

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended October 30, 1999

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-23071

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

Delaware
(State or other jurisdiction of
incorporation or organization)

31-1241495
(I. R. S. employer
identification number)

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

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

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

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value \$0.10 per share, outstanding at December 6, 1999:
25,591,716 shares.

THE CHILDREN'S PLACE RETAIL STORES, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE PERIOD ENDED OCTOBER 30, 1999

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

THE CHILDREN'S PLACE RETAIL STORES, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	October 30, 1999 ----- (Unaudited)	January 30, 1999 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,836	\$ 16,370
Accounts receivable	6,938	2,742
Inventories	57,666	35,339
Prepaid expenses and other current assets	8,182	5,622
Deferred income taxes	3,238	2,447
	-----	-----
Total current assets	77,860	62,520
Property and equipment, net	83,702	42,304
Deferred income taxes	5,144	5,144
Other assets	3,661	793
	-----	-----
Total assets	\$ 170,367	\$ 110,761
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Current liabilities:		
Revolving credit facility	\$ 15,139	\$ 0
Accounts payable	21,486	13,345
Accrued expenses, interest and other current liabilities	24,520	13,644
	-----	-----
Total current liabilities	61,145	26,989
Other long-term liabilities	3,918	3,165
	-----	-----
Total liabilities	65,063	30,154
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.10 par value; 100,000,000 shares authorized; 25,587,772 shares and 24,972,001 shares issued and outstanding, at October 30, 1999 and January 30, 1999, respectively		
	2,558	2,497
Additional paid-in capital	87,151	84,032
Translation adjustments	(5)	0
Retained earnings (accumulated deficit)	15,600	(5,922)
	-----	-----
Total stockholders' equity	105,304	80,607
	-----	-----
Total liabilities and stockholders' equity	\$ 170,367	\$ 110,761
	=====	=====

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 1999	October 31, 1998	October 30, 1999	October 31, 1998
Net sales	\$119,442	\$ 82,496	\$285,983	\$186,509
Cost of sales	64,935	46,370	165,356	112,978
Gross profit	54,507	36,126	120,627	73,531
Selling, general and administrative expenses	28,328	18,664	71,777	46,917
Pre-opening costs	1,156	837	3,124	2,500
Depreciation and amortization	3,310	2,006	9,497	5,477
Operating income	21,713	14,619	36,229	18,637
Interest expense, net	324	222	135	381
Other expense, net	4	15	49	92
Income before income taxes	21,385	14,382	36,045	18,164
Provision for income taxes	8,651	5,897	14,526	7,447
Net income	\$ 12,734	\$ 8,485	\$ 21,519	\$ 10,717
Basic net income per common share	\$ 0.50	\$ 0.34	\$ 0.85	\$ 0.43
Basic weighted average common shares outstanding	25,539	24,830	25,300	24,752
Diluted net income per common share	\$ 0.48	\$ 0.33	\$ 0.81	\$ 0.42
Diluted weighted average common shares outstanding	26,680	25,798	26,681	25,742

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

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THE CHILDREN'S PLACE RETAIL STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Thirty-Nine Weeks Ended	
	October 30, 1999	October 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 21,519	\$ 10,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,497	5,477
Deferred financing fee amortization	24	18
Loss on disposals of property and equipment	272	338
Deferred taxes	(74)	6,542
Changes in operating assets and liabilities:		
Accounts receivable	(4,196)	(1,299)
Inventories	(22,328)	(20,550)
Prepaid expenses and other current assets	(2,560)	(836)
Other assets	(2,937)	(583)
Accounts payable	8,140	5,313
Accrued expenses, interest and other current liabilities	7,330	4,620
Total adjustments	(6,832)	(960)
Net cash provided by operating activities	14,687	9,757
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(46,760)	(15,106)
Net cash used in investing activities	(46,760)	(15,106)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of stock options and employee stock purchases	2,465	632
Borrowings under revolving credit facility	167,951	90,243
Repayments under revolving credit facility	(152,812)	(85,184)
Payment of obligations under capital leases	(2)	(20)
Deferred financing costs	(63)	0

Net cash provided by financing activities	17,539	5,671
	-----	-----
Net decrease in cash and cash equivalents	(14,534)	322
Cash and cash equivalents, beginning of period	16,370	887
	-----	-----
Cash and cash equivalents, end of period	\$ 1,836	\$ 1,209
	=====	=====
OTHER CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 454	\$ 339
Cash paid during the period for income taxes	10,393	756

