

CHILDRENS PLACE RETAIL STORES INC  
Form PRER14A  
June 03, 2009

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**THE CHILDREN'S PLACE RETAIL STORES, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**THE CHILDREN'S PLACE RETAIL STORES, INC.  
915 Secaucus Road  
Secaucus, New Jersey 07094**

June [     ], 2009

Dear Stockholder:

On behalf of the Board of Directors of The Children's Place Retail Stores, Inc., it is my pleasure to invite you to attend the 2009 Annual Meeting of Stockholders of The Children's Place Retail Stores, Inc.

The business to be transacted at the meeting is set forth in the accompanying Notice of Annual Meeting of Stockholders and is more fully described in the accompanying Proxy Statement.

It is important that your shares be represented at the meeting, regardless of how many you hold. Whether or not you can be present in person, please submit a **WHITE** proxy card to vote your shares in accordance with the instructions that we provide to you and as set forth in the accompanying Proxy Statement. If you do attend the meeting and wish to vote in person, your proxy may be revoked at your request.

We appreciate your support and look forward to seeing you at the meeting.

Sincerely yours,

Sally Frame Kasaks  
Acting Chair of the Board

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**THE CHILDREN'S PLACE RETAIL STORES, INC.**

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**Notice of Annual Meeting of  
Stockholders  
to be held [       ] [       ], 2009**

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NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of The Children's Place Retail Stores, Inc. (the "Company") will be held at [       ] located at [       ] of [       ], 2009, at [       ], New York time, for the purpose of considering and acting on the following matters:

1. To elect three Class III directors to serve for a three-year term, each until his or her successor is duly elected and qualified.
2. To ratify the appointment of BDO Seidman, LLP as the Company's independent registered public accounting firm for the fiscal year ending January 30, 2010.
3. If properly presented at the annual meeting, to vote upon a stockholder proposal.
4. To transact such other business as may properly come before the meeting, or any adjournment thereof.

These items of business, including the Board's nominees for directors, are more fully described in the proxy statement accompanying this Notice.

The Board of Directors has fixed the close of business on [       ], 2009 as the record date for determining the stockholders entitled to notice of and to vote at the annual meeting and any adjournment or postponement thereof.

**IMPORTANT:** All stockholders are cordially invited to attend the annual meeting in person. However, whether or not you plan to attend the annual meeting in person, you are urged to mark, date, sign and return the enclosed **WHITE** proxy card as promptly as possible in the postage-prepaid envelope provided, or vote electronically through the Internet or by telephone, to ensure your representation and the presence of a quorum at the annual meeting. If you submit your proxy and then decide to attend the annual meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the proxy statement. Only the Company's stockholders of record at the close of business on [       ], 2009 shall be entitled to notice of, to attend and to vote at, the annual meeting.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on [       ], 2009:** This proxy statement, the accompanying form of proxy card and the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (the "Annual Report") are available at <http://www.amstock.com/ProxyServices/Viewmaterials.asp?CoNumber=01189>. Under new rules issued by the Securities and Exchange Commission, we are providing access to our proxy materials both by sending you this full set of proxy materials and by notifying you of the availability of our proxy materials on the Internet.

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Please note that Ezra Dabah has provided notice that he intends to nominate his own slate of three nominees for election as directors at the annual meeting and solicit proxies for use at the annual meeting to vote in favor of his own slate in opposition to all of the nominees named in Proposal No. 1. We do not believe that the election of Mr. Dabah's nominees to our Board of Directors is in the best interests of our stockholders. You may receive proxy solicitation materials from Mr. Dabah or other persons or entities affiliated with him, including an opposition proxy statement and proxy card. **OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ALL OF THE BOARD'S NOMINEES ON THE ENCLOSED WHITE PROXY CARD. WE URGE YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY MR. DABAH.** Even if you have previously signed a proxy card sent by Mr. Dabah, you have the right to change your vote by using the enclosed **WHITE** proxy card to vote by telephone, by Internet or by signing, dating and returning the enclosed **WHITE** proxy card in the postage-paid envelope provided. Only the latest dated proxy you submit will be counted. We urge you to disregard any proxy card sent to you by Mr. Dabah or any person other than The Children's Place Retail Stores, Inc.

If you have any questions or require any assistance with voting your shares, please contact:

**MACKENZIE PARTNERS, INC.**

105 Madison Avenue  
New York, New York 10016  
(212) 929-5500 (Call Collect)

or

**Call Toll-Free (800) 322-2885**

Email: [childrensplace@mackenziepartners.com](mailto:childrensplace@mackenziepartners.com)

By order of the Board of Directors,

[     ]  
[     ]

Secaucus, New Jersey  
June [     ], 2009

**IMPORTANT: Whether or not you expect to attend the annual meeting in person, we urge you to submit a WHITE proxy card to vote your shares in accordance with the instructions that we provide to you and as set forth in this proxy statement. This will help ensure the presence of a quorum at the annual meeting. Promptly voting your shares will save us the expense and extra work of additional solicitation. As described in this proxy statement, submitting your WHITE proxy card now will not prevent you from voting your shares at the annual meeting if you desire to do so, as your proxy is revocable at your option.**

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**THE CHILDREN'S PLACE RETAIL STORES, INC.  
915 Secaucus Road  
Secaucus, New Jersey 07094**

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**PROXY STATEMENT**

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**ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD [        ], 2009**

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**ABOUT THE MEETING**

This proxy statement is furnished in connection with the solicitation by the Board of Directors of The Children's Place Retail Stores, Inc. (the "Company", "our", "we", or "us"), of proxies for use in voting at the 2009 annual meeting of stockholders (the "annual meeting" or the "meeting"), to be held at [        ] located at [        ] of [        ], 2009, at [        ], New York time, and any adjournment or postponement thereof. On or about [        ], 2009, this proxy statement, the enclosed **WHITE** proxy card and Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 are being sent to stockholders entitled to vote at the annual meeting.

The Company has received notice from Ezra Dabah of his intention to nominate three nominees (collectively, the "Dabah Nominees") for election to the Company's Board of Directors (the "Board") at the annual meeting and to present a bylaw restoration proposal.

**The Dabah Nominees are NOT endorsed by our Board. We urge stockholders NOT to vote any proxy card that you may receive from Mr. Dabah. Our Board urges you to vote FOR ALL of our nominees for director: Malcolm Elvey, Sally Frame Kasaks and Norman Matthews.**

**We are not responsible for the accuracy of any information provided by or relating to Mr. Dabah or his nominees contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Mr. Dabah or any other statements that Mr. Dabah may otherwise make or that may be made on his behalf. Mr. Dabah chooses which stockholders receive his proxy solicitation materials.**

**When and where will the annual meeting take place?**

The annual meeting will be held on [        ] [        ] 2009, at [        ], New York time, at [        ].

**Who is soliciting my vote?**

This proxy statement and the **WHITE** proxy card are provided in connection with the solicitation of proxies by our Board for the annual meeting. Proxy materials, including this proxy statement and the **WHITE** proxy card, were filed with the Securities and Exchange Commission on June [        ], 2009, and we expect to first make this proxy statement available to stockholders on or around Jun~~e~~ [        ], 2009.



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**What am I being asked to vote on?**

You are being asked to vote on the following matters:

the election of three Class III directors to serve for a three-year term, each until his or her successor is duly elected and qualified;

the ratification of the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending January 30, 2010; and

if properly presented at the annual meeting, a stockholder proposal as described in this proxy statement.

With respect to the election of directors, the Board has nominated one individual for each position on the Board to be filled at the annual meeting. The Board is also presenting the ratification and appointment of our independent registered public accounting firm. The stockholder proposal, if properly presented, will be presented by or on behalf of Mr. Dabah.

**May I access the proxy materials for the annual meeting on the Internet?**

Under new rules issued by the Securities and Exchange Commission, we are providing access to our proxy materials both by sending you this full set of proxy materials, including the **WHITE** proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement, the accompanying form of **WHITE** proxy card and the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 are available at <http://www.amstock.com/ProxyServices/Viewmaterials.asp?CoNumber=01189>.

**What is the record date for the annual meeting?**

[ ], 2009 at [ ], *New York time*, is the record date for determining those stockholders who are entitled to vote at the annual meeting and at any adjournment or postponement of the meeting.

**How many directors can I vote for?**

Our Board consists of nine directors divided into three classes. Three Class III directors will be elected to serve for a three-year term, each until his or her successor is duly elected and qualified. Stockholders can vote for up to three nominees for directors for each share of our common stock, \$0.10 par value per share ("Common Stock"), owned on the record date.

**How many votes do I have?**

Stockholders have one vote for each share of Common Stock owned on the record date.

**How many votes may be cast by all stockholders?**

A total of [29,559,643] votes may be cast, consisting of one vote for each of the [29,559,643] shares of our Common Stock outstanding on the record date, [ ], 2009.

**How many votes must be present to hold the annual meeting?**

The presence in person or by proxy of the holders of a majority of the outstanding shares of our Common Stock entitled to vote at the annual meeting shall constitute a quorum for the transaction of business at the annual meeting. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining the presence or absence of a quorum. A broker "non-vote" occurs when a broker or nominee holding shares for a beneficial owner does not vote on a particular

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proposal because the broker or nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Broker "non-votes" will not have any effect on any of the proposals. Abstentions will not affect the outcome of the vote on the election of directors, but will have the same practical effect as a negative vote on the proposal ratifying the appointment of BDO Seidman, LLP and, if properly presented, the stockholder proposal.

In order for us to determine that enough votes will be present to hold the annual meeting, we urge you to vote by submitting the **WHITE** proxy card even if you plan to attend the meeting.

**How many votes will be required to approve each of the proposals?**

Pursuant to our certificate of incorporation, directors shall be elected by a majority of votes cast by the shares present at a meeting of stockholders and entitled to vote on the election of directors at such meeting, a quorum being present at such meeting, unless the election is contested, in which case directors shall be elected by a plurality of votes cast by the shares present and entitled to vote at such meeting. A "contested election" means an election at which the number of nominees for election as director is greater than the number of directors to be elected. For such purpose, the number of nominees shall be determined as of the last date on which a stockholder in accordance with our bylaws may nominate a person for election as a director in order for such nomination to be required to be presented for a vote of the stockholders.

The Board has nominated an individual for election to each position on the Board to be filled at the annual meeting, each of whom is an incumbent director. Mr. Dabah has provided notice that he also intends to nominate an individual for election to each position on the Board to be filled at the annual meeting. **Because the number of nominees timely nominated for election at the annual meeting exceeds the number of directors to be elected at the meeting, the election of directors at the annual meeting is a contested election.** As a result, directors will be elected by a plurality of the votes cast at the annual meeting, meaning that the three nominees receiving the most votes will be elected. Only votes cast "FOR" a nominee will be counted. Unless indicated otherwise by your **WHITE** proxy card, your shares will be voted "FOR" each of the three nominees named in Proposal No. 1 in this proxy statement. Instructions on the accompanying **WHITE** proxy card to withhold authority to vote for one or more of the nominees will result in those nominees receiving fewer votes but will not count as a vote "AGAINST" the nominees. Abstentions and broker non-votes will also result in those nominees receiving fewer votes, but will not count as a vote "AGAINST" the nominees.

The affirmative vote of the holders of a majority of the votes cast at the annual meeting is required to ratify the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending January 30, 2010.

If properly presented, the affirmative vote of the holders of a majority of the votes cast at the annual meeting will be required to approve the stockholder proposal.

**What are the Board's recommendations?**

Unless you give other instructions on your **WHITE** proxy card, the persons named as proxy holders on the **WHITE** proxy card will vote in accordance with the recommendations of our Board. Our Board's recommendation with respect to each matter to be voted on is set forth, together with a description of the matter, in this proxy statement. In summary, our Board recommends a vote

**FOR** the election of the three nominees of the Board named under the caption "Proposal No. 1 Election of Directors" to serve as Class III directors;

**FOR** the ratification of the appointment of BDO Seidman LLP as our independent registered public accounting firm for the fiscal year ending January 30, 2010; and

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if properly presented, **AGAINST** the stockholder proposal as described in this proxy statement.

It is not currently expected that any matter other than those identified above will be voted upon at the annual meeting (other than procedural matters with respect to the conduct of the meeting that may properly arise). With respect to any other matter that properly comes before the meeting, the proxy holders will vote as may be recommended by our Board or, if no recommendation is given, in their own discretion.

**What should I do if I receive a proxy card from Mr. Dabah?**

Mr. Dabah has provided notice that he intends to nominate his own slate of three nominees for election as directors at the annual meeting and solicit proxies for use at the annual meeting in favor of his own slate in opposition to all of the nominees named in Proposal No. 1. You may receive proxy solicitation materials from Mr. Dabah, including an opposition proxy statement and proxy card. **OUR BOARD OF DIRECTORS URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY MR. DABAH.** Even if you have previously signed a proxy card sent by Mr. Dabah, you have the right to change your vote by following the instructions on the **WHITE** proxy card to vote by telephone or by Internet or by signing, dating and mailing the enclosed **WHITE** proxy card in the postage-paid envelope provided. Only the latest dated proxy you submit will be counted. We urge you to disregard any proxy card sent to you by Mr. Dabah or any person other than The Children's Place Retail Stores, Inc.

**How do I vote?**

You may vote by attending the annual meeting and voting in person or you may vote by submitting a proxy. The method of voting by proxy differs for shares held as a record holder and shares held in "street name," which means your shares are held of record by a broker, bank or nominee.

If you hold your shares of Common Stock as a record holder, you may vote your shares by completing, dating and signing the **WHITE** proxy card that was included with the proxy statement and promptly returning it in the preaddressed, postage paid envelope provided to you, or by submitting a proxy over the Internet or by telephone by following the instructions on the **WHITE** proxy card. As the stockholder of record, you have the right to vote in person at the meeting. If you choose to do so, you can bring the enclosed **WHITE** proxy card or vote using the ballot provided at the meeting.

