discount on purchases above a specified minimum.

PRIVATE LABEL CREDIT CARD. We view the use of a private label credit card as an important marketing and communication tool and introduced "The Children's Place" credit card in January 1995, with Hurley State Bank, through a third party credit card service. Pursuant to a merchant services agreement with The Children's Place, Hurley State Bank issues to our customers private label credit cards for use exclusively at our stores and extends credit to such customers on a non-recourse basis to The Children's Place. Hurley State Bank's agent, SPS Payment Services, Inc., administers the approval, issuance and administration of the credit card program. In connection with our efforts to increase the number of cardholders and encourage use of our private label credit card, we may consider changing these arrangements to provide for either full or partial recourse. For its services, we pay to Hurley State Bank a merchant fee which is calculated as a percentage of sales under the credit card and certain other fees related to cardholder sales volume. In fiscal 1998, we paid approximately $2.0 million to Hurley State Bank in fees. The number of holders of our private label credit card has grown to approximately 470,000, of which approximately 135,000 cardholders currently have a positive account balance. Sales on the private label credit card accounted for approximately 12% of our fiscal 1998 net sales. We believe that our private label 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. We market our private label credit card by offering customers who apply for a card a 15% discount on their initial purchase using the card and a 10% discount on a subsequent purchase. Our average dollar sale to customers using "The Children's Place" card has been substantially higher than our overall average dollar sale.

MANAGEMENT INFORMATION SYSTEMS

Our management information and electronic data processing systems consist of a full range of retail, financial and merchandising systems, including purchase order management, advance shipping notification, inventory planning and control, inventory distribution, sales reporting and accounts payable. These systems operate on an IBM mainframe computer and utilize a combination of third party and proprietary software packages. Management views technology as an important tool in efficiently supporting our 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 store inventory 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 SKU requirements of each store. We evaluate information obtained through daily reporting to identify and respond to sales trends and to implement merchandising decisions regarding markdowns and allocation of merchandise.

We are committed to utilizing technology to further enhance our competitive position. In this regard, we have installed and tested an automated warehouse management system at our new distribution center. Based upon the satisfactory testing of this system to date, we expect the system to be operational on or about July 31, 1999. In order to enhance customer service and communication between our corporate headquarters and our stores, we recently implemented new POS software and hardware in several stores and plan to install it in the remainder of our stores during fiscal 1999. We are also taking steps to upgrade our back office software during fiscal 1999.

FACILITIES

Throughout fiscal 1998, all merchandise was received, inspected, processed and distributed through our 90,000 square foot leased distribution center and corporate headquarters in West Caldwell, New Jersey. We also lease a facility in nearby Fairfield, New Jersey of approximately 35,000 square feet. The bulk of the merchandise is collected at our distribution center and shipped as a complete line to the stores once each month for each department. Replenishment merchandise is shipped directly to stores each weekday by commercial carrier as needed. We have experienced occasional shipment delays, but no such delay has had a material adverse effect on our business.

We have entered into an eight-year lease with a three-year option period for a 204,000 square foot distribution center and corporate headquarters facility in Secaucus, New Jersey, approximately 18 miles from our present location. We relocated our distribution center operations in May 1999 and we are moving our corporate headquarters staff and remaining personnel shortly. We expect to complete the relocation by July 31, 1999. We have continued to distribute merchandise manually from the new facility in the same manner as we did at our old facility. However, in conjunction with the move to the new distribution center, we have installed and tested a new automated warehouse management system which will employ radio frequency technology, a conveyor system and automated flow through slot location and product putaway. The new warehouse management system will also support a distribution center reserve inventory that will be utilized to enhance merchandise replenishment to the stores. Based upon the satisfactory testing of the system to date, we expect the system to be operational on or about July 31, 1999. We believe the new facility will provide adequate space to support our growth over the next several years.

Our lease for the West Caldwell facility expired on May 31, 1999. We are required to vacate the facility by July 31, 1999.

All of our existing store locations are leased by us, with lease terms expiring between 2000 and 2014 and with an average unexpired lease term of approximately 7.9 years. The leases for most of the existing stores are for terms of ten years and provide for contingent rent based upon a percentage of sales in excess of specific minimums. Leases for future stores will likely include similar contingent rent provisions.

COMPETITION

The children's apparel retail business is highly competitive. We compete in substantially all of our 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., Kmart Corporation, Target (a division of Dayton Hudson Corporation) and Kids "R" Us (a division of Toys "R" Us, Inc.). We also compete with a wide variety of specialty stores, other national and regional retail chains, catalog companies and Internet retailers. One or more of our competitors are present in substantially all of the malls in which we have stores. Many of our competitors are larger than The Children's Place or have access to significantly greater financial, marketing and other resources than we have.

We believe that the principal factors of competition in our marketplace are perceived value, price, quality, merchandise assortment, brand name recognition, customer service, and a friendly store environment. We believe that we have been able to effectively compete in the children's apparel industry because of our reputation in the marketplace and consistent merchandise offering of high-quality, coordinated basic and fashion outfits for children at consistent value prices, sold in a friendly environment.

TRADEMARKS AND SERVICE MARKS

"The Children's Place," "Baby Place," "Place," "The Place," "TCP" and certain other marks have been registered as trademarks and/or service marks 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. We intend to continue to use and protect our trademarks and service marks and maintain their registrations. We are taking steps to register our trademarks in certain foreign countries. We believe our trademarks and service marks have received broad recognition and are of significant value to our business.

EMPLOYEES

As of July 15, 1999, we had approximately 1,300 full-time employees, of whom approximately 350 are based at our distribution center and corporate headquarters, and approximately 3,000 part-time employees. None of our employees is covered by a collective bargaining agreement. We believe our relations with our employees are good.

CERTAIN LEGAL PROCEEDINGS

STOCKHOLDER LITIGATION

On October 16, 1997, Stephen Brosious and Rudy Pallastrone, who allegedly purchased shares of our Common Stock in our initial public offering in September 1997 (the "IPO"), filed a lawsuit against The Children's Place, several of our directors and officers, and the underwriters of the IPO (the "Defendants") in the United States District Court for the District of New Jersey (the "Court"). The named plaintiffs purport to maintain a class action on behalf of all persons, other than the Defendants, who purchased our Common Stock issued in connection with the IPO on or about September 19, 1997 through October 13, 1997. The complaint alleges that the Defendants violated federal securities laws by making false or misleading statements and/or omissions in connection with the IPO. The plaintiffs seek monetary damages of an unspecified amount, rescission or rescissory damages and fees and costs. Since October 16, 1997, 15 additional putative class actions making substantially similar allegations and seeking substantially similar relief have been filed against some or all of the Defendants. On or about January 13, 1998, the 16 putative class actions were consolidated in the Court and on February 26, 1998, the plaintiffs served and filed their amended consolidated complaint. On April 16, 1998, the Defendants moved to dismiss the complaint. On September 4, 1998 the Court entered an order granting the motion to dismiss in part and denying it in part. The Court also dismissed the case against the underwriters without prejudice. On October 5, 1998, the plaintiffs filed an amended complaint against all Defendants including the underwriters. We filed our answer to the amended complaint on October 26, 1998. The parties have commenced discovery.

On October 27, 1997, Bulldog Capital Management, L.P., a limited partnership that serves as a general partner for a series of investment funds which allegedly purchased shares of The Children's Place's Common Stock issued in connection with the IPO, also filed a lawsuit against The Children's Place and several of our directors and officers in the Superior Court of New Jersey, Essex County Division. The complaint also alleges that by making false or misleading statements and/or omissions in connection with the IPO, The Children's Place and several of our directors and officers violated provisions of federal and state law. The plaintiff seeks monetary damages of an unspecified amount, rescission or rescissory damages and fees and costs. This action and the federal action described above have been coordinated for purposes of discovery.

We believe that the allegations made in the complaints described above are untrue and totally without merit and intend to defend them vigorously. We do not believe that any ultimate liability arising out of the actions described above will have a material adverse effect on our business; however we can give no assurance as to the ultimate resolution of the proceedings or the amount to be paid, if any, in the disposition of the actions.

OTHER LITIGATION

In May 1999, we relocated our distribution center operations to our new distribution center and corporate headquarters facility in Secaucus, New Jersey. We are moving our corporate headquarters staff to the new facility in July 1999. Our lease for our West Caldwell facility expired on May 31, 1999. Although we believed we had an arrangement with our West Caldwell landlord to continue to occupy the premises through the end of July 1999, the landlord has recently disputed the existence of such an arrangement and has commenced legal proceedings against The Children's Place in the Superior Court of New Jersey Law Division seeking possession of the premises. We entered into a confession of judgment pursuant to which we are required to vacate the West Caldwell facility by July 31, 1999.

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

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the executive officers and directors of The Children's Place:

NAME	AGE	POSITION
Ezra Dabah	45	Chairman of the Board of Directors and Chief Executive Officer
Stanley B. Silver	61	President, Chief Operating Officer and Director
Clark Hinkley	57	Executive Vice President, Merchandising
Seth L. Udasin	43	Vice President, Finance, Chief Financial Officer and Treasurer
Steven Balasiano	36	Vice President, General Counsel and Secretary
Mario A. Ciampi	39	Vice President, Real Estate and Construction
Edward DeMartino	48	Vice President, Management Information Systems
Robert Finkelstein	47	Vice President, Merchandising Planning and Allocation
Nina L. Miner	50	Vice President, Trend Development
Salvatore W. Pepitone	52	Vice President, Distribution Center
Mark L. Rose	34	Vice President, Sourcing and Production
Susan F. Schiller	38	Vice President, Store Operations
Diane M. Timbanard	54	Vice President, Design and Product Development
Michael Zahn	36	Vice President, General Merchandise Manager
Stanley Silverstein	74	Director
John F. Megrue	41	Director
David J. Oddi	29	Director

EZRA DABAH has been Chief Executive Officer since 1991 and Chairman of the Board and a Director since purchasing The Children's Place 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, ("E.J. Gitano"). Mr. Dabah is Stanley Silverstein's son-in-law and Nina Miner's brother-in-law.

STANLEY B. SILVER has been President and Chief Operating Officer since June 1996 and prior to that served as Executive Vice President and Chief Operating Officer since joining The Children's Place in 1991. Mr. Silver has been a Director since July 1996. Before joining The Children's Place 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.

CLARK HINKLEY has been Executive Vice President, Merchandising since joining The Children's Place in February 1998. Prior to joining The Children's Place, Mr. Hinkley was the Executive Vice President and Chief Operating Officer of The Talbots, Inc., a position he held since 1993. Mr. Hinkley has over 35 years of retailing experience with over 25 years of senior level management and merchandising experience. Prior to his 10 years with The Talbots, Inc., Mr. Hinkley was with Dayton Hudson Corporation and its predecessor company, J.L. Hudson, for 24 years.