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

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THE CHILDREN'S PLACE RETAIL STORES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Certain information and footnote disclosures required by generally accepted accounting principles for complete financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited financial statements contain all material adjustments, consisting of normal recurring accruals, necessary to present fairly the Company's financial position, results of operations and cash flow for the periods indicated, and have been prepared in a manner consistent with the audited financial statements as of January 30, 1999. These financial statements should be read in conjunction with the audited financial statements and footnotes for the fiscal year ended January 30, 1999 included in the Company's Annual Report on Form 10-K for the year ended January 30, 1999 filed with the Securities and Exchange Commission. Due to the seasonal nature of the Company's business, the results of operations for the thirty-nine weeks ended October 30, 1999 are not necessarily indicative of operating results for a full fiscal year.

2. NET INCOME PER COMMON SHARE

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 1999	October 31, 1998	October 30, 1999	October 31, 1998
	-----	-----	-----	-----
Net income	\$ 12,734	\$ 8,485	\$ 21,519	\$ 10,717
	=====	=====	=====	=====
Basic shares	25,538,560	24,830,397	25,299,589	24,752,151
Dilutive effect of stock options	1,141,934	967,489	1,381,290	989,392
	-----	-----	-----	-----
Dilutive shares	26,680,494	25,797,886	26,680,879	25,741,543
	=====	=====	=====	=====
Antidilutive options	178,150	182,993	64,050	295,564

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

3. Litigation

Class Action Suits

The Company has reached an agreement in principle to resolve the federal

securities class action litigation which was filed against the Company and others in the United States District Court for the District of New Jersey and the securities litigation filed in Superior Court of New Jersey, Essex County Division. The proposed settlements provide for the payment of \$1.7 million in the aggregate and would be funded entirely from insurance proceeds. The proposed federal action settlement requires Court approval. The proposed settlements would have no material impact on the Company.

Other Litigation

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.

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of federal securities laws, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, the discussions of the Company's operating and growth strategy. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, those set forth under the caption "Risk Factors" in the Business section of the Company's Annual Report on Form 10-K for the year ended January 30, 1999. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could prove to be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with the Company's unaudited financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the annual audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 30, 1999 filed with the Securities and Exchange Commission.

Results of Operations

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 1999	October 31, 1998	October 30, 1999	October 31, 1998
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	54.4	56.2	57.8	60.6
Gross profit	45.6	43.8	42.2	39.4
Selling, general and administrative expenses	23.7	22.6	25.1	25.2
Pre-opening costs	1.0	1.0	1.1	1.3
Depreciation and amortization	2.7	2.5	3.3	2.9
Operating income	18.2	17.7	12.7	10.0
Interest expense, net	0.3	0.3	0.1	0.2
Other expense, net	--	--	--	0.1
Income before income taxes	17.9	17.4	12.6	9.7
Provision for income taxes	7.2	7.1	5.1	4.0
Net income	10.7%	10.3%	7.5%	5.7%

Thirteen Weeks Ended October 30, 1999 (the "Third Quarter 1999") Compared to
Thirteen Weeks Ended October 31, 1998 (the "Third Quarter 1998")

Net sales increased by \$36.9 million, or 45%, to \$119.4 million during the Third Quarter 1999 from \$82.5 million during the Third Quarter 1998. Net sales for the 21 new stores opened during the Third Quarter 1999, as well as the other stores that did not qualify as comparable stores, contributed \$26.3 million of the net sales increase. During the Third Quarter 1999, we continued our expansion strategy of opening new stores in existing and contiguous markets. As of October 30, 1999, we operated 282 stores in 34 states, primarily located in regional shopping malls in the eastern half of the United States, with 30 stores in operation west of the Mississippi River. During the fourth quarter of fiscal 1999, we are opening an additional 11 stores to end the year with 293 stores.

Our comparable store sales increased 15% and contributed \$10.6 million of our net sales increase during the Third Quarter 1999. Comparable store sales increased 18% during the Third Quarter 1998.

Gross profit increased by \$18.4 million to \$54.5 million during the Third Quarter 1999 from \$36.1 million during the Third Quarter 1998. As a percentage of net sales, gross profit increased to 45.6% during the Third Quarter 1999 from 43.8% during the Third Quarter 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 leveraging of store occupancy costs over a higher sales base, partially offset by higher markdowns, higher distribution costs related to the implementation of our new warehouse management system and costs incurred by our new Hong Kong office.