If you vote by proxy, your shares will be voted at the annual meeting in the manner specified by you. If you sign, date and return your **WHITE** proxy card, but do not specify how you want your shares voted, they will be voted by the proxy holder as recommended by the Board.

If you hold your shares of Common Stock in street name, you are a "beneficial holder," and you will receive a notice from your broker, bank or other nominee that includes instructions on how to vote your shares. Your broker, bank or nominee will allow you to deliver your voting instructions over the Internet and may also permit you to vote by telephone. In addition, you may request paper copies of the proxy statement and **WHITE** proxy card from your broker by following the instructions on the notice provided by your broker. Because a beneficial holder is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a "legal proxy" from the broker, bank or other nominee that holds your shares, giving you the right to vote the shares at the meeting.

**Even if you plan to attend the annual meeting, we recommend that you vote your shares in advance as described in this proxy statement so that your vote will be counted if you later decide not to attend the annual meeting.**

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**What does it mean if I receive more than one proxy or voting instruction form?**

If your shares are registered in more than one name or in more than one account, you will receive more than one **WHITE** proxy card or **WHITE** voting instruction form. Please complete and return all of the **WHITE** proxy cards and **WHITE** voting instruction forms you receive (or vote by telephone or the Internet all of the shares on all of the **WHITE** proxy cards or **WHITE** voting instruction forms received) to ensure that all of your shares are voted.

As previously noted, Mr. Dabah has provided notice that he intends to nominate his own slate of three nominees for election as directors at the annual meeting and solicit proxies for use at the annual meeting to vote in favor of his own slate in opposition to all of the Board's nominees named in Proposal No 1. As a result, you may receive proxy cards from both Mr. Dabah and the Company. To ensure stockholders have the Company's latest proxy information and materials to vote, the Board expects to conduct multiple mailings prior to the date of the annual meeting, each of which will include a **WHITE** proxy card regardless of whether or not you have previously voted. Only the latest dated proxy you submit will be counted.

**OUR BOARD OF DIRECTORS URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY MR. DABAH.** Even if you have previously signed a proxy card sent by Mr. Dabah, you have the right to change your vote by following the instructions on the **WHITE** proxy card to vote by telephone or by Internet or by signing, dating and mailing the enclosed **WHITE** proxy card in the postage-paid envelope provided. Only the latest dated proxy you submit will be counted. We urge you to disregard any proxy card sent to you by Mr. Dabah or any person other than The Children's Place Retail Stores, Inc.

**May I revoke my vote?**

If you are a stockholder of record, you may revoke your proxy at any time before your proxy is voted at the annual meeting by taking any of the following actions:

delivering to our Assistant Secretary a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked;

signing and delivering a new paper proxy, relating to the same shares and bearing a later date than the original proxy;

submitting another proxy by telephone or over the Internet (your most recent telephone or Internet voting instructions will be followed); or

attending the annual meeting and voting in person, although attendance at the annual meeting will not, by itself, revoke a proxy.

Written notices of revocation and other communications with respect to the revocation of the Company's proxies should be addressed to:

The Children's Place Retail Stores, Inc.  
915 Secaucus Road  
Secaucus, New Jersey 07094  
Attn: Assistant Secretary

If your shares are held in "street name," you may change your vote by submitting new voting instructions to your broker, bank or other nominee. You must contact your broker, bank or other nominee to find out how to do so. The following section describes how to vote in person if your shares are held in street name.

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**May I vote in person?**

Yes. If you plan to attend the annual meeting and wish to vote in person, you will be given a ballot at the annual meeting. Please note, however, that if your shares are held in street name, you must bring to the annual meeting a legal proxy from the record holder of the shares, which is the broker or other nominee, authorizing you to vote at the annual meeting.

**What if I abstain from voting?**

For the election of a nominee as a Class III director, you may vote for the nominee named on the **WHITE** proxy card, or you may indicate on the **WHITE** proxy card that you are voting against the election of the nominee or abstaining with respect to the election of the nominee. Abstentions will have no effect in determining the results in the election of directors.

For the ratification of the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending January 30, 2010, you may vote for or against, or abstain from voting on, such proposal. An abstention on such proposal will be treated as a vote cast on the proposal and will have the same effect as a vote against such proposal.

For the approval of the stockholder proposal, if properly presented, you may vote for or against, or abstain from voting on, such proposal. An abstention on such proposal will be treated as a vote cast on the proposal and will have the same effect as a vote against such proposal.

**What effect do broker non-votes have on the proposals?**

A broker is entitled to vote shares held for a beneficial owners on routine matters, such as the ratification of the appointment of BDO Seidman, LLP as the Company's independent registered public accounting firm, without instructions from the beneficial owner of those shares. On the other hand, a broker may not be entitled to vote shares held for a beneficial owner on certain non-routine items, such as contested director elections and stockholder proposals, absent instructions from the beneficial owners of such shares. Thus, if you do not give your broker specific instructions, your shares may be treated as "broker non-votes" and may not be voted on these matters and, in such event, your shares will not be counted in determining the number of shares necessary for approval, although they will count for purposes of determining whether a quorum exists.

We urge you to provide instructions to your broker so that your votes may be counted on these matters. You should vote your shares by following the instructions provided on the **WHITE** voting instruction card and returning your **WHITE** voting instruction card to your broker to ensure that your shares are voted on your behalf.

**What happens if I do not return a signed proxy card?**

If you hold your shares of Common Stock as a record holder, you may vote your shares by completing, dating and signing the **WHITE** proxy card that was included with the proxy statement and promptly returning it in the preaddressed, postage paid envelope provided to you, or by submitting a proxy over the Internet or by telephone by following the instructions on the **WHITE** proxy card. If you choose to vote your shares by returning the **WHITE** proxy card included with the proxy statement and you do not sign the **WHITE** proxy card, the shares held in your name will not be voted (unless you attend and vote the shares at the annual meeting).

If you hold your shares through a broker and you do not provide your broker with specific instructions with respect to the proposal to ratify the appointment of our independent registered public accounting firm for the fiscal year ending January 30, 2010, your shares may be voted with respect to such proposal

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at your broker's discretion. On the other hand, a broker may not be entitled to vote shares held for a beneficial owner on certain non-routine items, such as contested director elections and stockholder proposals, absent instructions from the beneficial owners of such shares.

If you beneficially own shares that are held by someone other than a broker, you should inquire of that person as to its practices regarding voting such shares without your instructions. Generally, most such persons follow the same practice as brokers.

**What if I do not indicate my vote for one or more of the matters on my WHITE proxy card?**

If you return a signed **WHITE** proxy card without indicating your vote on a matter submitted at the annual meeting, your shares will be voted on that particular matter as follows:

**FOR** the election of the three nominees of the Board named under the caption "Proposal No. 1 Election of Directors" to serve as Class III directors;

**FOR** the ratification of the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending January 30, 2010; and

if properly presented, **AGAINST** the stockholder proposal as described in this proxy statement.

**Will I have any rights of appraisal or similar dissenter's rights with respect to any matter to be acted upon at the annual meeting?**

No. Holders of our Common Stock will not have any rights of appraisal or similar dissenter's rights with respect to any matter to be acted upon at the annual meeting.

**Will my vote be confidential?**

Yes. It is our policy that your vote will not be disclosed to our Board or any of our employees, except for a very limited number of employees who are involved in coordinating the vote tabulation process and solely for such purpose. An independent inspector reviews the vote tabulation process. However, our confidentiality policy does not apply to certain matters, such as contested elections of directors or certain contested proposals or the resolution of disputes as to how shares were voted.

**How can I attend the annual meeting?**

Only stockholders as of the record date, [            ], 2009 at [            ], New York time, may attend the annual meeting.

To attend the meeting, you must bring with you:

photo identification; and

proof of ownership of your shares as of the record date, such as a letter or account statement from your bank or broker.

The use of cameras, recording devices and other electronic devices at the annual meeting is prohibited, and such devices will not be allowed in the meeting or any other related areas, except by credentialed media. We realize that many cellular phones have built-in digital cameras, and while you may bring these phones into the venue, you may not use the camera function at any time.

**What happens if the annual meeting is postponed or adjourned?**

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Your proxy will remain valid and may be voted when the postponed or adjourned meeting is held. You may change or revoke your proxy until it is voted.

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**Could other matters be decided at the annual meeting?**

Our bylaws require a stockholder to provide prior notification of intent to present a matter for a vote at the annual meeting and such notification must have been delivered to us by May 12, 2009. Other than Mr. Dabah's notice, no such notice was received and, accordingly, we do not expect any other matter to be voted on at the meeting (other than any procedural matter incidental to the meeting that may arise). If, however, any other matter is presented for a vote at the annual meeting and you grant a proxy on the **WHITE** proxy card, the persons named as proxyholders, will have the discretion to vote your shares on such additional matters.

**Who will pay the expenses incurred in connection with the solicitation of my vote?**

We pay the cost of preparing this proxy statement and the related **WHITE** proxy card and notice of meeting, as well as any other materials that may be distributed on behalf of our Board, and any cost of soliciting your vote on behalf of the Board. We also pay all annual meeting expenses.

We may use the services of our directors, officers, employees and others to solicit proxies, personally or by mail, telephone, facsimile or the Internet. Appendix I to this proxy statement sets forth information about the directors and other individuals who, under rules promulgated by the Securities and Exchange Commission, are "participants" in our solicitation of proxies in connection with the annual meeting. We also make arrangements with brokers, banks and other custodians, nominees, fiduciaries and stockholders of record to forward solicitation material to the beneficial owners of stock held of record by such persons. We may reimburse such individuals or firms for reasonable out-of-pocket expenses incurred by them in soliciting proxies, but we will not pay any compensation for their services.

In addition, we have retained MacKenzie Partners, Inc., a proxy solicitation firm, to assist us in soliciting proxies and distributing proxy materials. In connection with its retention, MacKenzie Partners, Inc. has agreed to provide consulting and analytic services and to assist in the solicitation of proxies, primarily from banks, brokers, institutional investors and individual shareholders. Approximately 65 employees of MacKenzie Partners, Inc. will be providing services to the Company and assisting us with the solicitation of proxies. We expect to pay MacKenzie Partners, Inc. approximately \$350,000 plus reasonable expenses for these services.

We estimate that our total expenditures related to the solicitation of proxies for the annual meeting will be approximately \$1,500,000 (including, without limitation, costs if any related to advertising, printing, fees of attorneys, financial advisors, solicitors, accountants, public relations, transportation and litigation). As of June 2, 2009, our total expenditures relating to these solicitations have been approximately \$300,000.

**Will your independent registered public accounting firm participate in the annual meeting?**

Yes. Our independent registered public accounting firm is BDO Seidman, LLP. A representative of BDO Seidman, LLP will be present at the meeting, will be available to answer appropriate questions you may have and will have the opportunity to make a statement.

**How can I obtain copies of your corporate governance documents?**

A copy of each of our Corporate Governance Guidelines, our Code of Business Conduct and the charters for each of the committees of our Board is posted on our website, [www.childrensplace.com](http://www.childrensplace.com), under the "Corporate Governance" tab in the section entitled "Investor Relations," or may be obtained by contacting our Assistant Secretary by e-mail at [corporatesecretary@childrensplace.com](mailto:corporatesecretary@childrensplace.com) or by mail at The Children's Place Retail Stores, Inc., 915 Secaucus Road, Secaucus, New Jersey 07094, Attention: Investor Relations. In addition, we intend to satisfy our disclosure requirements under Item 5.05 of Form 8-K, regarding any amendments to, or waiver of, a provision of our Code of Business Conduct that



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applies to our principal executive officers, principal financial officer, chief financial officer or controller or our directors by posting such information on our website, [www.childrensplace.com](http://www.childrensplace.com), under the "Corporate Governance" tab under the section entitled "Investor Relations."

**How can I communicate with your board of directors?**

If you would like to communicate with our Board, a committee of our Board and/or an individual director(s) (including the non-employee directors as a group), you may send an e-mail to [childrensplaceboard@childrensplace.com](mailto:childrensplaceboard@childrensplace.com), or write to the following address:

Board of Directors  
c/o Assistant Secretary  
The Children's Place Retail Stores, Inc.  
915 Secaucus Road  
Secaucus, New Jersey 07094

You should specify in each communication the applicable addressee or addressees to be contacted, as well as the general topic of the communication. We will initially receive and process communications before forwarding them to the addressee. Our Assistant Secretary generally will not forward to the directors a stockholder communication that he determines to be primarily commercial in nature, that relates to an improper or irrelevant topic, that requests information about us that is generally available (which will instead be forwarded to our Investor Relations Department) or that is unrelated to the stockholder's ownership of our stock.

Concerns about accounting, internal controls over financial reporting or auditing matters or possible violations of our Code of Business Conduct should be reported pursuant to the procedures outlined in our Code of Business Conduct, which is available on our website, [www.childrensplace.com](http://www.childrensplace.com), under the "Corporate Governance" tab in the section entitled "Investor Relations."

**How may I obtain assistance in voting, completing my WHITE proxy card or with other questions?**

If you need assistance in voting by telephone or over the Internet or completing your **WHITE** proxy card or have questions regarding the annual meeting, please contact:

**MACKENZIE PARTNERS, INC.**  
105 Madison Avenue  
New York, New York 10016  
(212) 929-5500 (Call Collect)  
or  
**Call Toll-Free (800) 322-2885**  
Email: [childrensplace@mackenziepartners.com](mailto:childrensplace@mackenziepartners.com)

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on [        ], 2009:**

This proxy statement, the accompanying form of proxy card and the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 are available at <http://www.amstock.com/ProxyServices/Viewmaterials.asp?CoNumber=01189>. Under new rules issued by the Securities and Exchange Commission, we are providing access to our proxy materials both by sending you this full set of proxy materials and by notifying you of the availability of our proxy materials on the Internet.