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

STEVEN BALASIANO has been Vice President and General Counsel since joining The Children's Place in December 1995 and Secretary since January 1996. Prior to joining The Children's Place, 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 Children's Place in June 1996. Prior to joining The Children's Place, 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.

EDWARD DEMARTINO has been Vice President, Management Information Systems since 1991. Mr. DeMartino began his career with The Children's Place in 1981 as a System Development Project Manager and was subsequently promoted to Director--MIS in 1989.

ROBERT FINKELSTEIN joined The Children's Place in 1989 as Vice President, Merchandise Planning and Allocation. Immediately prior to joining The Children's Place, Mr. Finkelstein was a Director of Distribution for Payless Shoe Stores.

NINA L. MINER has been Vice President, Trend Development since August 1998, prior to which time she was Vice President, Design and Product Development since joining The Children's Place in 1990. Before joining The Children's Place, 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 Children's Place in 1991. Prior to joining The Children's Place, 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 Children's Place in 1990 and was promoted to Senior Product Buyer that year. Prior to joining The Children's Place, 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 Children's Place 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, Design and Product Development since August 1998, prior to which time she served as Vice President, Merchandising Manager since joining The Children's Place in 1991. Prior to joining The Children's Place, Ms. Timbanard held various merchandising and management positions, including Vice President of Merchandising for Macy's.

MICHAEL ZAHN has been Vice President, General Merchandise Manager since September 1998. Prior to joining The Children's Place, Mr. Zahn held various merchandising positions at Ann Taylor from 1995 to 1998. From 1992 to 1995, Mr. Zahn was a merchandiser with Warner Bros. Retail.

STANLEY SILVERSTEIN has been a Director of The Children's Place since July 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 the father of Nina Miner and is Ezra Dabah's father-in-law.

JOHN F. MEGRUE has been a Director of The Children's Place since July 1996. Since 1992, Mr. Megrue has been a Partner of Saunders Karp & Megrue Partners, L.L.C. (or its predecessor), which serves as the general partner of SKM Partners, L.P., which serves as the general partner of the SK Funds and SKM. 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 Children's Place since April 1997. Mr. Oddi joined SKM as an Associate in 1994 and is currently a Partner of Saunders Karp & Megrue Partners, L.L.C., which serves as the general partner of SKM Partners, L.P., which serves as the general partner of the SK Funds and SKM. Prior to joining SKM, Mr. Oddi served in the Leveraged Finance Group at Salomon Brothers Inc.

Our Board of Directors is comprised of three classes, each of which serves for three years, with one class being elected each year. The terms of Mr. Dabah and Mr. Megrue will expire at the 1999 Annual Meeting of Stockholders, scheduled to be held on August 3, 1999. Mr. Dabah and Mr. Megrue have each been nominated for reelection for a three year term. The term of Mr. Silver will expire at the 2000 Annual Meeting of Stockholders. The terms of Mr. Oddi and Mr. Silverstein will expire at the 2001 Annual Meeting of Stockholders. For a description of certain voting agreements relating to the selection of directors, see "Principal and Selling Stockholders--Stockholders Agreement."

PRINCIPAL AND SELLING STOCKHOLDERS

The following table provides information at July 15, 1999, and after giving effect to this offering (assuming the underwriters' over-allotment option is not exercised), with respect to ownership of Common Stock by (1) each beneficial owner of five percent or more of our Common Stock known to us, (2) each director of The Children's Place and nominee for director, (3) each of our five most highly compensated executive officers in fiscal 1998, (4) all directors and executive officers as a group and (5) each selling stockholder. 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 July 15, 1999 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.

	BEFORE OFFERING			AFTER OFFERING	
NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED	PERCENT OF CLASS	SHARES OFFERED HEREBY	SHARES BENEFICIALLY OWNED	PERCENT OF CLASS
The SK Equity Fund, L.P.(1)(2)	6,704,053	26.5%	1,971,400	4,704,053	18.6%
SK Investment Fund, L.P.(1)(2)	6,704,053	26.5%	28,600	4,704,053	18.6%
John F. Megrue(1)(2)(3)	6,706,053	26.5%		4,706,053	18.6%
Allan W. Karp(1)(2)(4)	6,706,053	26.5%		4,706,053	18.6%
Thomas A. Saunders III(1)(2)	6,704,053	26.5%		4,704,053	18.6%
David J. Oddi(1)(5)	3,000	*		3,000	*
Ezra Dabah(6)(7)	7,876,494	31.2%	500,000(8)	7,376,494	29.1%
Stanley B. Silver(6)(9)	574,450	2.3%	100,000	474,450	1.9%
Stanley Silverstein(6)(10)	5,681,860	22.5%	400,000 11)	5,281,860	20.9%
Clark Hinkley(6)(12)	80,000	*		80,000	*
Diane M. Timbanard(6)(12)	99,680	*		99,680	*
Nina L. Miner(6)(13)	296,020	1.2%		296,020	1.2%
All Directors and Executive Officers as a Group (17 persons)(12)	16,975,835	65.2%		13,975,835	53.6%

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* Less than 1%

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

(2) Includes (i) 6,608,268 shares owned by The SK Equity Fund, L.P., and (ii) 95,785 shares owned by SK Investment Fund, L.P. SKM Partners, L.P. is the general partner of each of the SK Funds. Messrs. Karp, Megrue and Saunders are Partners of Saunders Karp & Megrue Partners, L.L.C., which is the general partner 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 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.

(3) Includes 2,000 shares owned by Mr. Megrue.

(4) Includes 2,000 shares owned by Mr. Karp.

(5) Includes 3,000 shares owned by Mr. Oddi and does not include shares owned by The SK Equity Fund, L.P. or SK Investment Fund, L.P. Mr. Oddi is a Partner of Saunders Karp & Megrue Partners, L.L.C., which is the general partner of SKM Partners, L.P., which serves as the general

partner of the SK Funds and SKM and has a limited partnership interest in SK Investment Fund, L.P.

(6) The address of this person is c/o The Children's Place Retail Stores, Inc., 915 Secaucus Road, Secaucus, New Jersey 07094.

(7) Includes (i) 4,934,180 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, (ii) 2,864,850 shares owned by Mr. Dabah, (iii) 37,600 shares held by Mr. Dabah's wife, and (iv) 39,864 shares subject to options exercisable within 60 days after July 15, 1999. Does not include (i) 818,480 shares beneficially owned by Stanley Silverstein, Mr. Dabah's father-in-law, (ii) 58,520 shares issuable upon exercise of outstanding stock options exercisable within 60 days after July 15, 1999, which are beneficially owned by Nina Miner, Mr. Dabah's sister-in-law, (iv) 51,000 shares owned by Ms. Miner and (v) 4,000 shares owned by Ms. Miner's husband.

(8) Includes shares owned by Mr. Dabah and by various trusts for the benefit of Mr. Dabah's children, of which Mr. Dabah or Mr. Dabah's wife is a trustee.

(9) Includes (i) 315,250 shares owned by Mr. Silver, (ii) 129,200 shares issuable upon exercise of outstanding stock options exercisable within 60 days of July 15, 1999, (iii) 100,000 shares held by Mr. Silver's wife, as to which Mr. Silver disclaims beneficial ownership and (iv) 30,000 shares held by trusts for the benefit of Mr. Silver's children, of which Mr. Silver's wife is a trustee, and as to which Mrs. Silver has voting control, and as to which shares Mr. Silver disclaims beneficial ownership.

(10) Includes (i) 4,863,380 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 and (ii) 818,480 shares owned by Mr. Silverstein. Does not include (i) 2,902,450 shares beneficially owned by Ezra Dabah, Mr. Silverstein's son-in-law, or Mr. Dabah's wife, (ii) 39,864 shares issuable upon exercise of outstanding stock options exercisable within 60 days after July 15, 1999, which are beneficially owned by Mr. Dabah, (iii) 58,520 shares issuable upon exercise of outstanding stock options exercisable within 60 days after July 15, 1999, which are beneficially owned by Nina Miner, Mr. Silverstein's daughter, (iv) 51,000 shares owned by Ms. Miner and (v) 4,000 shares owned by Ms. Miner's husband.

(11) Includes shares owned by Mr. Silverstein and by various trusts for the benefit of Mr. Silverstein's children and grandchildren, of which Mr. Silverstein's wife is a trustee.

(12) Reflects shares issuable upon exercise of outstanding stock options exercisable within 60 days of July 15, 1999.

(13) Includes (i) 182,500 shares held by trusts for the benefit of Ms. Miner, (ii) 51,000 shares owned by Ms. Miner, (iii) 4,000 shares owned by Ms. Miner's husband, as to which Ms. Miner disclaims beneficial ownership, and (iv) 58,520 shares issuable upon exercise of outstanding stock options exercisable within 60 days of July 15, 1999.

As of July 15, 1999, Ezra Dabah and certain members of his family beneficially own 8,808,494 shares of our Common Stock, constituting approximately 34.7% of the outstanding Common Stock. The SK Funds own 6,704,053 shares or approximately 26.5% of the outstanding Common Stock. Pursuant to the Stockholders Agreement described below, Ezra Dabah, the SK Funds and certain other stockholders, who following this offering will continue to own in the aggregate approximately 50.7% of the outstanding Common Stock, have agreed to vote for the election of two nominees of the SK Funds and three nominees of Ezra Dabah to our Board of Directors. As a result, the SK Funds and Ezra Dabah are, and will continue to be, able to control the election of our directors. In addition, if the SK Funds and Mr. Dabah were to vote together, they would be able to substantially determine the outcome of any matter submitted to a vote of our stockholders for approval.

After giving effect to the offering of Common Stock in this prospectus, Ezra Dabah and certain members of his family will beneficially own 7,908,494 shares of our Common Stock, constituting approximately 31.2% of the outstanding Common Stock (7,773,494 shares or approximately 30.6% of the outstanding Common Stock if the underwriters' over-allotment option is fully exercised), and the SK Funds will own 4,704,053 shares or approximately 18.6% of the outstanding Common Stock (4,404,053 shares or approximately 17.4% of the outstanding Common Stock if the underwriters' over-allotment option is fully exercised).

STOCKHOLDERS AGREEMENT

The Children's Place and certain of our stockholders are parties to a Stockholders Agreement (the "Stockholders Agreement"). The Stockholders Agreement places certain limitations upon the transfer in privately negotiated transactions of shares of Common Stock beneficially owned by Ezra Dabah, Stanley Silver and the SK Funds. In addition, the Stockholders Agreement provides that (1) 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 Stockholders Agreement, the stockholders party to the Stockholders Agreement will be obligated to vote all shares as to which they have voting rights in a manner such that the Board of Directors will at all times include three directors nominated by Ezra Dabah and (2) so long as the SK Funds beneficially own shares representing at least 25% of the shares of Common Stock owned by such parties on the date of the Stockholders Agreement, the stockholders party to the Stockholders Agreement will be obligated to vote all shares as to which they have voting rights in a manner such that the Board of Directors will at all times include two directors nominated by the SK Funds. Should the number of directors comprising the Board of Directors be increased, nominees for the remaining director positions will be designated by our Board of Directors. Pursuant to the Stockholders Agreement, Ezra Dabah, Stanley Silver and Stanley Silverstein were designated as director nominees by Mr. Dabah and were elected to the Board of Directors, and John Megrue and David Oddi were designated as director nominees by the SK Funds and were elected to the Board of Directors.