Selling, general and administrative expenses increased \$9.6 million to \$28.3 million during the Third Quarter 1999 from \$18.7 million during the Third Quarter 1998. Selling, general and administrative expenses were 23.7% of net sales during the Third Quarter 1999 as compared with 22.6% during the Third Quarter 1998. The increase, as a percentage of net sales, was primarily due to increased marketing costs and higher store payroll. Our higher store payroll costs were largely due to higher wage rates.

During the Third Quarter 1999, pre-opening costs were \$1.2 million, or 1.0% of net sales, as compared to \$0.8 million, or 1.0% of net sales, during the Third Quarter 1998. We opened 21 stores and 14 stores, during the Third Quarter 1999 and the Third Quarter 1998, respectively. During the Third Quarter 1999, pre-opening costs were favorably impacted by the timing of pre-opening costs which are expensed as incurred.

Depreciation and amortization amounted to \$3.3 million, or 2.7% of net sales, during the Third Quarter 1999, as compared to \$2.0 million, or 2.5% of net sales, during the Third Quarter 1998. The increase in depreciation and amortization primarily was a result of increases to our store base and depreciation recorded for our new distribution center and corporate headquarters facility. The increase, as a percentage of net sales, was partially offset by the leveraging of depreciation and amortization expense over a higher sales base.

Our provision for income taxes for the Third Quarter 1999 was \$8.7 million, as compared to a \$5.9 million provision for income taxes during the Third Quarter 1998. The increase in our provision for income taxes was attributable to our increased operating income during the Third Quarter 1999.

We recorded net income of \$12.7 million and \$8.5 million during the Third Quarter 1999 and Third Quarter 1998, respectively.

Thirty-Nine Weeks Ended October 30, 1999 Compared to Thirty-Nine Weeks Ended
October 31, 1998

Net sales increased \$99.5 million, or 53%, to \$286.0 million during the thirty-nine weeks ended October 30, 1999 from \$186.5 million during the

thirty-nine weeks ended October 31, 1998. Net sales for the 73 new stores opened during the thirty-nine weeks ended October 30, 1999, as well as the other stores that did not qualify as comparable stores, contributed \$64.9 million of the net sales increase. During the thirty-nine weeks ended October 30, 1999, we entered several new markets in the western and southeastern United States.

Our comparable store sales increased 21% and contributed \$34.6 million of our net sales increase during the thirty-nine weeks ended October 30, 1999. Comparable store sales increased 12% during the thirty-nine weeks ended October 31, 1998.

Gross profit increased by \$47.1 million to \$120.6 million during the thirty-nine weeks ended October 30, 1999 from \$73.5 million during the thirty-nine weeks ended October 30, 1998. As a percentage of net sales, gross profit increased to 42.2% during the thirty-nine weeks ended October 30, 1999 from 39.4% during the thirty-nine weeks ended October 31, 1998. The increase in gross profit, as a percentage of net sales, was principally due to a higher initial markup achieved through effective product sourcing and the leveraging of store occupancy costs over a higher sales base, partially offset by higher markdowns and costs incurred by our new Hong Kong office.

Selling, general and administrative expenses increased \$24.9 million to \$71.8 million during the thirty-nine weeks ended October 30, 1999 from \$46.9 million during the thirty-nine weeks ended October 31, 1998. Selling, general and administrative expenses were 25.1% of net sales during the thirty-nine weeks ended October 30, 1999 as compared with 25.2% during the thirty-nine weeks ended October 31, 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 thirty-nine weeks ended October 30, 1999, pre-opening costs were \$3.1 million, or 1.1% of net sales, as compared to \$2.5 million, or 1.3% of net sales, during the thirty-nine weeks ended October 31, 1998. The decrease in pre-opening costs, as a percentage of net sales, during the thirty-nine weeks ended October 30, 1999 reflected the leveraging of such costs over a higher sales base. We opened 73 stores and 48 stores during the thirty-nine weeks ended October 30, 1999 and the thirty-nine weeks ended October 31, 1998, respectively. During the thirty-nine weeks ended October 30, 1999, pre-opening costs were favorably impacted by the timing of pre-opening costs which are expensed as incurred.

Depreciation and amortization amounted to \$9.5 million, or 3.3% of net sales, during the thirty-nine weeks ended October 30, 1999, as compared with \$5.5 million, or 2.9% of net sales, during the thirty-nine weeks ended October 30, 1998. The increase in depreciation and amortization primarily was a result of increases in our store base, accelerated depreciation taken in conjunction with store re-fixturings and renovations, and the commencement of depreciation for our new distribution center and corporate headquarters facility. During the thirty-nine weeks ended October 30, 1999, we accelerated depreciation expense by \$1.8 million, or 0.6% of net sales, in conjunction with our store re-fixturing and renovation 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.