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Our certificate of incorporation and our bylaws provide for a "classified" board of directors comprised of three classes, designated Classes I, II and III, whose members serve staggered three-year terms, so that one-third of our directors are elected each year. Class I directors and Class II directors were last elected at our annual meeting of stockholders held in 2008 and Class III directors were last elected at our annual meeting of stockholders held in 2006. Class III directors are to be elected at this year's annual meeting and will serve for a three-year term, extending until the third succeeding annual meeting, and in each case until their successors are duly elected and qualified. Unless marked otherwise, **WHITE** proxy cards received will be voted "FOR" the election of the three nominees named below.

**Nominees For Election at the Annual Meeting**

The following table sets forth certain information with respect to the nominees of the Board for election as Class III directors at the annual meeting, including their memberships on the Board's standing committees. See "Information Regarding the Board and its Committees" below.

	=	=					
	Chair	Member				<b>CORPORATE GOVERNANCE COMMITTEE</b>	
<b>NAME</b>			<b>CLASS OF DIRECTOR</b>	<b>DIRECTOR SINCE</b>	<b>AUDIT COMMITTEE</b>	<b>COMPENSATION COMMITTEE</b>	
Malcolm Elvey, age 67			III	2002			
<p>Mr. Elvey has served as a director of our company since December 2002. Mr. Elvey is currently Managing Partner of Collaborative Capital, a venture capital fund focused on early-stage technology companies, which he founded in 1999. From January 2004 to March 2006, Mr. Elvey served as the Chief Executive Officer of LimoRes.net, a ground transportation company he helped found in New York. Mr. Elvey has also founded other companies, most notably, Esquire Communications, Ltd., a court reporting and legal services company, and Metro Cash &amp; Carry, a publicly-traded South African warehouse club.</p>							

Prior to founding Esquire Communications, Mr. Elvey served for two years as a board member and as head of several divisions of ADT Ltd., a nationally recognized electronic security services provider. During his career, Mr. Elvey has served on the boards of public companies in the United States, Italy, the United Kingdom and South Africa, most notably, Pritchard Services and The Hawley Group, both United Kingdom-based companies. Mr. Elvey also coaches and runs workshops for public, private and not-for-profit organizations. He has been a member of the Young President's Organization/World President's Organization (YPO/WPO) since 1973 and has been an adjudicator of business plans at the Columbia Business School since 1999. Mr. Elvey has an MBA from the University of Cape Town, South Africa and is a chartered accountant.

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<b>NAME</b>	<b>CLASS OF DIRECTOR</b>	<b>DIRECTOR SINCE</b>	<b>AUDIT COMMITTEE</b>	<b>COMPENSATION COMMITTEE</b>	<b>CORPORATE GOVERNANCE COMMITTEE</b>
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Sally Frame Kasaks, age 64	III	2000			
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Ms. Kasaks has served as a director of our company since 2000, as lead director since August 2005 and as acting Chair since January 2007.

Ms. Kasaks is Chair and Chief Executive Officer of Pacific Sunwear of California, Inc., a position she assumed in May 2007, after having served as interim Chief Executive Officer of the company since October 2006. From 1997 to May 2007,

Ms. Kasaks served as a retail and marketing business consultant to a number of retailers through ISTA

Incorporated. From 1983 to 1985 and again from 1992 to 1996, Ms. Kasaks served as the Chief Executive Officer of Ann Taylor Stores, Inc.

Ms. Kasaks has also served as Chief Executive Officer of both

Abercrombie & Fitch and Talbots, Inc. During her career, Ms. Kasaks has served as a director to numerous companies, including Coach, Inc., Tuesday Morning, Inc., The White House, Inc., Cortefiel S.A and Crane & Co., Inc. In

addition, Ms. Kasaks has served as Advisor to the

board of the Army Air  
Force Exchange Service  
(AAFES).

Norman Matthews, age 76                      III                      2009

Mr. Matthews has served as a director of our company since March 2009. Mr. Matthews currently serves on the boards of The Progressive Corporation, Henry Schein, Inc., and Finlay Enterprises, Inc. Previously, he served on the boards of Sunoco, Inc., Toys "R" Us, Inc., and Federated Department Stores. Mr. Matthews served as President of Federated Department Stores until his retirement in 1988. He joined Federated Department Stores in 1978 as Chairman Gold Circle Stores Division. He was promoted to Executive Vice President of Federated Department Stores in 1982, to Vice Chairman in 1984 and to President in 1987. Prior to joining Federated Department Stores, Mr. Matthews served as Senior Vice President, General Merchandise Manager for E.J. Korvette, and as Senior Vice President, Marketing and Corporate Development for Broyhill Furniture Industries. In 2005, Mr. Matthews was named as one of eight outstanding directors by the Outstanding Directors Exchange.

**Selection of Nominees**

The foregoing nominees were recommended to the Board by the Corporate Governance Committee of the Board and were approved by the Board with Messrs. Dabah and Silverstein abstaining. Each of the nominees has consented to be named in this proxy statement and to serve as directors on the Board, if elected. Mr. Elvey and Ms. Kasaks have served on our Board since 2002 and 2000, respectively. Mr. Matthews was appointed to serve as a director on March 5, 2009 to fill a vacancy on the Board created by an increase in the number of directors from eight to nine. Each of Messrs. Elvey and Matthews and Ms. Kasaks satisfies the Board's standards for classification as an independent director and has no business, professional or other material relationship with us or any of our directors or officers.

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To assist it in identifying director candidates for election to the Board, the Corporate Governance Committee in early 2008 approved the engagement of Seiden, Kreiger & Associates, an executive and director recruitment firm. Other than engaging the assistance of a search firm in identifying candidates for its consideration, the Corporate Governance Committee followed the selection process, criteria and other policies that it normally follows in recommending each of the full slate of nominees of the Board for election at the annual meeting. See "Information Regarding the Board of Directors and Its Committees - Consideration of Director Nominees."

Except as otherwise specified by the stockholder, the persons named as proxies on the **WHITE** proxy card will vote FOR the nominees of the Board for election as Class III directors. If a nominee is unable or declines to serve as a director at the time of the annual meeting, the proxy holders will vote for any nominee who shall be designated by our Board (as constituted prior to the time of the meeting) to fill the position. Our Board is not aware that any of the nominees of the Board are unable or will decline to serve as a director. All of the nominees are currently serving as directors.

Pursuant to our certificate of incorporation, directors shall be elected by a majority of votes cast by the shares present at a meeting of stockholders and entitled to vote on the election of directors at such meeting, a quorum being present at such meeting, unless the election is contested, in which case directors shall be elected by a plurality of votes cast by the shares present and entitled to vote at such meeting. A "contested election" means an election at which the number of nominees for election as director is greater than the number of directors to be elected. For such purpose, the number of nominees shall be determined as of the last date on which a stockholder in accordance with our bylaws may nominate a person for election as a director in order for such nomination to be required to be presented for a vote of the stockholders.

**Because the number of nominees timely nominated for election at the annual meeting exceeds the number of directors to be elected at the meeting, the election of directors at the annual meeting is a contested election.** As a result, directors will be elected by a plurality of the votes cast at the annual meeting by the shares present and entitled to vote at such meeting, meaning that the three nominees receiving the most votes will be elected.

**Recommendation of the Board of Directors**

**THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF ALL NOMINEES NAMED ABOVE. WHITE PROXY CARDS RECEIVED BY THE COMPANY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES NAMED ABOVE UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE IN THE PROXY.**

**THE BOARD URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY MR. DABAH.** Even if you have previously signed a proxy card sent by Mr. Dabah, you have the right to change your vote by following the instructions on the **WHITE** proxy card to vote by telephone or by Internet or by signing, dating and mailing the enclosed **WHITE** proxy card in the postage-paid envelope provided. Only the latest dated proxy you submit will be counted. We urge you to disregard any proxy card sent to you by Mr. Dabah or any person other than The Children's Place Retail Stores, Inc. The following table sets forth certain information with respect to the Class I and II directors, whose term of office continues beyond the annual meeting.

Table of Contents**Continuing Directors**

=	=					
Chair	Member					
NAME	CLASS OF DIRECTOR	DIRECTOR SINCE	AUDIT COMMITTEE	COMPENSATION COMMITTEE	CORPORATE GOVERNANCE COMMITTEE	
Robert Fisch, age 59	I	2004				
<p>Since 2001, Mr. Fisch has served as the President, Chief Executive Officer and Chairman of the Board of rue21, a leading specialty retailer of value priced apparel for young women and men with over 375 stores across the United States.</p>						
Louis Lipschitz, age 64	I	2008				
<p>Mr. Lipschitz currently serves on the Boards of Finlay Enterprises, New York &amp; Company, Majesco Entertainment and Forward Industries. He served as the Executive Vice President and Chief Financial Officer of Toys "R" Us, Inc. from 1996 until his retirement in 2004.</p>						
Stanley Silverstein, age 84	I	1996				
<p>Since 1952, Mr. Silverstein has served as Chairman of the Board of Directors of Nina Footwear, a company he founded with his brother. (Mr. Silverstein is the father-in-law of Ezra Dabah, former Chief Executive Officer of the Company)</p>						



Joseph Alutto, age 67                      II                      2008

Since October 2007, Dr. Alutto has served as the Executive Vice President and Provost of The Ohio State University. Prior to this position, Dr. Alutto served as the institution's interim President from July 1, 2007 until September 30, 2007. Prior to these positions, Dr. Alutto served as the Dean of the Max M. Fischer College of Business at The Ohio State University for 16 years.

Charles Crovitz, age 55                      II                      2004  
Interim CEO

Since 2003, Mr. Crovitz has operated Crovitz Consulting Co. in Tisbury, Massachusetts. From 1993 to 2003, Mr. Crovitz served in several senior executive positions, including as the Executive Vice President & Chief Supply Chain Officer for Gap Inc. Mr. Crovitz is also a director of United Stationers, Inc.

Ezra Dabah, age 55                      II                      1989

Mr. Dabah served as our Chief Executive Officer from 1991 to September 2007. From 1989 to 2006, Mr. Dabah served as our Chairman of the Board. (Mr. Dabah is Stanley Silverstein's son-in-law)

**PROPOSAL NO. 2 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our Board, upon the recommendation of its Audit Committee, has appointed BDO Seidman, LLP as our independent registered public accounting firm for the current fiscal year ending January 30, 2010 ("fiscal

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2009"). BDO Seidman, LLP acted as our independent registered public accounting firm for the most recently completed fiscal year ended January 31, 2009 ("fiscal 2008") by action of the Board upon recommendation of the Audit Committee.

The appointment of BDO Seidman, LLP as our independent registered public accounting firm for fiscal 2009 is being submitted for ratification by the stockholders as a matter of sound corporate governance practice. If the stockholders do not ratify the appointment, the Audit Committee will reconsider the appointment but the vote will not be binding and the Audit Committee may continue the appointment. The outcome of the vote will also be considered in the decision to appoint our independent registered public accounting firm for next year. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time if it determines that such a change would be in our best interests and in the best interests of our stockholders.

A representative of BDO Seidman, LLP is expected to attend the annual meeting. The representative will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from stockholders.

BDO Seidman, LLP also acted as our independent registered public accounting firm for the fiscal year ended February 2, 2008 ("fiscal 2007") pursuant to appointment on October 15, 2007 by action of the Board upon recommendation of the Audit Committee. In connection with its fiscal 2007 engagement, BDO Seidman, LLP was also engaged on January 18, 2008 to re-audit our consolidated balance sheet as of February 3, 2007 and our consolidated statements of operations, changes in stockholders' equity and cash flow for each of the fiscal years ended February 3, 2007 ("fiscal 2006") and January 28, 2006 ("fiscal 2005") and its audit report with respect to those financial statements, as well as our fiscal 2007 financial statements is included in our Annual Report on Form 10-K for the year ended February 2, 2008 filed with the Securities and Exchange Commission (our "2007 10-K Report").

For the fiscal year ended February 3, 2007 (fiscal 2006), Deloitte & Touche LLP ("Deloitte") served as our independent registered public accounting firm, pursuant to appointment by the Board upon recommendation of the Audit Committee. Prior to the resignation of the Company's former chief executive officer on September 24, 2007, Deloitte had advised the Company that it had determined, in its professional judgment, that it was no longer willing to rely on his representations in connection with its audits. The Audit Committee discussed this determination with Deloitte. On October 9, 2007, the Audit Committee was advised by Deloitte that it would not stand for re-appointment as our independent registered public accounting firm for fiscal 2007. Deloitte did not terminate, and did complete, its then current engagement as our independent registered public accounting firm of the Company's financial statements for the three fiscal years in the period ended February 3, 2007 (which included a restatement of our previously issued financial statements for fiscal 2005 and 2004). On December 5, 2007, Deloitte completed its audit engagement for fiscal 2006, which ended its provision of audit services to the Company. Deloitte was not asked to and did not re-issue, in connection with the Company's 2007 10-K Report (or otherwise), an audit report with respect to the Company's consolidated financial statements for fiscal 2006 or fiscal 2005 and, as indicated above, the audit report of BDO Seidman, LLP was included in such report with respect to the three year period ended February 2, 2008. Except as described below, during the two fiscal years ended February 3, 2007 and through the date of completion of Deloitte's engagement, there were no disagreements between the Company and Deloitte with respect to any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Deloitte's satisfaction, would have caused it to make reference to the subject matter of any such disagreement in connection with an audit report.

The Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007 (the "2006 10-K Report"), which the Company filed with the SEC on December 5, 2007, included management's assessment of the Company's internal control over financial reporting as of the end of such fiscal year. In such assessment, management concluded that the Company's internal control over financial reporting

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as of such date was not effective because of three material weaknesses in the Company's internal financial controls, one relating to accounting for stock options, one relating to the financial closing and reporting process and one relating to the control environment. As previously disclosed in the 2006 10-K Report, while in its audit work Deloitte also identified the same three material weaknesses, Deloitte determined that management's assessment of the Company's internal financial controls, as contained in the Fiscal 2006 10-K, was not, in Deloitte's judgment, fairly presented in all material respects. Specifically, in the course of its audit Deloitte informed the Company of a difference in judgment between the Company and Deloitte as to the factors that should contribute to a conclusion as to the existence of the material weakness in the Company's control environment. In Deloitte's judgment, there was a material weakness in the control environment as of February 3, 2007 resulting not only from the factors identified by the Company in its 2006 10-K Report but also from insufficient remediation actions imposed by those charged with governance in response to violations of Company policies and other actions of senior management and, because this factor was not discussed in management's assessment of this weakness, the weakness was not fairly presented in all material respects in the assessment contained in the 2006 10-K Report. The Audit Committee discussed with Deloitte each of the three material weaknesses and this difference in judgment with respect to the factors contributing to the weakness relating to the control environment. Deloitte advised the Company that this difference in judgment represents, in Deloitte's professional judgment, a disagreement with the Company with respect to a matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure. The Company agrees that the difference in judgment should be so treated. However, in the Company's judgment its disclosure regarding the control environment weakness, including the factors contributing to a finding of a weakness in the control environment, as contained in its Fiscal 2006 10-K, was fairly presented in all material respects.

Before it engaged BDO Seidman, LLP as our independent registered public accounting firm for fiscal 2007, the Company had discussed with it, and authorized Deloitte to discuss with it, each of the matters referred to in the foregoing paragraph. During the Company's two fiscal years ended January 28, 2006 and January 29, 2005, and during the subsequent interim periods preceding the engagement of BDO, the Company did not consult with BDO regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report was provided to the Company nor oral advice was provided that BDO concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement, as that term is defined in paragraph 304(a)(1)(iv) of Regulation S-K, or a reportable event required to be reported under paragraph 304(a)(1)(v) of Regulation S-K.

The Company's 2007 10-K Report contains management's assessment of the Company's internal control over financial reporting as of February 2, 2008. Such assessment finds the Company's internal financial controls as of such date to be effective, with the three material weaknesses identified in the 2006 10-K Report to have been remediated. In BDO Seidman LLP's audit report on management's assessment as of February 2, 2008, as included in the 2007 10-K Report, and audit report on management's assessment as of January 31, 2009, as included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009, BDO Seidman, LLP determined that the Company's internal control over financial reporting as of February 2, 2008 and January 31, 2009, respectively, was effective.

**Recommendation of the Board**

**THE BOARD RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF BDO SEIDMAN, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. WHITE PROXY CARDS RECEIVED BY THE COMPANY WILL BE VOTED "FOR" THE RATIFICATION OF THE**

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**APPOINTMENT OF BDO SEIDMAN, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE IN THE PROXY.**

**PROPOSAL NO. 3 STOCKHOLDER PROPOSAL**

Mr. Dabah, 120 Central Park South, New York, New York 10019, who represents that he is the record owner of 1,643,250 shares of Common Stock, has given notice of his intention to present a proposal at the annual meeting. The proposal and the proponent's supporting statement appear below in italics.

**THE BOARD STRONGLY OPPOSES ADOPTION OF THE PROPOSAL AND ASKS STOCKHOLDERS TO REVIEW THE BOARD'S RESPONSE, WHICH FOLLOWS THE PROPOSAL AND THE PROPONENT'S SUPPORTING STATEMENT.**

**THE BOARD RECOMMENDS THAT YOU VOTE AGAINST THE STOCKHOLDER PROPOSAL.**

**Stockholder Proposal**

*Bylaw Restoration Proposal*

*RESOLVED, that any provision of the Bylaws of the Corporation as of the effectiveness of this resolution adopted by the Board of the Corporation and not by the shareholders of the Corporation that were not included in the Bylaws of the Corporation, as amended through March 5, 2009 and as filed with the Securities and Exchange Commission on March 6, 2009, be and hereby are repealed.*

***Supporting Statement:** The purpose of and reason for conducting the business specified in the Bylaw Restoration Proposal is to prevent the incumbent Board from adopting any changes to the Corporation's Bylaws that could serve to limit the ability of the Nominees to pursue the best interests of the Corporation and its stockholders. If the incumbent Board does not effect any change to the version of the Bylaws publicly available in a filing by the Corporation with the SEC on March 6, 2009, the Bylaw Restoration Proposal will have no effect. However, if the incumbent Board has made change since that time, the Bylaw Restoration Proposal, if adopted, will restore the Bylaws to the version that was filed as Exhibit 3.1 to the Form 8-K filed by the Corporation with the SEC on March 6, 2009, without considering the nature of any changes the incumbent Board may have adopted. The Bylaw Restoration Proposal will not preclude the newly-elected Board from reconsidering any repealed Bylaw changes following the proxy solicitation.*

**Board of Directors Statement AGAINST the Stockholder Proposal**

The Board believes the stockholder proposal to repeal bylaw amendments that may be adopted by the Board after March 6, 2009 would undermine the ability of the Board to control the business and affairs of the Company and to protect all of the Company's stockholders and, therefore, help Mr. Dabah assert control over the Board. Like the slate of directors nominated for election as directors at the annual meeting by Mr. Dabah, the Board believes that the stockholder proposal is not in the best interests of the Company's stockholders.

The Board is responsible for managing, or directing the management of, the business and affairs of the Company. In meeting this responsibility, the Board has a fiduciary duty to act in the best interests of the Company and all stockholders. The Company has adopted policies and practices designed to ensure and encourage its independent exercise of such duty. The Company's bylaws expressly provide that the bylaws may be amended by the Board. It is important that the Board's ability to act in the best interests of the Company and all stockholders even if such duty requires that the Board amend the Company's bylaws not be limited by Mr. Dabah's proposal, which would limit the Board's powers and ability to discharge its fiduciary duty. Therefore, the Board believes that the stockholder proposal has no purpose other than to limit Board actions otherwise permitted by the certificate of incorporation and Delaware law that Mr. Dabah may find disadvantageous in his efforts to assert control over the Board, even if such actions would be beneficial to the Company.

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**Recommendation of the Board of Directors**

FOR ALL OF THE FOREGOING REASONS, THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "AGAINST" THIS PROPOSAL. PROXIES RECEIVED BY THE COMPANY WILL BE VOTED "AGAINST" THIS PROPOSAL UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE IN THE PROXY.

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**INFORMATION REGARDING THE BOARD OF DIRECTORS AND COMMITTEES**

**Corporate Governance**

We are dedicated to being a leading specialty retailer of children's merchandise and to creating superior long term stockholder value. It is our policy to conduct our business with the highest integrity and an unrelenting passion for providing the best value to our customers. Our business is managed by our employees under the direction and oversight of our Board. Except for Charles Crovitz, our Interim Chief Executive Officer, none of the members of our Board is employed by us. Our Board limits membership on its standing committees to independent non-management directors. We keep members of our Board informed of our business through discussions with management, materials we provide them, visits to our offices and stores and participation in meetings of our Board and committees.

Our Board has adopted a comprehensive set of corporate governance principles, which are outlined in our "Corporate Governance Guidelines," which include guidelines for:

determining director independence and qualifications for directors;

establishing overall standards and policies for carrying out the responsibilities of our Board and its committees, including reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;

ensuring processes are in place for maintaining our integrity;

assessing our major risks and reviewing options for their mitigation; and

providing counsel to, and oversight of the selection, evaluation, development and compensation of, senior management.

Our Corporate Governance Committee and Board regularly review our corporate governance policies and practices. As a result of such review, in March 2009, our Board of Directors updated our Corporate Governance Guidelines to, among other things, expressly provide that:

whenever the Chairman of the Board is also an employee of our company, the non-employee directors shall select a non-employee member of the Board to serve as the "Lead Director," who shall: (i) preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors; (ii) serve as liaison between the Chairman and the independent directors; (iii) approve information sent to the Board; (iv) approve meeting agendas for the Board; (v) approve meeting schedules to assure that there is sufficient time for discussion of all agenda items; and (vi) have the authority to call meetings of the independent directors;

if at any time a director intends to accept a directorship with another company, such director shall promptly provide written notice to the Corporate Governance Committee specifying such intention and the details related thereto, at which time the Corporate Governance Committee shall promptly assess the appropriateness of such director continuing to serve as a director and depending on such assessment, shall provide such director with either its written approval or its disapproval of such director's acceptance of such new directorship; and

any director who changes his or her employer or otherwise has a significant change in job responsibilities, or who accepts a directorship without the prior written approval of the Corporate Governance Committee in accordance with the procedures set forth in the Corporate Governance Guidelines, that he or she did not hold when such director was most recently elected or appointed to the Board, promptly shall give written notice to the Corporate Governance Committee specifying the details and shall submit a letter of resignation from the Board and each committee on which such director serves, for consideration by the Corporate Governance





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Committee, at which time the Corporate Governance Committee shall promptly assess the appropriateness of such director continuing to serve as a director and shall recommend to the Board the action to be taken with respect to acceptance of such resignation.

In addition, all of our employees, including our Interim Chief Executive Officer (who is a principal executive officer), our Executive Vice President, Finance and Administration (who is a principal executive officer and our principal financial officer and principal accounting officer) and our controller, and our non-employee directors are required to comply with our Code of Business Conduct.

Our Corporate Governance Guidelines, our board committee charters and our Code of Business Conduct are published under the "Corporate Governance" tab in the "Investor Relations" section of our website, [www.childrensplace.com](http://www.childrensplace.com). These materials are also available in print to any stockholder upon request. On a regular basis, our Board, as a whole or through its committees, reviews these corporate governance documents and best practices suggested by recognized governance authorities, and receives advice on pertinent developments in Delaware law, the rules and listing standards of The Nasdaq Stock Market, Inc. and the rules and regulations promulgated by the Securities and Exchange Commission. Our Board modifies our governance as warranted based on such reviews. Any modifications made to our governance documents referred to above are reflected periodically on our website.

**Director Independence**

A majority of our Board consists of non-management directors who meet the criteria for director independence of the listing standards of the Nasdaq Stock Market. During fiscal 2008 and until February 28, 2008, our Board consisted of seven directors, Charles Crovitz, Ezra Dabah, Malcolm Elvey, Robert Fisch, James Goldman, Sally Frame Kasaks and Stanley Silverstein, four of whom, Messrs. Elvey, Fisch and Goldman and Ms. Kasaks, were independent directors. On February 28, 2008, we received notice from James Goldman of his resignation from the Board, effective immediately. Following Mr. Goldman's resignation, we had six directors, three of whom were independent directors, until May 9, 2008 when two individuals, Dr. Joseph Alutto and Mr. Louis Lipschitz, were added to the Board. These two additional directors are independent directors under the applicable criteria. All the members of our Audit Committee, Compensation Committee and Corporate Governance Committee, while serving in such capacity, have been and are independent directors.

Each year each director completes and submits to the Company a questionnaire, which, among other purposes, is used by the Corporate Governance Committee to help evaluate whether the director has any material relationship with us (whether directly or as a partner, stockholder, or officer of an organization that has a relationship with us), including any material relationship with our affiliates and management, pertinent to determining the director's independence. With the assistance of the Corporate Governance Committee, our Board made an affirmative determination that of our current directors, Messrs. Elvey, Fisch, Lipschitz and Matthews, Dr. Alutto and Ms. Kasaks are independent within the meaning of Nasdaq's listing standards, and with respect to the members of the Audit Committee, the provisions of SEC Rule 10A-3.

**Consideration of Director Nominees**

The Corporate Governance Committee acts as a nominating committee on behalf of the Board to recruit, consider the qualifications of and recommend to the Board the Board's nominees for election as directors by the stockholders and candidates to be elected by the Board to fill vacancies on the Board, as well as the selection by the Board of members of our Audit Committee, Compensation Committee and Corporate Governance Committees.

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When evaluating a candidate for membership on our Board, the Corporate Governance Committee considers the skills and characteristics appropriate and desirable for membership on our Board based upon an assessment of the needs of our Board and its committees. The assessment includes an analysis of each candidate's judgment, financial literacy, maturity, experience, commitment, integrity and accountability, as well as consideration of diversity.

Our Corporate Governance Guidelines describe the minimum qualifications for nominees and the qualities or skills that are necessary for directors to possess. Each nominee:

must satisfy any legal requirements applicable to members of our board of directors;

must have business or professional experience that will enable such nominee to provide useful input to our board of directors in its deliberations;

must have a reputation, in his or her business endeavors and in other pertinent communities, for honesty and ethical conduct;

must have a working knowledge of the types of responsibilities expected of members of the board of directors of a public company; and

must have experience, either as a member of the board of directors of another public or private company or a non-profit organization or a similar capacity, that demonstrates the nominee's capacity to serve in a fiduciary position.

Our Corporate Governance Committee will consider candidates for nominees to serve on our Board recommended by our stockholders. Our Corporate Governance Guidelines describe the procedure for stockholders to make such recommendations. Pursuant to these procedures a notice of such recommendation must be delivered to our Secretary at our principal executive offices located at 915 Secaucus Road, Secaucus, New Jersey 07094 no later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the annual meeting is called for a day that is more than 30 days before or more than 60 days after such anniversary date, notice to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting date and no later than the close of business on the later of the 90th day prior to such annual meeting date or the close of business on the 10th day following the day on which public announcement of the date of such meeting is first made by us. The public announcement of an adjournment or postponement of an annual meeting will not commence a new time period (or extend any time period) for the giving of a notice as described above. Our Corporate Governance Guidelines require the notice to set forth as to each candidate recommended by a stockholder: (a) all information relating to such candidate that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such candidate's written consent to being named in the proxy statement as a nominee, to serving as a director if elected and to being contacted and interviewed by the Corporate Governance Committee), and (b) information that will enable our Corporate Governance Committee to determine whether the candidate or candidates satisfy the criteria established for director candidates referred to above. Our Board, or Corporate Governance Committee, may require a proposed nominee for director to furnish such other information which pertains to such proposed nominee or which may be reasonably required to determine the eligibility of such proposed nominee to serve as a director.