The Stockholders Agreement provides that we will not, without the affirmative vote of at least one director nominated by the SK Funds, engage in specified types of transactions with certain of our affiliates (not including the SK Funds), take action to amend our ByLaws or Certificate of Incorporation or increase or decrease the size of the entire Board of Directors. The Stockholders Agreement also provides 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 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 of the Stockholders Agreement. All the provisions of the Stockholders Agreement will terminate when no party to the Stockholders Agreement beneficially owns shares representing at least 25% of the outstanding Common Stock owned by such party on the date of the Stockholders Agreement.

SHARES ELIGIBLE FOR FUTURE SALE

We have a total of 25,276,770 shares of Common Stock outstanding (excluding shares issuable pursuant to stock options). Of these shares, 9,933,684 shares of Common Stock (10,383,684 shares if the underwriters' over-allotment option is fully exercised), including the shares of Common Stock offered hereby, will be freely tradable following this offering without restriction or registration under the Securities Act by persons other than "affiliates" of The Children's Place, as defined in the Securities Act, who would be required to sell in compliance with the requirements of Rule 144 under the Securities Act. The remaining 15,343,086 shares of Common Stock outstanding (14,893,086 shares if the underwriters' over-allotment is fully exercised) are "restricted securities" as such term is defined by Rule 144 (the "Restricted Shares"). The Restricted Shares were issued and sold by us in private transactions in reliance upon exemptions from registration under the Securities Act.

Of the Restricted Shares, 2,538,673 shares are eligible for sale in the public market in reliance on Rule 144(k). The remaining 12,804,413 Restricted Shares are eligible for sale in the public market subject to the volume limitations under Rule 144. See "Plan of Distribution."

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 Children's Place, 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 252,768 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 Children's Place. In addition, a person who is not deemed to have been an affiliate of The Children's Place 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 subject only to the manner of sale provisions of Rule 144, and by affiliates subject to all provisions of Rule 144 except its one-year minimum holding period.

The Children's Place is party to an Amended and Restated Registration Rights Agreement pursuant to which the SK Funds and the other stockholders party thereto may demand registration under the Securities Act of shares of the Common Stock held by them at any time. We may postpone such a demand under certain circumstances. In addition, the stockholders party to the Amended and Restated Registration Rights Agreement may request that we include shares of the Common Stock held by them in any registration proposed by The Children's Place of such Common Stock under the Securities Act.

As of July 15, 1999, options to purchase a total of 1,155,466 shares of Common Stock pursuant to the 1996 Plan were outstanding with a weighted average exercise price of $4.93 per share. In addition, as of July 15, 1999, options to purchase a total of 825,090 shares of Common Stock pursuant to the 1997 Plan were outstanding with a weighted average exercise price of $14.75 per share.

Sales of substantial amounts of our Common Stock in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of our Common Stock and could impair our future ability to raise capital through an offering of our equity securities. See "Risk Factors--Potential Impact of Shares Eligible for Future Sale on Stock Price."

UNDERWRITING

GENERAL

The selling stockholders are offering our Common Stock through a number of underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC, Deutsche Bank Securities Inc., J.P. Morgan Securities Inc. and Thomas Weisel Partners LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in a purchase agreement among us, the selling stockholders and the underwriters, the selling stockholders have agreed to sell to the underwriters, and each of the underwriters severally and not jointly has agreed to purchase from the selling stockholders, the number of shares of common stock listed opposite its name below.

UNDERWRITER	NUMBER OF SHARES
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Banc of America Securities LLC	
Deutsche Bank Securities Inc.	
J.P. Morgan Securities Inc	
Thomas Weisel Partners LLC	
Total	3,000,000

In the purchase agreement, the underwriters have agreed, subject to the terms and conditions described in the agreement, to purchase all of the shares of Common Stock being sold if any of the shares of Common Stock being sold under the agreement are purchased. In the event of a default by an underwriter, the purchase agreement provides that, in certain circumstances, the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters against some liabilities, including some liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The shares of Common Stock are being offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by counsel for the underwriters and other conditions. The underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part.

COMMISSIONS AND DISCOUNTS

The representatives have advised us that the underwriters propose initially to offer the shares of Common Stock to the public at the public offering price set forth on the cover page of this prospectus, and to certain dealers at such price less a concession not in excess of $ per share of Common Stock. The underwriters may allow, and such dealers may reallow, a discount not in excess of $ per share of Common Stock to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the per share and total public offering price, underwriting discount to be paid by the selling stockholders to the underwriters and the proceeds before expenses to the selling stockholders. This information is presented assuming either no exercise or full exercise by the underwriters of their over-allotment option.

	PER SHARE	WITHOUT OPTION	WITH OPTION
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

Public offering price..
Underwriting discount..
Proceeds, before expenses, to the selling stockholders.................

The expenses of the offering, exclusive of the underwriting discount, are estimated at $ and are payable by the selling stockholders. A portion of the expenses will be reimbursed by the underwriters.

OVER-ALLOTMENT OPTION

The selling stockholders have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to an aggregate of 450,000 additional shares of our Common Stock at the public offering price described on the cover page of this prospectus, less the underwriting discount. The underwriters may exercise this option from time to time solely to cover over-allotments, if any, made on the sale of our Common Stock offered hereby. To the extent that the underwriters exercise this option, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares of our Common Stock proportionate to such underwriter's initial amount reflected in the foregoing table.

NO SALES OF SIMILAR SECURITIES

We, each of our officers and directors, and certain of our stockholders, including all of the selling stockholders, have agreed, subject to certain exceptions, not to offer, sell or otherwise dispose of any shares of Common Stock for a period of 90 days after the date of this prospectus without the prior written consent of the underwriters. Stockholders who have agreed to this lock-up arrangement hold an aggregate of 16,242,525 shares of Common Stock and options exercisable for 775,204 shares of Common Stock. The underwriters may, in their sole discretion and at any time without notice, release all or any portion of the shares subject to such lock-up agreements.

QUOTATION ON THE NASDAQ NATIONAL MARKET

Our Common Stock is quoted on the Nasdaq National Market under the symbol "PLCE."

PRICE STABILIZATION AND SHORT POSITIONS

Until the distribution of our Common Stock is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters and selling group members to bid for and purchase our Common Stock. As an exception to these rules, the representatives are permitted to engage in transactions that stabilize the price of our Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of our Common Stock.

If the underwriters create a short position in our Common Stock in connection with the offering, i.e., if they sell more shares of our Common Stock than are described on the cover page of this prospectus, the representatives may reduce that short position by purchasing our 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 a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither our company nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Common Stock. In addition, neither our 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.

PASSIVE MARKET MAKING

In connection with the offering, underwriters and selling group members may engage in passive market making transactions in the common stock on the Nasdaq National Market in accordance with Regulation M under the Exchange Act during a period before the commencement of offers or sales of Common Stock hereunder.

THOMAS WEISEL PARTNERS LLC

Thomas Weisel Partners LLC, one of the representatives of the underwriters, was organized and registered as a broker-dealer in December 1998. Since December 1998, Thomas Weisel Partners LLC has lead-managed one public offering of equity securities, co-managed 24 public offerings of equity securities and acted as an underwriter in an additional 19 public offerings of equity securities. Thomas Weisel Partners LLC does not have any material relationship with us or any of our officers, directors or controlling persons, except with respect to its contractual relationship with us pursuant to the Underwriting Agreement to be entered into in connection with this offering.

LEGAL MATTERS

The validity of the shares offered hereby will be passed upon for The Children's Place by Stroock & Stroock & Lavan LLP, New York, New York, and for the underwriters by Fried, Frank, Harris, Shriver & Jacobson (a partnership including professional corporations), New York, New York.

EXPERTS

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

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any documents we file at the SEC's public reference room in Washington, D.C. at 450 Fifth Street, N.W., Washington, D.C. 20549, or in the public reference rooms located in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public at the SEC's website at http://www.sec.gov.

The SEC allows us to "incorporate by reference" information from other documents that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information we later file with the SEC will automatically update and supersede this information. We incorporate by reference our Annual Report on Form 10-K for the fiscal year ended January 30, 1999, our Quarterly Report on Form 10-Q for the quarter ended May 1, 1999 and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, including any report which we file prior to the effective date of the registration statement referred to below.

You may request a copy of these filings, at no cost, by writing or telephoning us at The Children's Place Retail Stores, Inc., 915 Secaucus Road, Secaucus, New Jersey 07094, Attention: Investor Relations, telephone: (201) 558-2400.

We have filed with the SEC a registration statement on Form S-3 (the "Registration Statement") under the Securities Act, with respect to the shares offered pursuant to this prospectus. This prospectus, which constitutes a part of the Registration Statement, does not contain all the information set forth in the Registration Statement and exhibits thereto, certain portions of which have been omitted from this prospectus as permitted by the rules and regulations of the SEC. You may obtain copies of the Registration Statement and its amendments (including the omitted portions), including exhibits thereto, from the SEC upon payment of prescribed rates. For further information with respect to our Common Stock, we refer you to the Registration Statement and the exhibits thereto. Statements contained in this prospectus or the Registration Statement relating to the contents of any contract or other document filed as an exhibit to the Registration Statement are necessarily summaries of those documents and are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of those contracts and documents as filed with the SEC.

You should rely only on the information or representations provided in this prospectus or incorporated herein by reference. We have not authorized anyone else to provide you with different information. The selling stockholders will not offer the shares of our Common Stock in any state where the offer is not permitted. You should not assume that the information in this prospectus, including information incorporated herein by reference, is accurate as of any date other than the date on the cover page.