Our provision for income taxes during the thirty-nine weeks ended October 30, 1999 was \$14.5 million, as compared to a provision for income taxes of \$7.4 million during the thirty-nine weeks ended October 31, 1998. The increase in our provision for income taxes during the thirty-nine weeks ended October 30, 1999 is due to our increased profitability. During the thirty-nine weeks ended October 30, 1999, we utilized our remaining \$0.1 million of net operating loss carryforwards ("NOLs") and we expect to pay the majority of our tax provision in cash. During the thirty-nine weeks ended October 31, 1998, the majority of our tax provision was not paid in cash due to utilization of our NOLs.

We recorded net income of \$21.5 million and \$10.7 million during the thirty-nine weeks ended October 30, 1999 and the thirty-nine weeks ended October 31, 1998, respectively.

Debt Service/Liquidity

Our primary uses of cash are financing new store openings and providing for working capital, which principally represents the purchase of inventory. Our working capital needs follow a seasonal pattern, peaking during the second and third quarters when inventory is purchased for the back to school and holiday merchandise lines. During the thirty-nine weeks ended October 30, 1999, we have also utilized cash to remodel and furnish our new distribution center and corporate headquarters facility. We have been able to meet our cash needs principally by using cash flows from operations and seasonal borrowings under our working capital revolving credit facility. We have no long-term debt obligations other than obligations under capital leases.

Our working capital revolving credit facility with Foothill Capital Corporation currently provides for borrowings up to \$50.0 million (including a sublimit for letters of credit of \$40.0 million). We recently amended the working capital and capital expenditure covenants under our working capital facility to support our growth strategy.

As of October 30, 1999, we had \$15.1 million of borrowings under our working capital facility and had outstanding letters of credit of \$14.9 million. Availability under our working capital facility as of October 30, 1999 was \$17.1 million. During the Third Quarter 1999, the interest rate charged under our working capital facility for reference rate borrowings was 8.17% per annum and LIBOR borrowings bore interest at 6.80% per annum. As of October 30, 1999, we were in compliance with all of our covenants under our working capital facility.

Cash Flows/Capital Expenditures

Cash flows provided by operating activities were \$14.7 million during the thirty-nine weeks ended October 30, 1999 as compared with \$9.8 million during the thirty-nine weeks ended October 31, 1998. During the thirty-nine weeks ended October 30, 1999, cash flows provided by operating activities increased primarily as a result of our improved operating earnings and increases in our current liabilities, partially offset by increases in our current assets.

Cash flows used in investing activities were \$46.8 million and \$15.1 million in the thirty-nine weeks ended October 30, 1999 and the thirty-nine weeks ended October 31, 1998, respectively. During the thirty-nine weeks ended October 30, 1999, cash flows used in investing activities represented capital expenditures of approximately \$31 million for store openings, remodelings and re-fixturings and approximately \$11 million to renovate and furnish our new distribution center and corporate headquarters facility. The remainder of capital expenditures were used for our new warehouse management system, our new point-of-sale ("POS") system and other capital projects.

In the thirty-nine weeks ended October 30, 1999 and thirty-nine weeks ended October 31, 1998, we opened 73 and 48 stores and remodeled 9 and 3 stores, respectively. We anticipate that total capital expenditures during fiscal 1999 will approximate \$55 million, the majority of which we plan to fund from cash flow from operations. During fiscal 1999, we plan to open 84 stores and remodel 11 stores.

During the Second Quarter 1999, we completed our relocation to our new distribution center and corporate headquarters facility in Secaucus, New Jersey. We expect to make a total cash outlay of approximately \$13 million to renovate and furnish our facility, of which approximately \$11 million has been spent during the thirty-nine weeks ended October 30, 1999. At the end of July 1999, we commenced utilization of our new warehouse management system. In adapting to this highly automated distribution system, we have experienced delays in the processing of certain merchandise to our stores and continue to make necessary modifications to improve the performance of the system and to improve the flow of merchandise. The total cost of this system was approximately \$5 million.

Cash flows provided by financing activities were \$17.5 million and \$5.7 million during the thirty-nine weeks ended October 30, 1999 and the thirty-nine weeks ended October 31, 1998, respectively. During the thirty-nine weeks ended October 30, 1999 and the thirty-nine weeks ended October 31, 1998, cash flows provided by financing activities reflected net borrowings 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 facility will be sufficient to fund our capital and other cash flow requirements and implement our growth plans for at least the next 12

months. Although we are complying, and believe that we will be able to continue to comply with the financial covenants under our working capital facility, we are seeking to provide greater financial flexibility as we implement our growth strategy. Consequently, we have requested an increase in our credit line under our working capital facility and additional amendments to the financial covenants contained in this facility. This request is currently under consideration by Foothill Capital Corporation.