Our corporate governance guidelines provide that the Corporate Governance Committee shall have a policy that there will be no differences in the manner in which it evaluates nominees recommended by stockholders and nominees recommended by the Corporate Governance Committee or management, except that no specific process shall be mandated with respect to the nomination of any individuals who

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have previously served on our Board. The evaluation process for individuals other than existing members of our Board will generally include:

a review of the information provided to the Corporate Governance Committee by the proponent;

a review of references from at least two sources determined to be reputable by the Corporate Governance Committee; and

an interview of the candidate, together with a review of such other information as the Corporate Governance Committee shall determine to be relevant.

**Committees of the Board of Directors**

Our Board of Directors has three standing committees: the Compensation Committee, the Corporate Governance Committee and the Audit Committee, each of which operates pursuant to a written charter approved by our Board. A copy of the charter of the Compensation Committee, the Corporate Governance Committee and the Audit Committee, is attached hereto as *Appendix A*, *Appendix B* and *Appendix C*, respectively, and which can be viewed under the "Corporate Governance" tab in the "Investor Relations" section of our website, [www.childrensplace.com](http://www.childrensplace.com). In addition to the duties provided by their respective charters, each committee may be assigned additional duties by our Board from time to time, and each is charged with reporting its activities to our Board.

***Compensation Committee***

The Compensation Committee has been charged with the responsibilities of our Board relating to compensation of our executive officers and other members of management and reviews and approves related person transactions (as defined in the rules and regulations promulgated by the Securities and Exchange Commission). The Compensation Committee establishes our management compensation policies, reviews and recommends to the Board the terms of the Company's incentive compensation plans and programs, oversees the implementation of these plans and programs, including the granting of all equity awards, and determines all aspects of the compensation of our executive officers. For more information on the role played by the Compensation Committee in setting the compensation of our executives and the role of executive officers in determining or recommending the amount or form of executive compensation, see "Compensation Discussion and Analysis Role of the Compensation Committee, the CEO and Other Executives" below. In addition, the Compensation Committee makes recommendations to the Board regarding the compensation of directors and reviews and approves any "related-person" transactions (as described below).

The Compensation Committee currently consists of three members, Ms. Kasaks (who also serves as Chairman of the Compensation Committee), Dr. Alutto and Mr. Fisch. Throughout fiscal 2008, Ms. Kasaks served as a member and as Chairman of the Compensation Committee. During fiscal 2008 until Mr. Goldman's resignation as a director on February 28, 2008, Mr. Goldman served as a member of the Compensation Committee. On March 6, 2008, the Board, upon recommendation of the Corporate Governance Committee, appointed Messrs. Fisch and Elvey to the Compensation Committee, and on May 9, 2008, effective on June 1, 2008, Mr. Elvey resigned from and Dr. Alutto was appointed to the Compensation Committee.

***Corporate Governance Committee***

The Corporate Governance Committee acts as a nominating committee to select the Board's nominees for election by the stockholders as directors and recommends candidates for election by our Board to fill vacancies. The committee determines the minimum qualifications that should be satisfied by members of our Board and recommends to the Board the membership of the Board's standing committees. The

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Corporate Governance Committee also assists our Board with oversight of other corporate governance matters, including the evaluation of the effectiveness of each member of our Board and the performance of the Board as a whole. The Corporate Governance Committee, in the event of an uncontested election, also must assess the appropriateness of accepting the resignation of a nominee of the Board for election as a director who is in office as a director and does not receive a majority of the votes cast by the stockholders in respect of his or her election.

The Corporate Governance Committee currently consists of four members, Ms. Kasaks (who serves as Chairman of the Corporate Governance Committee), Dr. Alutto, Mr. Elvey and Mr. Lipschitz. Throughout fiscal 2008, Ms. Kasaks served as a member and as Chairman and Mr. Elvey served as a member of the Corporate Governance Committee. On March 6, 2008, Mr. Fisch was appointed by the Board to serve on the Corporate Governance Committee. On May 9, 2008, effective on June 1, 2008, Mr. Fisch resigned from and Dr. Alutto and Mr. Lipschitz were appointed to the Corporate Governance Committee.

***Audit Committee***

The Audit Committee, which is a separately designated standing audit committee established in accordance with Section 3(a)(58) of the Exchange Act, monitors the preparation and integrity of our financial statements, our other financial reports and our overall disclosure practices; the soundness of our system of internal financial controls and our compliance with good accounting practices; and the appointment, qualifications, independence and performance of our independent registered public accounting firm. Additionally, the Audit Committee has oversight responsibility for the performance of our internal audit function and compliance with related legal and regulatory requirements.

The Audit Committee currently consists of three members, Mr. Elvey (who serves as Chairman of the Audit Committee), Mr. Fisch and Mr. Lipschitz. Throughout fiscal 2008, Mr. Elvey served as a member and as Chairman and Mr. Fisch served as a member of the Audit Committee. During fiscal 2008 and until her resignation from the Audit Committee, effective as of June 1, 2008, Ms. Kasaks served on the Audit Committee, and upon her resignation, Mr. Lipschitz was appointed to serve on the Audit Committee. Our Board has determined that during these periods, all members of the Audit Committee met and all of the current members of the Audit Committee meet the "financial sophistication" requirements of the Nasdaq listing standards and that each of Messrs. Elvey, Fisch and Lipschitz is an "audit committee financial expert," as defined in Item 407(d)(5) of Regulation S-K.

**Meetings of the Board of Directors**

During fiscal 2008, there were 13 meetings of our Board, 12 meetings of the Audit Committee, 11 meetings of the Compensation Committee and four meetings of the Corporate Governance Committee, as well as several meetings of special committees of the Board. The independent members of the Board met in executive session, without any member of management present, on six occasions in fiscal 2008. Each of our directors attended in excess of 75% of the aggregate of the total number of meetings of our Board and committees thereof on which such director served and the most meetings that any one of our directors missed was one. As provided in our Corporate Governance Guidelines, we expect directors to attend the annual meeting of stockholders. All of our directors serving at the time of our last annual meeting of stockholders attended the meeting.

**Compensation Committee Interlocks and Insider Participation**

As discussed above, members of the Compensation Committee during fiscal 2008 included Ms. Kasaks, Dr. Alutto, Mr. Elvey and Mr. Fisch. No member of the Compensation Committee during such fiscal year was at the time an officer or employee of our Company or any of our subsidiaries nor does he or she currently serve in any such capacity nor did he or she formerly serve as an officer of our Company or any

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of our subsidiaries or have any relationship requiring disclosure under the heading "Certain Relationships and Related Transactions," as presented below, while a member of the Compensation Committee. None of our executive officers serves as a member of the Board or compensation committee of any entity that has one or more of its executive officers serving as member(s) of our Board or Compensation Committee.

**Compensation of Directors**

We pay each of our non-employee directors an annual retainer, attendance fees and, where applicable, a committee chair retainer, as specified in the table below. In fiscal 2007, the Board, with the advice of its compensation consultant, F. W. Cook & Co., revised our director compensation program for fiscal 2007, effective as of February 4, 2007, and subsequent years to provide the compensation indicated in the table below; however, the changes made in the equity portion of the program (the initial equity grant and an annual equity grant) became effective at our annual meeting of stockholders held on June 27, 2008 upon our stockholders' approval of the amendment to our Amended and Restated 2005 Equity Incentive Plan (the "2005 Equity Plan") necessary to implement such changes.

	<b>FISCAL 2008</b>
Initial Equity Grant (1)	A deferred stock award for a prorated portion of \$100,000 worth of stock
Annual Retainer	
Cash	\$35,000
Equity Grant	A deferred stock award for a \$100,000 worth of stock (2)
Annual Retainer for Committee Chairs	
Lead Director	\$65,000
Audit Committee	\$15,000
Compensation Committee	\$10,000
Corporate Governance Committee	\$10,000
Fee per Board Meeting	\$1,500
Fee per Committee Meeting	\$1,500

- (1) From its adoption until June 27, 2008, our 2005 Equity Plan provided that each non-employee director upon first joining the Board shall receive options to purchase 15,000 shares of Common Stock having an exercise price equal to the fair market value of the shares on the date of grant and vesting over a three year period. Effective as of June 27, 2008, this aspect of our director compensation program was changed. Any non-employee director first elected or appointed to the Board prior to stockholder approval of the amendment to the 2005 Equity Plan on June 27, 2008 received an option for 15,000 shares in accordance with the pre-existing provisions of the 2005 Equity Plan. Effective upon stockholder approval which was obtained on June 27, 2008, each non-employee director first elected or appointed after such stockholder approval shall receive as of the date of appointment to the Board a deferred stock award for a prorated portion of the annual retainer of \$100,000 worth of stock, based on the number of days left in our fiscal year.
- (2) From its adoption until June 27, 2008, our 2005 Equity Plan provided that each non-employee director would receive annually, as of the last day of the fiscal year, an option to purchase 6,000 shares of Common Stock which would have an exercise price equal to the fair market value of our shares on the date of grant and vest over a three year period. Effective as of June 27, 2008, this

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aspect of our director compensation program was changed. Under the current director compensation program, each non-employee director shall receive a deferred stock award on the first day of our fiscal year for shares then having an aggregate value of \$100,000, based on the fair market value of the Common Stock on the date of such award, which award shall vest one year from the date of grant. In addition, last year as a transition award and in lieu of the annual award of an option for 6,000 shares, each continuing director as of the day after our last annual meeting of stockholders held on June 27, 2008 received a deferred stock award for a portion of the annual retainer of \$100,000 worth of stock, based on the number of days left in our fiscal year, which award shall vest one year from the date of grant.

We also pay for or reimburse directors for travel expenses related to attending meetings of our Board or its committees, company business meetings and approved educational seminars. All directors are eligible to receive 15 discount cards for our merchandise in accordance with our employee merchandise discount policy, which they may distribute to their friends and family at their discretion. We also reimburse directors in an amount not to exceed \$6,000 per year for attendance at director educational seminars.

Employee directors are not eligible for the annual retainer or attendance fees or to serve on any committees of our Board. Employee directors are paid for their services to us as employees and do not receive any additional compensation for serving on our Board.

***Fiscal 2008 Board of Directors Compensation***

The following table summarizes, in tabular format, the compensation of each non-employee director for fiscal 2008.

<b>Directors Compensation</b>						
<b>NAME</b>	<b>FEES EARNED OR PAID</b>			<b>OPTION AWARDS</b>	<b>ALL OTHER COMPENSATION</b>	<b>TOTAL</b>
	<b>IN CASH</b>	<b>STOCK AWARDS</b>	<b>IN CASH</b>			
	<b>(\$)(1)</b>	<b>(\$)(2)</b>	<b>(\$)(3)</b>	<b>(\$)</b>	<b>(\$)</b>	
Sally Frame Kasaks (4)	\$ 185,500	\$ 66,519	\$ 69,567	\$	\$ 321,586	
Joseph A. Alutto (5)	51,750	111,451	192,150		355,351	
Ezra Dabah (6)(12)	54,500	66,519	16,386		137,405	
Malcolm Elvey (7)	128,000	111,451	49,205		288,656	
Robert Fisch (8)	119,000	66,519	69,567		255,086	
James Goldman (9)	5,431		(72,660)		(67,230)	
Louis Lipschitz (10)	60,750	66,519	77,680		204,950	
Stanley Silverstein (11)	54,500	111,451	49,205		215,156	
Norman S. Matthews (13)						

(1) Includes the aggregate dollar amount of all fees earned in cash for services as a director, including annual retainer fees, committee and/or chairmanship fees and meeting fees.

(2) Represents the dollar amount of deferred stock awards recognized for financial statement reporting purposes with respect to fiscal 2008 in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, as modified or supplemented ("FAS 123(R)"). The fair value of deferred stock awards is defined as the average of the high and low trading price of the Company's Common Stock on the grant date. Pursuant to our 2005 Equity Plan and in accordance with FAS 123(R), stock awards to those who have attained the age of retirement are subject to accelerated vesting for financial reporting purposes. Each of Dr. Alutto and Messrs. Elvey and Silverstein has reached retirement age under

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the 2005 Equity Plan, and consequently each deferred stock award received by him is subject to accelerated vesting upon upon retirement from the Board.