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

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 consolidated balance sheets of The Children's Place Retail Stores, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of January 31, 1998 and January 30, 1999 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three fiscal years in the period ended January 30, 1999. 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. and subsidiaries as of January 31, 1998 and January 30, 1999, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 30, 1999, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

New York, New York
February 22, 1999

THE CHILDREN'S PLACE RETAIL STORES, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	JANUARY 31, 1998	JANUARY 30, 1999	MAY 1, 1999 (UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 887	$ 16,370	$ 26,015
Accounts receivable	1,904	2,742	4,910
Inventories	20,334	35,339	28,187
Prepaid expenses and other current assets	4,612	5,622	7,570
Deferred income taxes	10,653	2,447	2,814
Total current assets	38,390	62,520	69,496
Property and equipment:			
Leasehold improvements	27,226	34,261	38,977
Store fixtures and equipment	16,219	23,825	28,238
Construction in progress	1,464	3,517	10,273
	44,909	61,603	77,488
Less accumulated depreciation and amortization	(12,788)	(19,299)	(22,036)
Property and equipment, net	32,121	42,304	55,452
Deferred income taxes	8,244	5,144	5,144
Other assets	598	793	2,454
Total assets	$ 79,353	$ 110,761	$ 132,546
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Current liabilities:			
Revolving credit facility	$ 1,089	$ 0	$ 0
Accounts payable	9,471	13,345	19,060
Accrued expenses, interest and other current liabilities	7,592	13,644	21,349
Total current liabilities	18,152	26,989	40,409
Other long-term liabilities	2,734	3,165	3,334
Total liabilities	20,886	30,154	43,743
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Common stock, $0.10 par value	2,462	2,497	2,519
Additional paid-in capital	82,589	84,032	84,824
Translation adjustments	0	0	(1)
Retained earnings (deficit)	(26,584)	(5,922)	1,461
Total stockholders' equity	58,467	80,607	88,803
Total liabilities and stockholders' equity	$ 79,353	$ 110,761	$ 132,546

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FISCAL YEAR ENDED			THREE MONTHS ENDED	
	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999	MAY 2, 1998	MAY 1, 1999
				(UNAUDITED)	(UNAUDITED)
Net sales	$ 143,838	$ 192,557	$ 283,853	$ 55,999	$ 92,621
Cost of sales	90,071	123,556	166,449	34,084	53,298
Gross profit	53,767	69,001	117,404	21,915	39,323
Selling, general and administrative expenses	35,966	46,451	70,313	14,460	22,594
Pre-opening costs	982	2,127	3,030	1,110	1,201
Depreciation and amortization	4,017	5,958	8,607	1,663	3,296
Operating income	12,802	14,465	35,454	4,682	12,232
Interest expense (income), net	2,884	2,647	324	59	(150)
Other expense, net	396	139	110	0	5
Income before income taxes and extraordinary item	9,522	11,679	35,020	4,623	12,377
Provision (benefit) for income taxes	(20,919)	4,695	14,358	1,881	4,994
Income before extraordinary item	30,441	6,984	20,662	2,742	7,383
Extraordinary loss on extinguishment of debt, net	0	1,743	0	0	0
Net income	$ 30,441	$ 5,241	$ 20,662	$ 2,742	$ 7,383
Basic income per common share before extraordinary item		$ 0.32	$ 0.83	$ 0.11	$ 0.29
Extraordinary item		(0.08)	0.00	0.00	0.00
Basic net income per common share		$ 0.24	$ 0.83	$ 0.11	$ 0.29
Basic weighted average common shares outstanding		21,821	24,788	24,660	25,114
Diluted income per common share before extraordinary item		$ 0.29	$ 0.80	$ 0.11	$ 0.28
Extraordinary item		(0.07)	0.00	0.00	0.00
Diluted net income per common share		$ 0.22	$ 0.80	$ 0.11	$ 0.28
Diluted weighted average common shares outstanding		24,358	25,909	25,605	26,620

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

THE CHILDREN'S PLACE RETAIL STORES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED FEBRUARY 1, 1997, JANUARY 31, 1998 AND JANUARY 30, 1999 AND
FOR THE THREE MONTHS ENDED MAY 1, 1999
(IN THOUSANDS)

	PREFERRED STOCK		COMMON STOCK		SERIES A COMMON STOCK		SERIES B COMMON STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE, February 3, 1996.....	10	$ 10	137	$ 14	0	$ 0	0	$ 0
Surrendered preferred stock...	(10)	(10)	0	0	0	0	0	0
Exercise of stock options.....	0	0	3	0	0	0	0	0
Issuance of warrants..........	0	0	0	0	0	0	0	0
Conversion of common stock to Series A Common Stock.......	0	0	(140)	(14)	16,800	1,680	0	0
Issuance of Series B Common Stock, net of transaction costs.......................	0	0	0	0	0	0	47	5
Redemption of Series A Common Stock.......................	0	0	0	0	(4,039)	(404)	0	0
Net income....................	0	0	0	0	0	0	0	0
Comprehensive income..........	0	0	0	0	0	0	0	0
BALANCE, February 1, 1997.....	0	0	0	0	12,761	1,276	47	5
Return of funds toward common stock subscription..........	0	0	0	0	0	0	0	0
Series B Common Stock conversion..................	0	0	0	0	7,660	766	(47)	(5)
Series A Common Stock conversion..................	0	0	20,421	2,042	(20,421)	(2,042)	0	0
Issuance of Common Stock......	0	0	4,000	400	0	0	0	0
Transaction fees..............	0	0	0	0	0	0	0	0
Redemption of Noteholder Warrant.....................	0	0	0	0	0	0	0	0
Redemption of two-thirds of Legg Mason Warrant..........	0	0	0	0	0	0	0	0
Exercise of one-third of Legg Mason Warrant...............	0	0	201	20	0	0	0	0
Net income....................	0	0	0	0	0	0	0	0
Comprehensive income..........	0	0	0	0	0	0	0	0
BALANCE, January 31, 1998.....	0	0	24,622	2,462	0	0	0	0
Exercise of stock options and employee stock purchases....	0	0	351	35	0	0	0	0
Net income....................	0	0	0	0	0	0	0	0
BALANCE, January 30, 1999.....	0	0	24,973	2,497	0	0	0	0
Exercise of stock options and employee stock purchases....	0	0	221	22	0	0	0	0
Translation adjustments.......	0	0	0	0	0	0	0	0
Net income....................	0	0	0	0	0	0	0	0
Comprehensive income..........	0	0	0	0	0	0	0	0
BALANCE, May 1, 1999 (unaudited)................	0	$ 0	25,194	$2,519	0	$ 0	0	$ 0

	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TREASURY STOCK		TRANSLATION ADJUSTMENTS	TOTAL STOCKHOLDERS' EQUITY	COMPREHENSIVE INCOME
			SHARES	AMOUNT			
BALANCE, February 3, 1996.....	$ 50,557	$(62,266)	(3)	$(50)	$ 0	$(11,735)	
Surrendered preferred stock...	10	0	0	0	0	0	
Exercise of stock options.....	123	0	3	50	0	173	
Issuance of warrants..........	1,501	0	0	0	0	1,501	
Conversion of common stock to Series A Common Stock.......	(1,666)	0	0	0	0	0	
Issuance of Series B Common Stock, net of transaction costs.......................	18,758	0	0	0	0	18,763	
Redemption of Series A Common Stock.......................	(11,441)	0	0	0	0	(11,845)	
Net income....................	0	30,441	0	0	0	30,441	$30,441
Comprehensive income..........	0	0	0	0	0	0	$30,441
BALANCE, February 1, 1997.....	57,842	(31,825)	0	0	0	27,298	
Return of funds toward common stock subscription..........	(488)	0	0	0	0	(488)	
Series B Common Stock conversion..................	(761)	0	0	0	0	0	
Series A Common Stock conversion..................	0	0	0	0	0	0	
Issuance of Common Stock......	51,680	0	0	0	0	52,080	
Transaction fees..............	(1,350)	0	0	0	0	(1,350)	

Redemption of Noteholder Warrant	(20,605)	0	0	0	0	(20,605)	
Redemption of two-thirds of Legg Mason Warrant	(4,269)	0	0	0	0	(4,269)	
Exercise of one-third of Legg Mason Warrant	540	0	0	0	0	560	
Net income	0	5,241	0	0	0	$ 5,241	$ 5,241
Comprehensive income	0	0	0	0	0	0	$ 5,241
BALANCE, January 31, 1998	82,589	(26,584)	0	0	0	58,467	
Exercise of stock options and employee stock purchases	1,443	0	0	0	0	1,478	
Net income	0	20,662	0	0	0	20,662	
BALANCE, January 30, 1999	84,032	(5,922)	0	0	0	80,607	
Exercise of stock options and employee stock purchases	792	0	0	0	0	814	
Translation adjustments	0	0	0	0	(1)	(1)	(1)
Net income	0	7,383	0	0	0	7,383	$ 7,383
Comprehensive income	0	0	0	0	0	0	$ 7,382
BALANCE, May 1, 1999 (unaudited)	$ 84,824	$ 1,461	0	$ 0	$ (1)	$ 88,803	

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	FISCAL YEAR ENDED			THREE MONTHS ENDED	
	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999	MAY 2, 1998	MAY 1, 1999
				(UNAUDITED)	(UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 30,441	$ 5,241	$ 20,662	$ 2,742	$ 7,383
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	4,017	5,958	8,607	1,663	3,296
Deferred financing fee amortization	359	405	25	6	6
Loss on disposals of property and equipment	0	164	803	216	272
Extraordinary loss	0	1,743	0	0	0
Deferred taxes	(21,263)	4,205	11,959	1,711	(367)
Changes in operating assets and liabilities:					
Accounts receivable	(249)	(1,014)	(838)	(1,036)	(2,168)
Inventories	(1,812)	(5,909)	(15,005)	2,357	7,152
Prepaid expenses and other current assets	(814)	(1,449)	(1,010)	(650)	(1,948)
Other assets	(128)	(445)	(519)	(135)	(1,702)
Accounts payable	(4,536)	1,149	3,874	(285)	5,715
Accrued expenses, interest and other	2,045	1,299	6,401	1,985	6,477
Payment of restructuring charges	(214)	0	0	0	0
Total adjustments	(22,595)	6,106	14,297	5,832	16,733
Net cash provided by operating activities	7,846	11,347	34,959	8,574	24,116
CASH FLOWS FROM INVESTING ACTIVITIES:					
Property and equipment purchases	(8,492)	(17,183)	(19,841)	(5,048)	(15,283)
Net cash used in investing activities	(8,492)	(17,183)	(19,841)	(5,048)	(15,283)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net proceeds from the sale of Common Stock	0	50,730	0	0	0
Repurchase of Noteholder and Legg Mason Warrants	0	(25,757)	0	0	0
Borrowings under revolving credit facility	141,907	193,210	143,155	11,634	7,864
Repayments under revolving credit facility	(150,596)	(192,121)	(144,244)	(12,723)	(7,864)
Proceeds from issuance of long-term debt	20,000	0	0	0	0
Repayment of long-term debt	(12,821)	(21,360)	0	0	0
Payment of obligations under capital leases	(690)	(838)	(24)	(6)	(2)
Return of funds toward common stock subscription	0	(488)	0	0	0
Redemption of Series A Common Stock	(11,845)	0	0	0	0
Net proceeds from sale of Series B Common Stock	18,763	0	0	0	0
Exercise of stock options and employee stock purchases	173	0	1,478	252	814
Deferred financing costs	(1,392)	(75)	0	0	0
Net cash provided by financing activities	3,499	3,301	365	(843)	812
Net increase (decrease) in cash and cash equivalents	2,853	(2,535)	15,483	2,683	9,645
Cash and cash equivalents, beginning of period	569	3,422	887	887	16,370
Cash and cash equivalents, end of period	$ 3,422	$ 887	$ 16,370	$ 3,570	$ 26,015
OTHER CASH FLOW INFORMATION:					
Cash paid during the year for interest	$ 2,369	$ 2,551	$ 439	$ 70	$ 31
Cash paid during the year for income taxes	70	607	2,085	172	1,280

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL INFORMATION RELATING TO THE THREE MONTHS ENDED MAY 2, 1998 AND MAY 1, 1999 IS UNAUDITED.)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company is a specialty retailer of apparel and accessories for children from newborn to twelve years of age. The Company designs, sources and markets its products under "The Children's Place" brand name for sale exclusively in its stores. As of July 15, 1999, the Company operated 254 stores in 31 states, located primarily in regional shopping malls in the eastern half of the United States, with 20 of the stores in operation west of the Mississippi River.