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

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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 have 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.

We completed a test of our applications software and we believe that all of our systems are currently Year 2000 compliant. We are currently continuing to test our hardware and software to ensure a smooth transition. During fiscal 1999, we implemented several major systems to support our business, which we believe are all Year 2000 compliant. We have installed a new automated warehouse management system in our new facility, a new general ledger system and a new POS system in approximately 25% of our stores. We plan to install this POS system in the remainder of our stores during fiscal 2000. We have built and tested bridges in our existing POS system to accommodate the Year 2000. We believe our management information systems will be able to provide uninterrupted support for our business during the Year 2000.

We relied primarily on existing management information systems staff supplemented by outside consultants to modify, replace and test systems for Year 2000 compliance. During fiscal 1998, we incurred external costs of approximately \$0.3 million in connection with our Year 2000 compliance and we incurred external costs of approximately \$0.1 million during the thirty-nine weeks ended October 30, 1999. We expect to incur a total of \$0.2 million in external costs in fiscal 1999. In addition, we utilized approximately \$0.4 million in internal management information systems resources during fiscal 1998 and we incurred \$0.2 million in internal management information systems resources during the thirty-nine weeks ended October 30, 1999. We expect to utilize a total of \$0.3 million in 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 financial position, results of operation or cash flows in future periods.

We have completed our 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 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 fine-tune our contingency plans through the fourth quarter of fiscal 1999. Where needed, we will modify our contingency plans based on the ongoing assessment of risk associated with third party suppliers and service providers.

Item 3. Quantitative and Qualitative Disclosures about Market Risks
(Not applicable)

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Part II - Other Information

Item 1. Legal Proceedings

Class Action Suits

The Company has reached an agreement in principle to resolve the federal securities class action litigation which was filed against the Company and others in the United States District Court for the District of New Jersey and the securities litigation filed in Superior Court of New Jersey, Essex County Division. The proposed settlements provide for the payment of \$1.7 million in the aggregate and would be funded entirely from insurance proceeds. The proposed federal action settlement requires Court approval. The proposed settlements would have no material impact on the Company.

Other Litigation

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.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No. ---	Description of Document -----
10.1	Amendment Number Four dated as of October 30, 1999 between the Company and Foothill Capital Corporation.
27.1	Financial Data Schedule.

(b) Reports on Form 8-K

None

SIGNATURES

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

THE CHILDREN'S PLACE
RETAIL STORES, INC.

Date: December 14, 1999

By: /s/ Ezra Dabah

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

Date: December 14, 1999

By: /s/ Seth L. Udasin

Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 10.1

Amendment Number Four dated as of October 30, 1999
between the Company and Foothill Capital Corporation.

AMENDMENT NUMBER FOUR TO AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NUMBER FOUR TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT ("Amendment") is entered into as of December 10, 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:

A. Borrower and Foothill have previously entered into that certain Amended and Restated Loan and Security Agreement dated as of July 31, 1997 (as amended, the "Agreement").

B. 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. AMENDMENT.

(a) The table set forth in Section 6.13 (c) of the Agreement is hereby amended by deleting the \$20,000,000 Working Capital amount set forth for the fiscal quarter ending on or about October 31, 1999 and replacing that amount with \$14,000,000.

(b) The table set forth in Section 7.10 of the Agreement is hereby amended by deleting the \$55,000,000 Maximum Capital Expenditure amount set forth for the fiscal year ending on or about January 31, 2000 and replacing that amount with \$60,000,000.

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. CONDITION PRECEDENT. The effectiveness of this Amendment is expressly conditioned upon receipt by Foothill of:

(c) an executed copy of this Amendment; and

(d) an amendment fee in the amount of \$10,000, which fee will be credited by Foothill against any amendment fee to be charged by Foothill in connection with the next amendment of the Agreement, if any is hereafter agreed to, that deals with an extension of the term of the Agreement or an increase in the Maximum Amount.

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, 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. Upon the execution of counterparts of this Amendment by each of the parties hereto, the Amendment shall be effective as of October 30, 1999.

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/ Todd W. Colpitts

Title: Vice President

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

By: /s/ Seth Udasin

Title: Vice President & CFO

<ARTICLE>

5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE CHILDREN'S PLACE RETAIL STORES, INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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