- (3) Represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal 2008 in accordance with FAS 123(R). See Note 2 of our consolidated financial statements for fiscal 2008 for the assumptions used for valuing the option awards under FAS 123(R). Pursuant to our 2005 Equity Plan and in accordance with FAS 123(R), stock awards to those who have attained the age of retirement are subject to accelerated vesting for financial reporting purposes.
- (4) On June 28, 2008, Ms. Kasaks was granted 3,143 shares of deferred stock with a fair market value as of such date of \$111,451, which fully vests on June 28, 2009. At January 31, 2009, Ms. Kasaks held 3,143 shares of deferred stock and 30,000 options to purchase shares of our Common Stock.
- (5) On May 9, 2008, upon appointment to our Board of Directors, Dr. Alutto was granted options to purchase 15,000 shares of our Common Stock at an exercise price of \$29.05 and with a fair market value as of such date of \$192,150. On June 28, 2008, Dr. Alutto was granted 3,143 shares of deferred stock with a fair market value as of January 31, 2009 of \$111,451, which fully vests on June 28, 2009. At January 31, 2009, Dr. Alutto held 3,143 shares of deferred stock and 15,000 options to purchase shares of our Common Stock.
- (6) On June 28, 2008, Mr. Dabah was granted 3,143 shares of deferred stock with a fair market value as of such date of \$111,451, which fully vests on June 28, 2009. At January 31, 2009, Mr. Dabah held 3,143 shares of deferred stock and 191,000 options to purchase shares of our Common Stock.
- (7) On June 28, 2008, Mr. Elvey was granted 3,143 shares of deferred stock with a fair market value as of such date of \$111,451, which fully vests on June 28, 2009. At January 31, 2009, Mr. Elvey held 3,143 shares of deferred stock and 23,000 options to purchase shares of our Common Stock.
- (8) On June 28, 2008, Mr. Fisch was granted 3,143 shares of deferred stock with a fair market value as of such date of \$111,451, which fully vests on June 28, 2009. At January 31, 2009, Mr. Fisch held 3,143 shares of deferred stock and 27,000 options to purchase shares of our Common Stock.
- (9) Effective as of February 28, 2008, James Goldman resigned from the Board. At the time of his resignation, all of his stock awards were unvested and therefore forfeited.
- (10) On May 9, 2008, upon appointment to our Board of Directors, Mr. Lipschitz was granted options to purchase 15,000 shares of our Common Stock at an exercise price of \$29.05 and with a fair market value as of such date of \$192,150. On June 28, 2008, Mr. Lipschitz was granted of 3,143 shares of deferred stock with a fair market value of \$111,451, which fully vests on June 28, 2009. At January 31, 2009, Mr. Lipschitz held 3,143 shares of deferred stock and 15,000 options to purchase shares of our Common Stock.
- (11) On June 28, 2008, Mr. Silverstein was granted of 3,143 shares of deferred stock with a fair market value of \$111,451, which fully vests on June 28, 2009. At January 31, 2009, Mr. Silverstein held 3,143 shares of deferred stock and 38,000 options to purchase shares of our Common Stock.
- (12) Effective as of September 27, 2007, Ezra Dabah resigned from his position as our Chief Executive Officer. On April 8, 2008, we and Mr. Dabah entered into a letter agreement specifying the terms on which Mr. Dabah would be provided severance benefits. Consistent with the substantive terms of his employment agreement, and pursuant to the letter agreement, during fiscal 2008, we paid him \$3,036,332 (including amounts withheld for tax purposes) in settlement of most of the severance benefits provided by his employment agreement and will make certain cash payments in settlement of most of the other benefits. In accordance with the letter agreement, (1) Mr. Dabah received a lump sum payment, on April 15, 2008, equal to \$3,000,000 plus interest from November 23, 2007 until the date of payment (less applicable withholding taxes), (2) Mr. Dabah shall continue to receive coverage under the Company's self-insured medical, dental and hospitalization plans for up to the





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period permitted under the "COBRA" law, and thereafter we shall deliver to Mr. Dabah a commercially available medical, dental and prescription benefits policy providing reasonably equivalent benefits to those provided by us to other senior executives at a reasonably equivalent cost to us for the remaining portion of the 36-month period commencing on November 24, 2007 (the "Coverage Period"), (3) Mr. Dabah received on (i) June 2, 2008, \$6,296 to cover the cost of replacing for 2008 the group life insurance coverage in face amount of \$750,000 he was previously provided, and (ii) on January 5, 2009, \$12,592 to cover the cost of replacing this coverage for the remainder of the Coverage Period, (4) we reimbursed Mr. Dabah on June 2, 2008 (upon receipt of appropriate documentation) for any premium payment due and paid by Mr. Dabah after November 23, 2007 and prior to June 2, 2008 on, and continue to pay the remaining premiums (up to \$20,000 per year) during the Coverage Period on, the individual life insurance policy on Mr. Dabah's life previously maintained by us, (5) we paid (i) on June 2, 2008, a lump sum payment of \$66,667, to cover the costs of a car service during 2008, and (ii) on January 5, 2009, a lump sum payment of \$133,333 to cover the cost of a car service during the remainder of the Coverage Period, and (6) we paid (i) on June 2, 2008, a lump sum of \$3,337, reflecting the value of our matching contributions under the 401(k) plan, that Mr. Dabah would have received during 2008, and (ii) on January 5, 2009, a lump sum of \$6,675, reflecting the value of matching contributions under the 401(k) plan we would have made in 2009. All of the above compensation was expensed by us in fiscal 2007.

(13)

Mr. Matthews began to serve as a director of our company on March 5, 2009.

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The following table summarizes the aggregate fees billed to us by BDO Seidman, LLP ("BDO"), our independent registered public accounting firm for fiscal 2008, for its services rendered for or in such year. BDO audited the Company's consolidated financial statements for fiscal 2007 and fiscal 2008. In order to facilitate financial reporting in various transactional and other contexts, we also engaged BDO to audit certain of our consolidated financial statements for fiscal 2006 and fiscal 2005. Accordingly, its audit fees with respect to our fiscal 2006 and 2005 financial statements are included in the table with respect to fees billed for fiscal 2007 below.

	<b>2008</b>	<b>% OF TOTAL FEES FOR YEAR</b>
	<b>AMOUNT (IN \$ THOUSANDS)</b>	
Audit fees billed for the year (1)	1,880	93%
Audit-related fees billed in the year	132	7%
Tax fees billed in the year		%
All other fees billed in the year		%
<b>TOTAL</b>	<b>2,012</b>	<b>100%</b>

(1)

Includes audit fees of approximately \$165,000 related to our 2007 restatement audit and audit fees of approximately \$130,000 related to our 2007 audit of our subsidiary, Twin Brook Insurance Company, Inc.

	<b>2007</b>	<b>% OF TOTAL FEES FOR YEAR</b>
	<b>AMOUNT (IN \$ THOUSANDS)</b>	
Audit fees billed for the year (1)	3,242	94%
Audit-related fees billed in the year	196	6%
Tax fees billed in the year		%
All other fees billed in the year		%
<b>TOTAL</b>	<b>3,438</b>	<b>100%</b>

(1)

Audit fees related to our 2006 and 2005 financial statements amounted to approximately \$1,300,000 of this amount.

**Audit Fees**

Audit fees billed by BDO for fiscal 2008 consisted of fees for the audit of our annual consolidated financial statements for fiscal 2008, reviews of our quarterly consolidated financial statements for the first, second and third quarters of fiscal 2008 and provision of an attestation report on management's assessment of our internal control over financial reporting as of January 31, 2009, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

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Audit fees billed by BDO for fiscal 2007 consisted of fees for the audit of our annual consolidated financial statements for fiscal 2007, reviews of our quarterly consolidated financial statements for the first, second and third quarters of fiscal 2007 and provision of an attestation report on management's

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assessment of our internal control over financial reporting as of February 2, 2008, as required by Section 404 of the Sarbanes-Oxley Act of 2002. Also included are audit fees billed by BDO for the audit of our consolidated balance sheet at the end of fiscal 2006 and our consolidated statements of operations, changes in stockholders' equity, and cash flows for the fiscal years 2006 and 2005.

**Audit-Related Fees**

All audit related fees billed by BDO in fiscal 2008 and fiscal 2007 included various consulting fees. None of these services were rendered prior to their engagement as our independent registered public accounting firm.

**Tax Fees**

BDO did not bill any fees for tax service in fiscal 2008 or fiscal 2007.

**All Other Fees**

BDO did not bill other fees in fiscal 2008 or fiscal 2007.

The Audit Committee monitors the non-audit fees of, and has a policy to limit as in its judgment is appropriate the non-audit services performed by, our independent registered public accounting firm to help ensure that their nature and magnitude is compatible with the firm's role as an independent registered public accounting firm.

**Pre-Approval Policy**

In March 2008 (as it had done in 2007), the Audit Committee approved an Audit and Non-Audit Services Pre-Approval Policy for Fiscal 2008 (the "Pre-Approval Policy"), which contained a detailed description of the permitted audit, audit-related, tax and other services that were expected to be or could be performed by our independent registered public accounting firm during fiscal 2008. Services that fell within this detailed description did not require specific approval by the Audit Committee before they were rendered by our independent registered public accounting firm; however, before any services were provided, they first must have been submitted to our Chief Financial Officer for approval. Our Chief Financial Officer (with the advice of counsel where needed) then was required to determine whether such services fell within the description of pre-approved permitted services. Under the Pre-Approval Policy, the Audit Committee was to be informed on a quarterly basis of any such services rendered by our independent registered public accounting firm, including the per engagement fees and aggregate fees incurred as of the date of the report. As provided by the Pre-Approval Policy, any requests for audit, audit-related, tax and other services not contemplated on the detailed list of pre-approved services were required to be submitted to the Audit Committee for specific pre-approval and could not commence until such approval had been granted. Normally, pre-approval for such services would be considered at a meeting of the Audit Committee but in appropriate circumstances pre-approval may be provided by the Chair of the Audit Committee, pursuant to authority delegated by the committee. The Audit Committee had further designated our Chief Financial Officer to monitor the performance of all services provided by our independent registered public accounting firm and to determine whether services in fact provided were specifically approved by the Audit Committee in advance or are in compliance with the Pre-Approval Policy. Our Chief Financial Officer was required to report to the Audit Committee on a periodic basis on the results of such monitoring. Both our Chief Financial Officer and the other members of management were required to report immediately to the Chairman of the Audit Committee any breach of this policy that comes to the attention of such person.

The Audit Committee currently is considering the adoption of an Audit and Non-Audit Services Pre-Approval Policy for Fiscal 2009, which would contain a detailed description of the permitted audit,

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audit-related, tax and other services that are expected to be or could be performed by our independent registered public accounting firm during fiscal 2009; however, until such policy is adopted, the Audit Committee shall specifically pre-approve all services, including both audit and non-audit services, provided by our independent registered public accounting firm.

**Audit Committee Report**

The Audit Committee reviews the Company's financial reporting process on behalf of the Board. The committee has authority to appoint, discharge and replace our independent registered public accounting firm, and is directly responsible for the oversight of the scope of its audit work and the determination of its compensation.

As stated in the Audit Committee's charter, the committee's responsibility is one of oversight. It is the responsibility of our management to establish and maintain a system of internal control over financial reporting and to prepare financial statements of the Company and its subsidiaries in accordance with generally accepted accounting principles and to prepare other financial reports and disclosures. Our independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements and to issue a report thereon. The Audit Committee does not provide any expert or other special assurance as to our financial statements or any expert or professional certification as to the work of our independent registered public accounting firm.

In fulfilling its oversight responsibilities, the Audit Committee has, among other things, reviewed and discussed with management our audited consolidated financial statements for the fiscal year ended January 31, 2009, met and held discussions with management and with our independent registered public accounting firm and the head of our internal audit function (both with and without management present) regarding the fair and complete presentation of our financial results and discussed the significant accounting policies applied in our financial statements as well as alternative treatments. The Audit Committee also reviewed and discussed with management, the head of our internal audit function and our independent registered public accounting firm the reports required by Section 404 of the Sarbanes Oxley Act of 2002, namely, management's annual assessment of our internal control over financial reporting and our independent registered public accounting firm's attestation report thereon. The Audit Committee has discussed with our independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, "*Communication With Audit Committees*," as adopted, amended, modified or supplemented, by the Public Company Accounting Oversight Board ("PCAOB"). In addition, the Audit Committee has received the written disclosures and the letter from our independent registered public accounting firm required by applicable requirements of the PCOAB regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence and has discussed with the independent registered public accounting firm such firm's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board that our audited consolidated financial statements for the fiscal year ended January 31, 2009 be included in our Annual Report on Form 10-K for such fiscal year for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee

Malcolm Elvey, Chairman  
Robert Fisch  
Louis Lipschitz

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information regarding ownership of shares of our common stock, as of May 1, 2009:

by each person known by us to be the beneficial owner of 5% or more of our Common Stock;

by each of our current directors and named executive officers; and

by all of our current directors and executive officers as a group.

Except as otherwise indicated, each person and each group shown in the table below has sole voting and investment power with respect to the shares of Common Stock indicated. For purposes of the table below, in accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner of any shares of Common Stock over which he or she has or shares, directly or indirectly, voting or investment power; or of which he or she has the right to acquire beneficial ownership at any time within 60 days after May 1, 2009. As used herein, the term "voting power" means the power to vote or direct the voting of shares and the term "investment power" includes the power to dispose or direct the disposition of shares. Percentage ownership has been calculated based on 29,522,479 shares of our Common Stock outstanding as of May 1, 2009.

NAME AND ADDRESS OF BENEFICIAL OWNER (1)	SHARES BENEFICIALLY OWNED	PERCENT OF CLASS
Ezra Dabah (2)	4,920,853	16.6%
Stanley Silverstein (3)	3,215,323	10.9%
Sally Frame Kasaks (4)	45,143	*
Malcolm Elvey (5)	26,143	*
Charles Crovitz (6)	112,759	*
Robert Fisch (7)	34,143	*
Joseph Alutto (8)	8,143	*
Louis Lipschitz (8)	8,143	*
Norman S. Matthews (9)		*
Susan Riley (10)	17,186	*
Richard Flaks (11)	60,750	*
Mark Rose (12)	124,050	*
Tara Poseley (13)		*
All directors and executive officers as a Group (14 persons) (14)	5,707,756	19.0%
Barclays Global Investors, NA (15)	1,621,160	5.5%

\*  
Less than 1%

(1)  
The address of all directors and executive officers is c/o The Children's Place Retail Stores, Inc., 915 Secaucus Road, Secaucus, New Jersey 07094.

(2)  
Includes (i) 1,324,393 shares (including 3,143 deferred shares scheduled to vest within 60 days of May 1, 2009) held by Mr. Dabah, (ii) 2,879,360 shares held by trusts or custodial accounts for the benefit of Mr. Dabah's relatives, (iii) 104,100 shares held by Mr. Dabah's wife, as to which Mr. Dabah disclaims beneficial ownership, (iv) 426,000 shares held by Mr. Dabah and his wife as joint tenants with right of survivorship, (v) 187,000 shares that are issuable upon the exercise of outstanding options. Of the shares held by Mr. and Mrs. Dabah, 1,324,250 of these shares have been pledged as collateral in margin accounts. Does not include 4,000 shares subject to options not yet vested. Does not include 2,125,630 shares beneficially owned by relatives of Mr. Dabah, including Mr. Dabah's father-in-law, Stanley Silverstein or 5,254 deferred shares granted to Mr. Dabah not yet vested.