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 1996, 1997 and 1998 represent the 52-week periods ended February 1, 1997, January 31, 1998 and January 30, 1999, 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 amounts of revenues and expenses reported during the period. Actual results could differ from the estimates made by and assumptions used by management.

CONSOLIDATION

The consolidated financial statements include the accounts of The Children's Place Retail Stores, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

RECLASSIFICATIONS

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

CASH AND CASH EQUIVALENTS

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.

COST OF SALES

In addition to the cost of inventory sold, the Company includes its buying, distribution and occupancy expenses in its cost of sales.

1. 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 third-party financing. Deferred financing costs are included in other assets and are amortized over the term of the indebtedness. As of January 30, 1999, unamortized deferred financing costs represent the cost of acquiring the Company's working capital revolving credit facility and were approximately $75,000, net of accumulated amortization of $38,000. See Note 2--Initial Public Offering for a discussion of the write-off of unamortized deferred financing costs in conjunction with the Company's initial public offering.

ACCOUNTING FOR IMPAIRMENT OF LONG-LIVED ASSETS

The Company continually evaluates the carrying value and the economic useful lives of its long-lived assets based on the Company's operating performance and the expected undiscounted future net cash flows and adjusts the carrying value 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 marketing expenses, are expensed as incurred.

ADVERTISING COSTS

The Company expenses the cost of advertising over the period when the advertising is run or displayed. Included in selling, general and administrative expenses for fiscal 1996, 1997 and 1998 are advertising costs of $1,706,000, $2,004,000 and $3,526,000 respectively.

RESTRUCTURING

The payment of restructuring costs included in the statement of cash flows for fiscal 1996 reflects the payments of restructuring charges which were recorded by the Company prior to fiscal 1994. These payments represented the resolution of lease and vendor payment agreements.

INCOME TAXES

The Company computes income taxes using the liability method. 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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
differences result primarily from accelerated depreciation and amortization for tax purposes and various accruals and reserves being deductible for future tax periods.

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.

ACCOUNTING FOR STOCK BASED COMPENSATION

The Company accounts for its 1996 Stock Option Plan (the "1996 Plan"), its 1997 Stock Option Plan (the "1997 Plan") and its Employee Stock Purchase Plan (the "ESPP") under the provisions of Accounting Principles Bulletin No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Refer to Note 10--Stock Option and Purchase Plans for pro forma disclosures required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123").

ACCOUNTING FOR COMPREHENSIVE INCOME

In the first quarter of 1998, the Company adopted Statement of Accounting Standard No. 130, "Reporting Comprehensive Income ("SFAS 130"). Under SFAS 130, the Company is required to present comprehensive income on its primary financial statements. Other comprehensive income represents revenues, expenses, gains and losses that bypass the income statement, such as gains and losses due to foreign currency conversions. The Company is required to display the cumulative effect of other comprehensive income items as a separate component of stockholder's equity, and present the components of other comprehensive income in its income statement or statement of stockholders equity.

ACCOUNTING FOR FOREIGN CURRENCY

The Company has determined that the local currency of its international subsidiary is the functional currency. In accordance with Statement of Accounting Standards No. 52, "Foreign Currency Translation," the assets and liabilities denominated in foreign currency are translated into U.S. dollars at the current rate of exchange existing at period-end and revenues and expenses are translated at average monthly exchange rates. Related translation adjustments are reported as a separate component of stockholders' equity.

UNAUDITED INTERIM FINANCIAL INFORMATION

All information with respect to the balance sheet as of May 1, 1999 and the statements of income, change in stockholders' equity and cash flows for the three months ended May 2, 1998 and the three

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

months ended May 1, 1999 is unaudited and has been prepared in accordance with generally accepted accounting principles for interim 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 January 30, 1999. Certain information and footnote disclosures normally included in the 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 three months ended May 1, 1999 are not necessarily indicative of the results of operations that may be expected for the full year.

NET INCOME PER COMMON SHARE

The Company reports its earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share," ("SFAS 128"), which requires the presentation of both basic and diluted earnings per share on the statements of income. The Company adopted SFAS 128 during fiscal 1997. During fiscal 1996, the Company was not publicly traded and due to the significant change in capital structure resulting from the Private Placement (as discussed in Note 3--1996 Private Placement), earnings per share for that year is not presented due to a lack of comparability.

Basic income per common share for fiscal 1997 was calculated by dividing net income by the basic weighted average common shares outstanding as if the Stock Split, the Series B Conversion and the Reclassification (as discussed in Note 2--Initial Public Offering), occurred on the first day of fiscal 1997.

Diluted income per common share for fiscal 1997 was calculated by dividing net income by the diluted weighted average common shares and common share equivalents outstanding as if the Stock Split, the Series B Conversion and the Reclassification occurred on the first day of fiscal 1997. For fiscal 1997, common share equivalents included the Noteholder Warrant and Legg Mason Warrant (each as discussed in Note 2--Initial Public Offering) prior to their exercise and management options to purchase common stock under the 1996 Plan and the 1997 Plan calculated using the treasury stock method at an assumed public offering price of $14.00 prior to the initial public offering and, after the initial public offering, at the average market price in accordance with SFAS 128.

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

In accordance with SFAS 128, the following table reconciles income and share amounts utilized to calculate basic and diluted net income per common share:

	FOR THE FISCAL YEAR ENDED		FOR THE THREE MONTHS ENDED	
	JANUARY 31, 1998	JANUARY 30, 1999	MAY 2, 1998 (UNAUDITED)	MAY 1, 1999 (UNAUDITED)
Net income (in thousands)	$ 5,241	$ 20,662	$ 2,742	$ 7,383
Basic weighted average common shares	21,821,160	24,787,698	24,660,493	25,114,287
Dilutive effect of stock options	2,536,495	1,120,901	944,322	1,505,559
Diluted weighted average common shares	24,357,655	25,908,599	25,604,815	26,619,846
Antidilutive options	183,753	223,807	534,040	14,000

Antidilutive options consist of the weighted average of stock options for the respective periods ended January 31, 1998, January 30, 1999, May 2, 1998 and May 1, 1999 that had an exercise price greater than the average market price during the period. Such options are therefore excluded from the computation of diluted shares.

DERIVATIVE INSTRUMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS 133 is effective for fiscal years beginning after June 15, 1999 with early adoption permitted. The Company does not expect that the adoption of SFAS 133 will have a material impact on its financial statements.

2. INITIAL PUBLIC OFFERING

On September 18, 1997, the Company sold 4,000,000 shares of Common Stock at $14.00 per share in an initial public offering (the "Offering") pursuant to a registration statement filed on Form S-1 (No. 333-31535) with the Securities and Exchange Commission and in its prospectus dated September 18, 1997 (the "Prospectus"). The Company used the net proceeds of $50.7 million, after deducting the underwriters' discount of $3.9 million and transaction expenses of $1.4 million, from this Offering to (i) pay the principal amount of, and accrued interest on, the Senior Subordinated Notes held by Nomura Holding America Inc., (the "Noteholder") of $20.6 million, (ii) repurchase a warrant held by the Noteholder (the "Noteholder Warrant"), for $20.6 million, (iii) repurchase two-thirds of a warrant held by Legg Mason Wood Walker, Incorporated (the "Legg Mason Warrant") for $5.2 million, and (iv) reduce borrowings outstanding under the Company's working capital revolving credit facility (the "Foothill Credit Facility") with the remainder of the net proceeds. The Senior Subordinated Notes, the Noteholder Warrant and the Legg Mason Warrant were issued in conjunction with a 1996 recapitalization of the Company (as discussed in Note 3--1996 Private Placement).

2. INITIAL PUBLIC OFFERING (CONTINUED)

The Senior Subordinated Notes were prepaid without a prepayment premium since concurrent with the prepayment the Noteholder was afforded the opportunity to sell its Noteholder Warrant. The Company has had no long-term debt other than obligations under capital leases as a result of the Offering.

As a result of the repayment of the Senior Subordinated Notes, the Company incurred a non-cash, extraordinary charge to earnings during the third quarter of Fiscal 1997 of $1.7 million, resulting from the write-off of unamortized deferred financing costs of $1.4 million and unamortized debt discount of $1.5 million, net of a $1.2 million tax benefit.

The repurchase price of the Noteholder Warrant and two-thirds of the Legg Mason Warrant was equal to the initial public offering price of $14.00 per share, less the per share underwriting discount and exercise price of $2.677 per warrant, multiplied by the number of shares covered by the warrant (or portion thereof) being repurchased. The repurchase in cash of the Noteholder Warrant and two-thirds of the Legg Mason Warrant was accounted for as a reduction of additional paid-in capital. The repurchase in cash of two-thirds of the Legg Mason Warrant was recorded net of deferred tax benefits of $0.9 million.

Concurrent with the Offering, the Company effected a 120-for-one stock split of the Series A Common Stock (the "Stock Split"), and converted all outstanding shares of the Series B Common Stock into 7,659,889 shares of Series A Common Stock (the "Series B Conversion") and redesignated the Series A Common Stock as Common Stock ("the Reclassification"). The Company also issued 201,414 shares of Common Stock upon the cashless exercise of one-third of the Legg Mason Warrant. The cashless exercise of one-third of the Legg Mason Warrant was recorded net of deferred tax benefits of $0.6 million.

At the time of the Offering, the Company also amended and restated its certificate of incorporation and bylaws in order to, among other things, (i) effect the Stock Split, the Series B Conversion and the Reclassification, (ii) authorize 100,000,000 shares of Common Stock, $0.10 par value per share, (iii) authorize 1,000,000 shares of Preferred Stock, $1.00 par value per share, and (iv) provide for certain anti-takeover provisions. The Company also entered into an amended and restated stockholders agreement with all of its existing stockholders. In addition, the Company adopted the 1997 Plan and the ESPP.

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 Company sold, 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 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 was accounted for as a credit to additional paid-in capital, net of income tax effect of $0.8 million, and a discount to the Senior

3. 1996 PRIVATE PLACEMENT (CONTINUED)

Subordinated Notes, and was 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 $0.3 million.

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 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.

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 Company's revolving credit facility 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 $0.7 million. 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. This amount was credited to additional paid-in capital and capitalized as deferred financing costs in other assets, and was amortized over the term of the Senior Subordinated Notes.

As discussed in Note 2--Initial Public Offering, the Company paid the principal and accrued interest on its Senior Subordinated Notes and repurchased in cash the Noteholder Warrant and two-thirds of the Legg Mason Warrant with a portion of the net proceeds of the Offering. In addition, the Company issued 201,414 shares of Common Stock upon the cashless exercise of the remaining one-third of the Legg Mason Warrant and also effected the Series B Conversion of the stock issued to SKM.

4. SHORT-TERM BORROWINGS

WORKING CAPITAL REVOLVING CREDIT FACILITY

The Company has a working capital revolving credit facility (the "Foothill Credit Facility") with Foothill Capital Corporation ("Foothill Capital"). As of May 1, 1999, the Foothill Credit Facility provided for up to $30.0 million in borrowings which included a sublimit of up to $20.0 million in letters of credit. The Company had $1.1 million outstanding under the Foothill Credit Facility as of January 31, 1998 and had no outstanding borrowings as of January 30, 1999 and May 1, 1999. Letters of credit outstanding as of January 31, 1998, January 30, 1999 and May 1, 1999 were $5.7 million, $10.6 million and $14.3 million, respectively. Availability as of January 31, 1998, January 30, 1999 and May 1, 1999 was $15.8 million, $19.3 million and $15.7 million respectively.

The availability of borrowings under the Foothill Credit Facility are 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

4. SHORT-TERM BORROWINGS (CONTINUED)

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 Foothill Credit Facility are secured by a first priority security interest on the Company's present and future assets.

The 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 imposes certain limitations on the Company's annual capital expenditures, as defined in the Foothill Credit Facility, as well as a prohibition on the payment of dividends. As of January 30, 1999, the Company was in compliance with all of its 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 Foothill Credit Facility bear interest at a floating rate equal to the prime rate or, at the Company's option, the 30-day LIBOR Rate plus a pre-determined spread. As of January 31, 1998, January 30, 1999 and May 1, 1999, the interest rate charged under the Foothill Credit Facility was 8.50%, 7.75% and 7.75%, respectively. In addition, the Company was also required to pay an anniversary fee of $100,000 and $75,000 during fiscal 1997 and fiscal 1998, respectively.

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

	FOR THE FISCAL YEAR ENDED	
	JANUARY 31, 1998	JANUARY 30, 1999
Weighted average balances outstanding	$ 5,266	$ 4,744
Weighted average interest rate	9.40%	7.50%
Maximum balance outstanding	$ 16,440	$ 15,994

5. ACCRUED EXPENSES, INTEREST AND OTHER CURRENT LIABILITIES

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

	JANUARY 31, 1998	JANUARY 30, 1999	MAY 1, 1999
			(UNAUDITED)
Accrued salaries and benefits	$ 2,034	$ 3,999	$ 4,247
Accrued real estate expenses	1,317	1,845	2,421
Accrued professional fees	787	1,293	896
Customer liabilities	836	1,497	1,550
Income taxes payable	186	941	5,022
Accrued taxes other than income	358	793	1,341
Accrued capital expenditures	855	309	1,852
Other accrued expenses	1,219	2,967	4,020
Accrued expenses, interest and other current liabilities	$ 7,592	$ 13,644	$ 21,349

6. COMMITMENTS AND CONTINGENCIES

The Company leases all of its stores and distribution facilities, and certain office equipment, store fixtures and automobiles, under leases expiring at various dates through 2014. Certain leases include options to renew. The leases require fixed minimum annual rental payments plus, under the terms of certain leases, additional payments for taxes, other expenses and additional rent based upon sales.

Rent expense is as follows (dollars in thousands):

	FISCAL YEAR ENDED		
	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999
Store and distribution facility rent:			
Minimum rentals	$ 11,221	$ 16,037	$ 23,022
Additional rent based upon sales	195	242	351
Total rent expense	$ 11,416	$ 16,279	$ 23,373

Future minimum annual lease payments under the Company's operating leases with initial or remaining terms of one year or more, at January 30, 1999, are as follows (dollars in thousands):

	OPERATING LEASES
Fiscal year-	
1999	$ 31,457
2000	32,612
2001	30,150
2002	29,717
2003	28,051
Thereafter	115,352
Total minimum lease payments	$ 267,339

7. LITIGATION

STOCKHOLDER LITIGATION

On October 16, 1997, Stephen Brosious and Rudy Pallastrone, who allegedly purchased shares of the Company's common stock in an initial public offering in September 1997 (the "IPO"), filed a lawsuit against the Company, several of the Company's directors and officers, and the underwriters of the IPO (the "Defendants") in the United States District Court of the District of New Jersey (the "Court"). The named plaintiffs purport to maintain a class action on behalf of all persons, other than the Defendants, who purchased the Company's common stock issued in connection with the IPO on or about September 19, 1997 through October 13, 1997. The complaint alleges that the Defendants violated federal securities laws by making materially false or misleading statements and/or omissions in connection with the IPO. The plaintiffs seek monetary damages of an unspecified amount, rescission or rescissory damages and fees and costs. Since October 16, 1997, 15 additional putative class actions making substantially similar allegations and seeking substantially similar relief have been filed against some or all of the Defendants. On or about January 13, 1998, the 16 putative class actions were

7. LITIGATION (CONTINUED)

consolidated in the Court and on February 26, 1998, the plaintiffs served and filed their amended consolidated complaint. On April 16, 1998, the Defendants moved to dismiss the complaint. On September 4, 1998, the Court entered an order granting the motion to dismiss in part and denying in part. The Court also dismissed the case against the underwriters without prejudice. On October 5, 1998, the plaintiffs filed an amended complaint against the Defendants including the underwriters. The Company filed its answer to the amended complaint on October 26, 1998. The parties have commenced discovery.

On October 27, 1997, Bulldog Capital Management, L.P., a limited partnership that serves as a general partner for a series of investment funds which allegedly purchased shares of the Company's common stock issued in connection with the IPO, also filed a lawsuit against the Company and several of the Company's directors and officers in the Superior Court of New Jersey, Essex County Division. The complaint also alleges that by making materially false or misleading statements and/or omissions in connection with the IPO, the Company and several of the Company's directors and officers violated provisions of federal and state law. The plaintiff seeks monetary damages of an unspecified amount, rescission or rescissory damages and fees and costs. This action and the federal action described above have been coordinated for purposes of discovery.

The Company believes that the allegations made in the complaints described above are untrue and totally without merit and intends to defend them vigorously. The Company does not believe that any ultimate liability arising out of the actions described above will have a material adverse effect on its business; however the Company can give no assurance as to the ultimate resolution of the proceedings or the amount to be paid, if any, in the disposition of the actions.

OTHER LITIGATION

In May 1999, the Company relocated its distribution center operations to its new distribution center and corporate headquarters facility in Secaucus, New Jersey. The Company is moving the corporate headquarters staff to the new facility in July 1999. The lease for the Company's West Caldwell facility expired May 31, 1999. Although management believed it had an arrangement with the West Caldwell landlord to continue to occupy the premises through the end of July 1999, the landlord has recently disputed the existence of such an arrangement and has commenced legal proceedings against The Children's Place in the Superior Court of New Jersey Law Division seeking possession of the premises. The Company entered into a confession of judgment pursuant to which it is required to vacate the West Caldwell facility by July 31, 1999.

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

8. INCOME TAXES

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

	FISCAL YEAR ENDED		
	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999
Current-			
Federal	$ 244	$ 158	$ 799
State	100	332	1,600
Deferred-			
Federal	859	3,679	10,209
State	249	526	1,750
Valuation allowance	(22,371)	0	0
Provision (benefit) for income taxes	$ (20,919)	$ 4,695	$ 14,358

The deferred portion of the tax provision for the fiscal year ended January 31, 1998 excludes (i) a tax benefit of $1.2 million recorded against the extraordinary charge to earnings resulting from the write-off of deferred financing costs and unamortized debt discount (see Note 2--Initial Public Offering), and (ii) a tax benefit of $1.4 million resulting from the repurchase and exercise of the Legg Mason Warrant recorded as paid-in capital.

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):

	FISCAL YEAR ENDED		
	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999
Calculated income tax provision	$ 3,333	$ 4,088	$ 12,257
Reversal of valuation allowance	(21,042)	0	0
Utilization of operating loss carryforwards	(3,540)	0	0
State income taxes, net of federal benefit	259	583	2,101
Nondeductible expenses	24	30	(160)
Other	47	(6)	160
Tax provision (benefit) as shown on the statements of income	$ (20,919)	$ 4,695	$ 14,358

Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes as measured by tax laws.

8. 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):

	JANUARY 31, 1998	JANUARY 30, 1999
Current-		
Uniform inventory capitalization	$ 247	$ 832
Inventory	166	941
Expenses not currently deductible	360	638
Net operating loss carryforwards	9,880	36
Total current	$ 10,653	$ 2,447
Noncurrent-		
Depreciation	1,496	2,424
Deferred rent	1,093	1,458
Net operating loss carryforwards	5,230	0
Alternative minimum tax credit	425	1,262
Total noncurrent	$ 8,244	$ 5,144
Total deferred tax asset	$ 18,897	$ 7,591

As a result of the Company's improved operating results during the second half of fiscal 1996, the Company reversed its valuation allowance of $21.0 million, as it was deemed to be more likely than not that the deferred tax assets would be utilized. Accordingly, the Company's net income for fiscal 1997 and fiscal 1998 required the calculation of a tax provision based on statutory rates in effect.

Until the NOLs are fully utilized or expire, the majority of the 1998 tax provision will not be paid in cash, but will reduce the deferred tax asset on the balance sheet. However, the Company expects to make cash tax payments of approximately $2.3 million for its fiscal 1998 taxes related to payments of federal Alternative Minimum Tax ("AMT"), state minimum taxes and state taxes where the Company is not in an NOL status. The Company expects to utilize its remaining NOL carryforwards during fiscal 1999. The amount and availability of these NOLs are subject to review by the Internal Revenue Service.