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- (3) Includes (i) 2,928,880 shares that are also deemed to be beneficially owned by Ezra Dabah and are held by trusts or custodial accounts for the benefit of Mr. Silverstein's relatives, and as to which shares Mr. Silverstein disclaims beneficial ownership; (ii) 251,443 shares (including 3,143 deferred shares scheduled to vest within 60 days of May 1, 2009) held by Mr. Silverstein; (iii) 5,000 shares held in Mr. Silverstein's profit sharing account; and (iv) 30,000 shares issuable to Mr. Silverstein upon exercise of outstanding stock options exercisable within 60 days of May 1, 2009. Of the shares held by Mr. and Mrs. Silverstein, 248,300 of these shares have been pledged as collateral in margin accounts. Does not include 8,000 shares held by Mr. Silverstein subject to options not yet vested or 5,254 deferred shares not yet vested.
- (4) Includes (i) 42,000 shares issuable to Ms. Kasaks upon exercise of outstanding stock options exercisable within 60 days of May 1, 2009 and (ii) 3,143 deferred shares scheduled to vest within 60 days of May 1, 2009. Does not include 8,000 shares subject to options not yet vested or 5,254 deferred shares not yet vested.
- (5) Includes (i) 23,000 shares issuable to Mr. Elvey upon exercise of outstanding stock options exercisable within 60 days of May 1, 2009 and (ii) 3,143 deferred shares scheduled to vest within 60 days of May 1, 2009. Does not include 12,000 shares subject to options not yet vested or 5,254 deferred shares not yet vested.
- (6) Includes (i) 83,759 restricted shares held by Mr. Crovitz and (ii) 29,000 shares issuable to Mr. Crovitz upon exercise of outstanding stock options exercisable within 60 days of May 1, 2009. Does not include 4,000 shares subject to options not yet vested.
- (7) Includes (i) 31,000 shares issuable to Mr. Fisch upon exercise of outstanding stock options exercisable within 60 days of May 1, 2009 and (ii) 3,143 deferred shares scheduled to vest within 60 days of May 1, 2009. Does not include 7,000 shares subject to options not yet vested or 5,254 deferred shares subject to options not yet vested.
- (8) Includes (i) 5,000 shares issuable to such director upon exercise of outstanding stock options exercisable within 60 days of May 1, 2009 and (ii) 3,143 deferred shares scheduled to vest within 60 days of May 1, 2009. Does not include 10,000 shares subject to options not yet vested or 5,254 deferred shares subject to options not yet vested.
- (9) Does not include 4,663 deferred shares not yet vested.
- (10) Includes 9,686 shares and 7,500 restricted shares held by Ms. Riley. Does not include 17,480 deferred shares not yet vested.
- (11) Includes 60,750 shares issuable to Mr. Flaks upon exercise of outstanding stock options exercisable within 60 days of May 1, 2009. Does not include 10,887 deferred shares not yet vested. On May 26, 2009, Mr. Flaks exercised options to purchase 12,000 shares and sold such shares pursuant to a previously adopted Rule 10b5-1 trading plan.
- (12) Includes (i) 21,780 shares held by Mr. Rose and (ii) 102,270 shares issuable to Mr. Rose upon exercise of outstanding stock options exercisable within 60 days of May 1, 2009. Does not include 9,678 deferred shares not yet vested. On May 26, 2009, Mr. Rose exercised options to purchase 6,081 shares and sold such shares pursuant to a previously adopted Rule 10b5-1 trading plan.
- (13) Ms. Poseley's employment was terminated by us in connection with our exit from the Disney Store North American business, effective on May 27, 2008.
- (14) Includes the aggregate number of shares held by all of our non-employee directors (Ezra Dabah, Stanley Silverstein, Sally Frame Kasaks, Malcolm Elvey, Robert Fisch, Joseph Alutto, Louis Lipschitz and Norman Matthews) and our executive officers (Charles Crovitz, Susan Riley, Richard Flaks and Mark Rose), in each case as of May 1, 2009. See Footnote Nos. (1) through (12).





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(15)

According to a Statement on Schedule 13G filed with the Securities and Exchange Commission on February 5, 2009 (the "Schedule 13G"), as of December 31, 2008. (i) Barclays Global Investors, NA (with an address located at 400 Howard Street, San Francisco, CA 94105) had sole voting power with respect to 483,797 shares and sole dispositive power with respect to 588,471 shares; Barclays Global Fund Advisors (with an address located at 400 Howard Street, San Francisco, CA 94105) had sole voting power with respect to 742,377 shares and sole dispositive power with respect to 1,016,616 shares; Barclays Global Investors, LTD (with an address located at 1 Royal Mint Court, London, EC3N 4HH) had sole voting power with respect to 700 shares and sole dispositive power with respect to 16,703 shares; and Barclays Global Investors Japan Limited (with an address located at Ebisu Prime Square Tower 8th Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo 1550-8402 Japan), Barclays Global Investors Canada (with an address located at Brookfield Place 161 Bay Street, Suite 2500, PO Box 614, Toronto, Canada Ontario M5J 2S1), Barclays Global Investor Australia Limited (with an address located at Level 43, Grosvenor Place, 225 George Street, PO Box N43, Sydney, Australia NSW 1220) and Barclays Global Investors (Deutschlan) AG (with an address located at Apianstrasse 6, D-85774, Unterfohring, Germany) had no voting or dispositive power. According to the Schedule 13G, the shares reported are held by the company in trust accounts for the economic benefit of the beneficiaries of those accounts.

Table of Contents**EXECUTIVE OFFICERS AND DIRECTORS**

Set forth below are the names, ages and titles of all of our executive officers and directors as of May 1, 2009.

<b>NAME</b>	<b>AGE</b>	<b>POSITION</b>
Charles Crovitz	55	Director; Interim Chief Executive Officer
Susan Riley	51	Executive Vice President, Finance & Administration and Chief Financial Officer
Richard Flaks	46	Senior Vice President, Planning, Allocation and Information Technology
Mark L. Rose	43	Senior Vice President, Chief Supply Chain Officer
Sally Frame Kasaks	64	Acting Chair of the Board, Lead Director
Joseph A. Alutto	67	Director
Ezra Dabah	55	Director
Malcolm Elvey	67	Director
Robert Fisch	59	Director
Louis Lipschitz	64	Director
Norman Matthews	76	Director
Stanley Silverstein	84	Director

*Charles Crovitz* was appointed as our Interim CEO in September 2007 and has served as a director of the Company since 2004. Upon becoming our Interim CEO, Mr. Crovitz resigned as Chair of the Compensation Committee and as a member of the Corporate Governance Committee. Mr. Crovitz's biographical information is set forth on page 13 of this proxy statement.

*Susan Riley* has served as our Executive Vice President, Finance and Administration since January 2007 and as our interim Chief Financial Officer from January 2007 until December 2007 and again as our Chief Financial Officer beginning in August 2008. In her role as Executive Vice President, Finance and Administration she is our principal financial officer. From April 2006 to January 2007, Ms. Riley served as our Senior Vice President, Chief Financial Officer (in which capacity she was our principal financial officer). From March 2006 to April 2006, Ms. Riley served as our Senior Vice President, Finance. Prior to joining us, from July 2005 to February 2006, Ms. Riley served as the Chief Financial Officer of Klinger Advanced Aesthetics. From February 2004 to April 2005, Ms. Riley served as Senior Vice President and Chief Financial Officer of Abercrombie & Fitch and from August 2002 to November 2003, she served as Chief Financial Officer of The Mount Sinai Medical Center. Prior to Mount Sinai, she served as Vice President and Treasurer of Colgate Palmolive Company from January 2001 to August 2002.

*Richard Flaks* has served as our Senior Vice President, Planning, Allocation and Information Technology since November 2004. Mr. Flaks served as Vice President, Planning and Allocation from March 2003 through November 2004. Prior to joining us, from May 2001 to March 2003, Mr. Flaks held various positions within Victoria's Secret Stores division of Limited Brands, Inc. most recently serving as Vice President, Planning and Allocation.

*Mark Rose* has served as our Senior Vice President, Chief Supply Chain Officer since November 2004. Mr. Rose previously served as our Vice President, Merchandising Procurement since 1992.

*Sally Frame Kasaks* has served as a director of the Company since 2000, as our lead director since 2005, and as our Acting Chair since January 2007. Ms. Kasaks is Chair of the Board's Compensation Committees and is Chair of the Corporate Governance Committee. Ms. Kasak's biographical information is set forth on page 11 of this proxy statement.

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*Joseph A. Alutto* was appointed as a director of the Company in May 2008 and is a member of the Compensation Committee and the Corporate Governance Committee. Mr. Alutto's biographical information is set forth on page 13 of this proxy statement.

*Ezra Dabah* has served as a director of the Company since 1989. Mr. Dabah's biographical information is set forth on page 13 of this proxy statement.

*Malcolm Elvey* has served as a director of the Company since 2002. Mr. Elvey is the chairman of the Audit Committee and is a member of the Corporate Governance Committee. Mr. Elvey's biographical information is set forth on page 10 of this proxy statement.

*Robert Fisch* has served as a director of the Company since 2004 and is a member of the Audit Committee and the Compensation Committee. Mr. Fisch's biographical information is set forth on page 13 of this proxy statement.

*Louis Lipschitz* was appointed as a director of the Company in May 2008 and is a member of the Audit Committee and the Corporate Governance Committee. Mr. Lipschitz's biographical information is set forth on page 13 of this proxy statement.

*Norman Matthews* was appointed as a director of the Company in March 2009. Mr. Matthew's biographical information is set forth on page 11 of this proxy statement.

*Stanley Silverstein* has served as a director since 1996. Mr. Silverstein's biographical information is set forth on page 13 of this proxy statement.

Each of our named executive officers (as defined herein) and current executive officers, other than Mark Rose and Richard Flaks, served within the last two years as officers of one or more of the Company's subsidiaries operating the Disney Store North American business, which on March 26, 2008, filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware and the Canadian subsidiary subsequently filed under the Companies' Creditors Arrangement Act in Toronto, Canada.

## MANAGEMENT COMPENSATION

### **Compensation Discussion and Analysis**

#### ***Introduction***

In this section we discuss the objectives of our executive compensation programs, the policies we follow in pursuing those objectives and the material elements of the compensation provided for fiscal 2008 to our senior executives. Specifically, we describe how we have implemented our compensation policies in determining each material element of the compensation we provided for fiscal 2008 to the following five individuals who, in accordance with rules of the SEC, were considered, based on their positions during fiscal 2008, our "named executive officers" ("NEOs"):

Charles Crovitz, Interim CEO

Susan Riley, Executive Vice President, Finance & Administration and CFO commencing in August 2008; Ms. Riley has been our "Principal Financial Officer" throughout fiscal 2008;

Tara Poseley, President, Disney Store North America, until May 2008;

Richard Flaks, Senior Vice President, Planning, Allocation and Information Technology;

Mark Rose, Senior Vice President, Chief Supply Chain Officer.

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Following this section, we present tabular and narrative information concerning the compensation of each of the NEOs and the terms of their employment and other compensatory arrangements with the

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Company. The following compensation discussion and analysis should be read together with such additional information.

*Our Principal Executive Compensation Policies*

The fundamental objective of our executive compensation programs is to attract, retain and motivate the performance of the executive management talent needed to advance both the short-term and long-term interests of our stockholders. We have used the following principles in developing and implementing compensation programs to achieve this fundamental objective.

*Pay for Performance:* We establish each executive's compensation on terms intended to reward his or her individual contribution to the Company's performance and the attainment of the Company's business goals over the short-term and the long-term.

*Competitive Pay:* We design a total compensation package for each executive that is intended to be competitive with the compensation provided to executives with comparable responsibilities at other companies in order to attract and retain executives with the skills and experience needed to achieve our business goals.

*Stockholder Value Creation:* We use equity awards to motivate executives to build stockholder value on a consistent basis over time.

*Clarity:* We use clear and understandable performance objectives in our compensation programs that can be readily assessed by our executives and stockholders.

We applied these principles to determine the main elements we used in our compensation programs in fiscal 2006, fiscal 2007 and fiscal 2008: salary, annual cash bonuses, and equity awards. We also provided other commonly offered benefits on terms and conditions that we consider consistent with providing competitive compensation; however, other than Mr. Crovitz's temporary housing allowance, none of these other benefits, individually or in the aggregate, were either of the same magnitude as the main elements or material. These other common benefits include relocation assistance and temporary housing allowances, car allowances, 401(k) plan and matching contributions, life insurance, medical insurance, reimbursement of COBRA payments in the event of separation from the Company, gross up payments and perquisite plans. The Compensation Committee determined that Mr. Crovitz's temporary housing allowance, which is described in further detail under "Role of Employment and Change in Control Severance Agreements," together with his other compensation arrangements, was necessary to secure Mr. Crovitz's service as Interim CEO. Additionally, we have provided for severance benefits, usually as part of an employment agreement, where we determined appropriate, including as part of a package of benefits designed to recruit and retain an executive. In December 2007, we entered into change in control severance agreements with all of our current executives and other key employees (other than our Interim CEO, for whom certain change in control severance benefits are provided under his employment agreement), as further discussed below. See "Role of Employment and Change in Control Severance Agreements" below and "Compensation upon Termination of Employment Including after a Change in Control".