9. STOCKHOLDERS' EQUITY

The Company's stockholders' equity is comprised of the following (dollars in thousands):

	JANUARY 31, 1998	JANUARY 30, 1999	MAY 1, 1999 (UNAUDITED)
Common stock:			
Authorized number of shares, $0.10 per value	100,000,000	100,000,000	100,000,000
Issued and outstanding number of shares	24,622,103	24,972,901	25,193,565
Preferred stock:			
Authorized number of shares	1,000,000	1,000,000	1,000,000
Issued and outstanding number of shares	0	0	0

10. STOCK OPTION AND PURCHASE PLANS

STOCK OPTION PLANS

Effective February 1, 1997, the Company adopted the provisions of SFAS 123 in accounting for its stock option plans, which are described below. 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 fiscal 1996, 1997 and 1998 had been determined based on the fair value method of accounting, the Company's net income would have been reduced to the pro forma amounts indicated below for the three fiscal years in the period ended January 30, 1999:

	FISCAL YEAR ENDED		
	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999
Net income-			
As reported	$ 30,441,000	$ 5,241,000	$ 20,662,000
Pro forma	$ 30,210,000	$ 4,385,000	$ 19,042,000
Pro forma diluted net income per share-			
As reported		$0.22	$0.80
Pro forma		$0.18	$0.73

10. STOCK OPTION AND PURCHASE PLANS (CONTINUED)

The fair value of issued stock options were estimated on the date of grant using the Black-Scholes option pricing model, incorporating the following assumptions:

	FEBRUARY 1, 1997	JANUARY 31, 1998	JANUARY 30, 1999
Dividend yield	0%	0%	0%
Volatility factor	0%	36.56%	45.00%
Weighted average risk-free interest rate	6.46%	6.02%	5.17%
Expected life of options	5 years	5 years	5 years
Weighted average fair value on grant date	$ 0.74 per share	$ 5.82 per share	$ 3.52 per share

On June 28, 1996, the Company approved the adoption of the 1996 Plan, which authorized the granting of incentive stock options and nonqualified stock options to key employees of the Company. The 1996 Plan provided for the granting of options with respect to 1,743,240 shares of Common Stock. On September 17, 1997, the Company approved adoption of the 1997 Plan, which also authorizes the granting of incentive stock options and nonqualified stock options to key employees of the Company with respect to an additional 1,000,000 shares of Common Stock. As of January 30, 1999, there were no shares available for grant under the 1996 Plan and 215,240 shares available for grant under the 1997 Plan.

Both the 1996 Plan and the 1997 Plan are administered by the Board of Directors. Options granted under the 1996 Plan and the 1997 Plan have exercise prices established by the Board of Directors 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 and the 1997 Plan also contain certain provisions that require the exercise price of incentive stock options granted to stockholders owning greater than 10% of the Company be at least 110% of the fair market value of the underlying shares.

The Company issued options to key employees in fiscal 1996 in conjunction with the 1996 Private Placement and in fiscal 1997 in conjunction with the Offering. During fiscal 1998, the 931,500 options granted were comprised of (i) 363,700 options that were canceled and re-granted on March 26, 1998, (ii) 290,000 options that were granted to officers hired during fiscal 1998, (iii) 135,000 options that were granted to existing officers and (iv) 142,800 options that were granted to newly hired or existing key employees. The Board of Directors authorized the cancellation and re-granting of certain options, which were originally granted in conjunction with the Offering under the 1996 Plan and the 1997 Plan, from an exercise price of $14.00 to the average market price on March 27, 1998 of $8.70 per share. The cancellation and re-granting re-established these options as an incentive to improve the overall performance of the Company. Options granted to officers were not repriced.

The options granted in conjunction with the 1996 Private Placement vest at 20% six months from the date of grant and 20% on each of the first, second, third and fourth anniversaries of the date of the grant. The options granted in conjunction with the Offering vest 20% on December 31, 1997 and 20% on each of the first, second, third and fourth anniversaries of the date of the grant. The options canceled and re-granted during fiscal 1998 will vest in accordance with their original vesting schedule.

10. STOCK OPTION AND PURCHASE PLANS (CONTINUED)
Unless otherwise specified by the Board of Directors, options granted during fiscal 1998 vest at 20% on the anniversaries of the Offering and 20% on the first, second, third and fourth anniversaries of the Offering.

Changes in common shares under option for the three fiscal years in the period ended January 31, 1999 are summarized below:

	FEBRUARY 1, 1997		JANUARY 31, 1998		JANUARY 30, 1999	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Beginning of year.........	0	--	1,444,080	$ 2.68	1,981,120	$ 5.82
Granted...................	1,444,080	$ 2.68	551,260	14.25	931,500(1)	9.66
Exercised.................	0	--	0	--	(339,294)	3.41
Canceled..................	0	--	(14,220)	14.00	(387,620 (1)	13.73
End of year...............	1,444,080	$ 2.68	1,981,120	$ 5.82	2,185,706	$ 6.43
Exercisable at end of year....................	288,816	$ 2.68	684,576	$ 4.49	793,378	$ 4.85

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(1) Includes 363,700 options that were canceled and re-granted on March 26, 1998.

The following table summarizes information regarding options outstanding at January 30, 1999:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
EXERCISE PRICES(1)	OUTSTANDING AT JANUARY 30, 1999	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE AT JANUARY 30, 1999	WEIGHTED AVERAGE EXERCISE PRICE
$ 2.68	1,145,916	7.4	$ 2.68	568,284	$ 2.68
$ 7.31-10.69	806,530	9.3	8.71	157,230	8.44
$ 14.00-19.06	183,660	8.7	15.12	67,864	14.82
$ 23.06-27.13	49,600	9.9	24.31	0	--
$ 2.68-27.13	2,185,706	8.3	$ 6.45	793,378	$ 4.85

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(1) Exercise prices reflect the actual range of exercise prices at 150% increments.

STOCK PURCHASE PLANS

On September 17, 1997, the Company approved the adoption of the ESPP, which authorized up to 360,000 shares of Common Stock for employee purchase through payroll deductions at 85% of fair market value. All employees of the Company, who have completed at least 90 days of employment and attained 21 years of age, are eligible to participate, except for employees who own Common Stock or options on such common stock which represents 5% or more of the Company. During fiscal 1997 and fiscal 1998, there were 0 shares and 11,504 shares issued under the ESPP.

11. 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.

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 calendar 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. During fiscal 1997 and fiscal 1998, the Company's matching contributions to the 401(k) Plan were approximately $247,000 and $300,000, respectively.

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes the quarterly financial data for the periods indicated (dollars in thousands, except for per share amounts):

	FISCAL YEAR ENDED JANUARY 31, 1998			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$ 39,203	$ 33,534	$ 54,489	$ 65,331
Gross profit	13,944	9,785	21,408	23,864
Net income (loss)	1,011	(1,744)	1,754(1)	4,220
Basic net income (loss) per common share	$0.05	$(0.09)	$0.08	$0.17
Diluted net income (loss) per common share	$0.04	$(0.07)	$0.07	$0.17

	FISCAL YEAR ENDED JANUARY 30, 1999			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$ 55,999	$ 48,014	$ 82,496	$ 97,344
Gross profit	21,915	15,489	36,126	43,874
Net income (loss)	2,742	(511)	8,485	9,946
Basic net income (loss) per common share	$0.11	$(0.02)	$0.34	$0.40
Diluted net income (loss) per common share	$0.11	$(0.02)	$0.33	$0.38

	FISCAL YEAR ENDED JANUARY 29, 2000			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$ 92,621	--	--	--
Gross profit	39,323	--	--	--
Net income	7,383	--	--	--
Basic net income per common share	$0.29	--	--	--
Diluted net income per common share	$0.28	--	--	--

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(1) Includes an extraordinary loss on the extinguishment of debt of $1,743. (see Note 2--Initial Public Offering).

(ALL INFORMATION RELATING TO THE THREE MONTHS ENDED MAY 2, 1998 AND MAY 1, 1999 IS UNAUDITED.)

13. RELATED PARTY TRANSACTIONS

SKM FINANCIAL ADVISORY SERVICES

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. This management agreement remains in effect until SKM or any of its affiliates' total ownership of the Company's Common Stock is less than 10% on a fully diluted basis. Pursuant to the management agreement, the Company incurred fees and expenses of approximately $93,000, $153,000 and $151,000 during fiscal 1996, fiscal 1997 and fiscal 1998, respectively and approximately $38,000 during the three months ending May 1, 1999.

STOCKHOLDERS AGREEMENT

The Company and certain of its stockholders are parties to a Stockholders Agreement (the "Stockholders Agreement"). The Stockholders Agreement places certain limitations upon the transfer, in privately negotiated transactions, of shares of Common Stock beneficially owned by Ezra Dabah, Stanley Silver and the SK Funds. In addition, the Stockholders Agreement provides that (1) 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 Stockholders Agreement, the stockholders party to the Stockholders Agreement will be obligated to vote all shares as to which they have voting rights in a manner such that the Board of Directors will at all times include three directors nominated by Ezra Dabah and (2) so long as the SK Funds beneficially own shares representing at least 25% of the shares of Common Stock owned by such parties on the date of the Stockholders Agreement, the stockholders party to the Stockholders Agreement will be obligated to vote all shares as to which they have voting rights in a manner such that the Board of Directors will at all times include two directors nominated by the SK Funds. Should the number of directors comprising the Board of Directors be increased, nominees for the remaining director positions will be designated by the Board of Directors.

The Stockholders Agreement provides that the Company will not, without the affirmative vote of at least one director nominated by the SK Funds, engage in specified types of transactions with certain of our affiliates (not including the SK Funds), take action to amend the ByLaws or Certificate of Incorporation or increase or decrease the size of the entire Board of Directors. The Stockholders Agreement also provides 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 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 of the Stockholders Agreement. All the provisions of the Stockholders Agreement will terminate when no party to the Stockholders Agreement beneficially owns shares representing at least 25% of the outstanding Common Stock owned by such party on the date of the Stockholders Agreement.

13. RELATED PARTY TRANSACTIONS (CONTINUED)

MERCHANDISE FOR RE-SALE

During fiscal 1998, the Company purchased approximately $290,000 in bath products from HBA Technologies, LLC. Haim Dabah, Ezra Dabah's brother, is the majority owner of HBA Technologies, LLC.

During fiscal 1999, as of July 15, 1999, the Company placed orders for approximately $522,000 in footwear from Nina Footwear Corporation. Stanley Silverstein, a member of the Company's Board of Directors and Ezra Dabah's father-in-law, owns Nina Footwear Corporation with his brother.

In the opinion of the Company, the transactions with HBA Technologies, LLC and Nina Footwear Corporation were on terms no less favorable than could have been obtained from an unaffiliated third party.

14. SUBSEQUENT EVENTS (UNAUDITED)

During the second quarter of fiscal 1999, the Company has been relocating to a larger distribution center and corporate headquarters facility in Secaucus, New Jersey. The lease on this facility provides for an eight year term with a three year renewal option period. The lease also provides the Company with the option to terminate the lease after the fifth year. Annual rent on the facility is approximately $1.4 million. The Company relocated its distribution center operations in May and has continued to distribute merchandise manually from the new facility in the same manner as it did at its old facility. The Company has also installed and tested a new automated warehouse management system in the new facility. Based upon the satisfactory testing of this system to date, the Company expects the system to be operational on or about July 31, 1999. The Company is moving its corporate headquarters staff and remaining personnel shortly, and expects to complete the relocation by July 31, 1999.

The Board of Directors of the Company has approved, subject to approval by the Company's stockholders at the Company's 1999 Annual Meeting of Stockholders scheduled to be held on August 3, 1999, an amendment to the 1997 Plan to increase by 1,500,000 the number of Common Shares authorized for issuance in connection with options to be granted to employees, officers and directors of the Company.

In June 1999, the Company increased the Foothill Credit Facility. The facility currently provides for borrowings up to $50.0 million (including a sublimit for letters of credit of $40.0 million). Previously the Foothill Credit Facility provided for borrowings up to $30.0 million (including a sublimit for letters of credit of $20.0 million). The Foothill Credit Facility expires in July 2002 and provides for one year automatic renewal options.

3,000,000 SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.
BANC OF AMERICA SECURITIES LLC
DEUTSCHE BANC ALEX. BROWN
J.P. MORGAN & CO.
THOMAS WEISEL PARTNERS LLC

, 1999

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The estimated expenses in connection with the offering, all of which will be borne by the selling stockholders, are as follows:

SEC Registration Fee	$46,036.80
NASD Filing Fee	$17,060.00
Printing Expenses	*
Legal Fees and Expenses	*
Accounting Fees and Expenses	*
Transfer Agent Fee	*
Miscellaneous	*
Total	*

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* To be filed by amendment.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Our Certificate of Incorporation limits the liability of directors (in their capacity as directors but not in their capacity as officers) to The Children's Place or our stockholders to the fullest extent permitted by the DGCL. Specifically, no director of The Children's Place 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 our 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 our stockholders.

Under the Certificate of Incorporation, The Children's Place will indemnify those persons whom we 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 Children's Place 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 Children's Place, 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 Children's Place 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 Children's Place if it is ultimately determined that such person is not entitled to indemnification. In addition, pursuant to the DGCL we 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 we would have the power or obligation to indemnify such person against such liability under the provisions of DGCL. We maintain insurance for the benefit of the Company's officers and directors insuring such persons against certain liabilities, including liabilities under the securities laws.

The Children's Place has entered into agreements to indemnify our directors which are intended to provide the maximum indemnification permitted by Delaware law. These agreements, among other things, indemnify each of our 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 Children's Place, on account of such director's service as a director of The Children's Place.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) List of Exhibits

1.1	Form of Underwriting Agreement.*
5.1	Opinion of Stroock & Stroock & Lavan LLP, counsel for Registrant.*
10.1	Amendment Number Two dated as of June 15, 1999 to Amended and Restated Loan and Security Agreement between the Company and Foothill Capital Corporation.**
23.1	Consent of Stroock & Stroock & Lavan LLP (included in Exhibit 5.1 hereof).*
23.2	Consent of Independent Public Accountants.**
24.1	Power of Attorney (included on signature page hereto).**

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* To be filed by amendment.

** Filed herewith.

ITEM 17. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement 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.

(b) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, 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 of 1933 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 of 1933, 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.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, 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 of 1933 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 of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the township of Secaucus, State of New Jersey, on July 21, 1999.

THE CHILDREN'S PLACE RETAIL STORES, INC.
(REGISTRANT)

By: /s/ EZRA DABAH

Name: Ezra Dabah
Title: Chairman of the Board and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ezra Dabah, Stanley B. Silver, Steven Balasiano and Seth L. Udasin and each of them, his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) of and supplements to this Registration Statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, to all intents and purposes and as fully as they might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed on July 21, 1999, by the following persons in the capacities indicated.

/s/ EZRA DABAH ------------------------------ Ezra Dabah	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	July 21, 1999
/s/ STANLEY B. SILVER ------------------------------ Stanley B. Silver	President, Chief Operating Officer and Director	July 21, 1999
/s/ SETH L. UDASIN ------------------------------ Seth L. Udasin	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	July 21, 1999
/s/ STANLEY SILVERSTEIN ------------------------------ Stanley Silverstein	Director	July 21, 1999
/s/ JOHN MEGRUE ------------------------------ John Megrue	Director	July 21, 1999
/s/ DAVID J. ODDI ------------------------------ David J. Oddi	Director	July 21, 1999

EXHIBIT INDEX

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* To be filed by amendment.

** Filed herewith.

Exhibit 10.1

AMENDMENT NUMBER TWO TO AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NUMBER TWO TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT ("Amendment") is entered into as of June 15, 1999, by and between FOOTHILL CAPITAL CORPORATION, a California corporation ("Foothill"), and THE CHILDREN'S PLACE RETAIL STORES, INC., a Delaware corporation ("Borrower"), in light of the following:

FACT ONE: Borrower and Foothill have previously entered into that certain Amended and Restated Loan and Security Agreement, dated as of July 31, 1997, as amended on February 22, 1999 (the "Agreement").

FACT TWO: Borrower and Foothill desire to further amend the Agreement as provided for and on the conditions herein.

NOW, THEREFORE, Borrower and Foothill hereby amend and supplement the Agreement as follows:

1. DEFINITIONS. All initially capitalized terms used in this Amendment shall have the meanings given to them in the Agreement unless specifically defined herein.

2. AMENDMENTS.

(a) Section 2.1(c) of the Agreement is amended to read as follows:

"(c) Foothill shall have no obligation to make advances hereunder to the extent they would cause the outstanding Obligations to exceed $40,000,000 (the "Maximum Amount"); PROVIDED, HOWEVER, Borrower shall have the option to increase the Maximum Amount to $50,000,000 so long as (i) no Event of Default has occurred and is continuing and (ii) Borrower has EBITDA in excess of $40,000,000 for the most recent 12 months based upon the financial statements delivered to Foothill by Borrower pursuant to SECTION 6.4. Borrower shall have a period of 30 days from the date of delivery of its monthly financial statements to notify Foothill in writing of its decision to increase the Maximum Amount. Foothill shall increase the Maximum Amount five business days after receipt of written notice from Borrower so long as the conditions set forth in this SECTION 2.1(C) have been met. Concurrent with Borrower's election to increase the Maximum Amount in accordance with this section, Borrower shall pay Foothill a line increase fee in the amount of $25,000."

(b) The dollar amount in Section 2.2(a)(ii) of the Agreement is increased to $30,000,000 from $20,000,000, and shall be further increased to $40,000,000 if Borrower elects to increase the Maximum Amount to $50,000,000 in accordance with Section 2.1(c) of the Agreement.

(c) The annual facility fee in Section 2.8 of the Agreement for July 31, 1999, only, shall be an amount equal to 0.125% times $30,000,000.

(d) Section 3.3 of the Agreement is amended to read as follows:

"3.3 TERM; AUTOMATIC RENEWAL. This Agreement shall become effective upon the execution and delivery hereof by Borrower and Foothill and shall continue in full force and effect for a term ending on July 31, 2002 (the "Renewal Date") and automatically shall be renewed for successive one year periods thereafter, unless sooner terminated pursuant to the terms hereof. Either party may terminate this Agreement effective on the Renewal Date or on any anniversary of the Renewal Date by giving the other party at least 90 days prior written notice by registered or certified mail, return receipt requested. The foregoing notwithstanding, Foothill shall have the right to terminate its obligations under this Agreement immediately and without notice upon the occurrence and during the continuation of an Event of Default."

(e) Section 6.13 of the Agreement is amended to read as follows:

"6.13 FINANCIAL COVENANTS. Borrower shall maintain:

(a) Current Ratio. A ratio of Consolidated Current Assets divided by Consolidated Current Liabilities of at least the following, measured on a fiscal quarter-end basis:

Ratio	Quarters Ending on or About
1.0-1.0	July 31, 1999 and thereafter

(b) Tangible Net Worth. Tangible Net Worth of not less than the following, measured on a fiscal quarter-end basis:

Tangible Net Worth	Quarters Ending on or About
$45,000,000	April 30, 1999 and July 31, 1999
57,000,000	October 31, 1999
$64,000,000	January 31, 2000 and thereafter

(c) Working Capital. Working Capital of not less than the following, measured on a fiscal quarter-end basis:

Working Capital	Quarters Ending on or About
$20,000,000	April 30, 1999
15,000,000	July 31, 1999
20,000,000	October 31, 1999
$25,000,000	January 31, 2000 and thereafter"

(f) Section 7.10 of the Agreement is amended to read as follows:

"7.10 CAPITAL EXPENDITURES. Make any capital expenditure, or any commitment therefor, where the aggregate amount of such capital expenditures (other than capital expenditures for the purchase of a new headquarters and distribution center for Borrower), made or committed for in each fiscal year ending on or about January 31 commencing with 2000 is in excess of $55,000,000."

(g) Schedule 6.15 to the Agreement is replaced with Schedule 6.15 attached hereto.

3. REPRESENTATIONS AND WARRANTIES. Borrower hereby affirms to Foothill that all of Borrower's representations and warranties set forth in the Agreement are true, complete and accurate in all respects as of the date hereof."

4. NO DEFAULTS. Borrower hereby affirms to Foothill that no Event of Default has occurred and is continuing as of the date hereof.

5. CONDITIONS PRECEDENT. The effectiveness of this Amendment is expressly conditioned upon: (a) receipt by Foothill of an amendment fee in the amount of $37,500 and (b) receipt by Foothill of an executed copy of this Amendment.

6. COSTS AND EXPENSES. Borrower shall pay to Foothill all of Foothill's out-of-pocket costs and expenses (including, without limitation, the fees and expenses of its counsel, which counsel may include any local counsel deemed necessary, search fees, filing and recording fees, documentation fees, appraisal fees, travel expenses, and other fees) arising in connection with the preparation, execution, and delivery of this Amendment and all related documents.

7. LIMITED EFFECT. In the event of a conflict between the terms and provisions of this Amendment and the terms and provisions of the Agreement, the terms and provisions of this Amendment shall govern. In all other respects, the Agreement, as amended and supplemented hereby, (including Section 3.5) shall remain in full force and effect.

8. COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed in any number of counterparts and by different parties on separate

counterparts, each of which when so executed and delivered shall be deemed to be an original. All such counterparts, taken together, shall constitute but one and the same Amendment. This Amendment shall become effective upon the execution of a counterpart of this Amendment by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first set forth above.

FOOTHILL CAPITAL CORPORATION,
a California corporation

By: /s/ Paul Chau
Title: Assistant Vice President

THE CHILDREN'S PLACE RETAIL STORES, INC.,
a Delaware corporation

By: /s/ Seth Udasin
Title: VP & CFO

Exhibit 23.2

[LETTERHEAD OF ARTHUR ANDERSEN LLP]

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement of our report dated February 22, 1999 included in The Children's Place Retail Stores, Inc.'s Form 10-K for the year ended January 30, 1999 and to all references to our firm included in this registration statement.

/s/ Arthur Andersen LLP

New York, New York
July 21, 1999