We rely heavily on incentive compensation to encourage superior performance. In general, we believe that short-term incentive compensation should be based primarily on achieving specified business goals that further stockholder interests (even where not yet recognized in the price of the Company's common stock) and that long-term incentive compensation should correlate with changes in stockholder returns. Consequently, we use annual performance-based cash bonuses to provide short-term incentive compensation and equity awards to provide long-term incentive compensation. We measure our performance historically over time and in comparison to our peer group companies. In addition, we believe that a substantial portion of an executive's compensation should be based on performance factors that management can control.

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We strive to achieve an appropriate mix of elements to meet our business objectives, applying our annual bonus and equity-based award programs so as to balance achievement of short-term business goals with value creation for stockholders over the long-term. These elements are intended to work together to attract and retain the top talent needed to advance both the short-term and long-term interests of our stockholders by rewarding exceptional performance sustained over time with a higher level of compensation.

In implementing our executive compensation objectives and principles, we applied the following standards when determining the amounts of compensation of our executives for fiscal 2006, 2007 and 2008:

Base compensation (salary and customary benefits) was targeted at the median level for executives having comparable responsibilities at peer group companies, considering variations in size and business complexity;

Annual cash bonuses were based significantly on achievement of our annual business plan goals and were targeted at a level that is in the 50% to 75% quartile of executives having comparable responsibilities at peer group companies if the Company achieves business plan goals that reflect performance in such quartile in comparison to the historical performance of peer group companies, and was scaled to produce bonuses at a level at the upper end of such range if superior performance in comparison to our business plan was achieved;

The potential value of equity awards were targeted contemplating an annualized fair value transfer (at target) approximating the three-year median average for the peer group. The Company's targeted fair value was within 2% of the three year median average for executives with comparable responsibilities at peer group companies and equity awards were designed, taking into account performance vesting and other performance criteria, so as to generate value for executives if the Company achieves its business plan goals and targeted a potential value in line with the top quartile of awards made to executives with comparable responsibilities at peer group companies if the Company exceeded its business plan goals over the performance period; and

Total potential compensation (i.e., the aggregate of base compensation, cash bonuses and equity awards) was generally targeted in the 50% to 75% quartile of compensation provided to executives with comparable job responsibilities at peer group companies if the Company achieved its business plan goals consistently over time and designed, when taking into account the expected value of equity awards, to produce total compensation in the top quartile if the Company exceeded its business plan goals consistently over time.

In general, in applying these standards we contemplate a level of potential incentive compensation for senior executives, assuming Company performance meets business plan objectives, that would constitute roughly two-thirds of total annual compensation, of which half of total compensation would be in the form of equity awards, with the potential for executives to receive higher total compensation and a higher portion of their total compensation from equity awards as the market value of the Company's common stock appreciates.

We generally do not adhere to formulaic financial or other performance or comparative metrics in determining the total amount of an executive's compensation, the amount of salary or incentive awards or the mix of elements used in our compensation programs. In general, in determining incentive awards, we review the performance of each executive officer against performance goals we set for the executive and for the Company in advance in connection with the development of our business plans and goals. In particular, in determining annual cash bonuses we consider, as discussed below, satisfaction of objective performance measures for the year determined at the beginning of the year and establish a minimum target level of performance that must be attained by the Company in order for executives to receive any bonus and a target bonus amount (in the form of a percentage of annual salary) that an executive may receive if Company performance meets a pre-established target, with larger bonus

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amounts possible (subject to a maximum of twice the target bonus amount for each executive) if the target performance measure is exceeded. However, we also take into account other factors in determining annual bonuses. We consider in determining each element of the compensation for an executive his or her demonstrated leadership qualities including the ability to respond to unexpected circumstances. Specific non-quantitative factors affecting compensation decisions for our executive officers include:

Identified and evolving job responsibilities, including changes in the scope of the executive's responsibilities,

The degree and quality of an executive's Company-specific, industry and management experience;

Proven performance over several years;

Competitive considerations pertinent to the Company's need to retain an executive in light of alternative employment opportunities believed to be available and the compensation practices of other companies; and

Compliance with, and leadership in motivating employees in general to comply with, Company policies, including our Code of Business Conduct, and good business practices.

We also take into account in making specific compensation decisions regarding executives the relative level of total compensation, and the portion that is based on performance incentives, of the chief executive officer in relation to our other executive officers and the level of total compensation of executive officers to others in management and to our employee population in general.

We exercise judgment on a discretionary basis in determining the appropriate amount of each type of compensation and the total value of all compensation provided to each executive after considering the relevant performance metrics and these factors.

***Peer Group Companies***

In order to assess the competitiveness of the Company's compensation practices, we compare our compensation programs, particularly salary, incentive compensation awards and total compensation levels, against companies in the same or similar lines of business and of comparable size. During fiscal 2007, we used (as we did in 2006) available information on the compensation practices of the following companies in assessing our own practices: Abercrombie & Fitch; Aeropostle; American Eagle; Ann Taylor; Bon-Ton; Charming Shoppes; Chico's; Dress Barn; Gymboree; Mothers Work; Pacific Sunwear of California; Phillips Van Heusen; Polo Ralph Lauren; Talbots; and The Men's Wearhouse. These companies were originally identified as appropriate peer group companies with the assistance of the independent compensation consulting firm retained by the Company to assist it in connection with the development of the 2005 Equity Plan, which is further discussed below. The Compensation Committee of the Board (the "Compensation Committee") regularly reviews the publicly available information about the salary, bonus and equity compensation for executives with comparable job responsibilities at peer group companies determining the compensation levels it uses in setting the main elements of our executive compensation program. We also looked to these companies' practices in making our decisions regarding fiscal 2008 executive compensation matters using Equilar, a leading services firm with products focused on analyzing and benchmarking executive compensation. After our specific incentive compensation programs for the NEOs (and other key executives) for fiscal 2008 had been established (as discussed below), the Company determined to discontinue the Company's Disney Store North America business, which had the effect of reducing the size of the Company significantly. In applying and reviewing the Company's compensation programs for fiscal 2009, the Compensation Committee assessed the Company's current business plans, including its growth prospects and the current macroeconomic conditions and determined to freeze executive base salaries and individual



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bonus percentage at this time, as well as determined that the target bonus under the annual management incentive plan should be set at 80% rather than 100% if the Company achieves its financial plan in light of economic conditions. In considering the Company's compensation programs and philosophy, no other changes were approved.

***Role of the Compensation Committee, the CEO and Other Executives***

Each member of the Compensation Committee is independent, in accordance with applicable rules of The Nasdaq Stock Market. For more information about the Compensation Committee's composition, responsibilities and practices, see "Information Regarding the Board of Directors and Committees" above.

The Compensation Committee reviews and recommends to the Board the applicable performance metrics and other terms of the Company's incentive compensation plans and programs for management personnel, determines the total amounts to be awarded each year under such plans and programs, establishes and oversees the implementation of our executive compensation policies and programs, and evaluates the performance of and approves the salary, target annual bonus level, actual annual bonus payments, equity incentive awards and other benefits provided to all executive officers of the Company, as well as other senior management personnel selected by the Compensation Committee. Accordingly, the Compensation Committee approved the compensation for each of our NEOs in fiscal 2008. The Compensation Committee also reviews and approves the compensation paid to any individual who, in the judgment of the Compensation Committee, is a related person (within the meaning of the SEC rules and regulations), generally applying in determining the matters to review the standards used in the rules of the SEC with respect to the identification of related person transactions (as discussed in "Certain Relationships and Related Transactions").

Generally, the Compensation Committee works with the Company's CEO, Executive Vice President, Finance and Administration and Senior Vice President, Human Resources in establishing the Company's management compensation policies, plans and programs and in making specific executive compensation decisions. Compensation decisions regarding executive officers, other than the CEO, are made after the Compensation Committee reviews performance evaluations and recommendations with respect to salary adjustments, annual bonuses and incentive awards prepared by the CEO. The Compensation Committee then exercises its discretion in deciding whether or not to modify any such recommended adjustments or awards. The Compensation Committee, along with the other independent members of the Board, determined the Interim CEO's compensation package, including the compensation approved for the Interim CEO at the end of fiscal 2008 to secure his continued services until a permanent CEO is hired. For a detailed description of Mr. Crovitz's compensation package, see "Employment and Severance Agreements with NEOs" below. Compensation decisions with respect to the Company's Interim CEO and, where determined by the Compensation Committee, other executive officers, are made by the Compensation Committee in executive session (without the participation of any member of management whose compensation is being considered).

***Role of Compensation Consultants and Counsel***

In 2004, the Company engaged F. W. Cook & Co., a nationally recognized compensation consulting firm, to provide information and analysis to the Company on specified management compensation matters and to act as an independent consultant to the Compensation Committee, reporting to it on the matters on which it is asked to provide advice. F. W. Cook & Co. provided the Compensation Committee with information, analysis and advice, including the identification of peer group companies and comparison of their compensation practices to those of the Company, in connection with the design and implementation of the Company's 2005 Equity Plan and the initial implementation of that plan by the making of Performance Awards early in fiscal 2006. The Company retained F. W. Cook & Co. again

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during fiscal 2007 in connection with a comprehensive review to address the retention and appropriate compensation of the Company's executive officers and other key employees, as further discussed below. Although F. W. Cook & Co.'s role in providing these services has primarily involved advising the Compensation Committee, the firm has also interacted with management to gather relevant data and to assist in the implementation of compensation plans and programs. During fiscal 2007, F. W. Cook & Co. also assisted in the preparation of disclosures regarding compensation in the Company's annual report on Form 10-K and other public filings. When considered appropriate in connection with the design of the Company's compensation programs or other decisions regarding the compensation of the Company's executives, the Compensation Committee has also been advised by outside counsel to the Company and/or counsel to the Compensation Committee.

***Role of Employment and Change in Control Severance Agreements***

The Compensation Committee has approved the Company entering into employment agreements with executives when it has considered such agreements necessary or appropriate to recruit or retain these executives. In general, such agreements establish an annual salary level subject to increase upon annual review and provide for the executive's participation in the Company's management cash bonus and equity compensation programs but do not provide the specific terms on which bonus or equity grants may be made to the executive, other than to provide in some instances for an initial equity grant and that the executive will be eligible to receive a bonus under our bonus program at a minimum target level. The agreements usually are of indefinite duration, terminable upon advance notice by the executive or the Company. In addition, the agreements provide for severance benefits if the executive's employment is terminated by the Company without cause or by executive for "good reason". For more information on our employment agreements with our NEOs, see "Employment and Severance Agreements with NEOs" below.

In December 2007, in connection with the Board's review of the Company's strategic alternatives, the Compensation Committee recommended, and the Board approved for implementation by the Compensation Committee, the Company entering into with each of our executive officers (other than our interim Chief Executive Officer) and certain other key employees change in control severance agreements. (Certain change in control severance benefits are provided for our Interim CEO in his employment agreement.) Previously, some of our executive officers were entitled to change in control severance benefits under their employment agreements but others were not. The new agreements were approved as part of a comprehensive program providing certain retention and equity incentives and dealing with severance benefits, which included adoption of a revised severance policy including change in control severance provisions applicable to associates of the Company at the director and vice president levels on terms similar to those in the agreements entered by the Company with its executive officers. The agreements are intended to achieve the Company's fundamental compensation objectives of retaining executive management talent through competitive pay practices and motivating executives to concentrate on building stockholder value on a consistent basis, as further discussed below. All the agreements are "dual trigger" agreements under which the executive will receive certain severance benefits if, after a change in control (or after announcement but before consummation of a change in control, provided that such change of control is consummated), his or her employment is terminated without cause or by the executive for good reason because of a material change in employment terms. The agreements provide severance benefits that include 150% to 200% of the executive's base salary and target bonus, depending on the executive's seniority with the Company, accelerated vesting of awards made under the 2008 Long Term Incentive Plan discussed below, and certain other benefits. The agreements have a two year duration but automatically renew for successive one year periods unless the Company provides 90 days' notice of its intent to terminate the agreement. For more information on our change in control severance agreements with our current NEOs, see "Employment and Severance Agreements with NEOs" below.

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*Accounting and Tax Considerations*

We consider the accounting and tax consequences of our compensation programs on both employees and the Company. The principal consideration regarding accounting consequences relates to the different accounting treatment of options and other forms of awards, as discussed below under "Principal Elements of Compensation Equity-Based Awards." With regard to tax considerations, we focus primarily on the effects of Sections 162(m), 280G (and the related provision of Sections 4999) and 409A of the Internal Revenue Code of 1986, as amended (the "Code").

Section 162(m) bars corporations from deducting compensation in excess of \$1 million per year paid to certain executive officers unless the compensation satisfies certain requirements. Excluded from the \$1 million limitation is compensation that, among other tax code requirements, meets pre-established performance criteria of a nature that has been approved by stockholders. The Company's objective is to structure our compensation programs to permit the deductibility under Section 162(m) of the incentive compensation we provide our executives to the extent consistent with the efficacy of the programs, but the Compensation Committee retains the flexibility to provide compensation that may not be tax deductible when it determines that doing so is in the Company's best interests. In fiscal 2008, a portion of Mr. Crovitz's compensation that was not performance-based aggregating approximately \$900,000 was not deductible under Section 162(m).

At the Company's annual meeting of stockholders for fiscal 2008, the Company's stockholders approved an annual management bonus plan for fiscal 2007 and subsequent years, which was originally approved by the Compensation Committee and Board in April 2007, to replace the Company's previous bonus plan, which was adopted and approved by the stockholders in 2006. Bonuses paid pursuant to the 2007 Bonus Plan are intended to qualify for deduction under Section 162(m) and stockholder approval of the plan was necessary in order for bonuses paid under the plan to qualify for deduction under Section 162(m) where the salary and other annual compensation of an executive officer that is not qualified performance-based compensation under Section 162(m) exceeds \$1 million. In fiscal 2007 at the time the 2007 Bonus Plan was approved, the Compensation Committee and the Board also approved a Supplemental Bonus Program, which provides a framework for the award of bonuses based on criteria that do not qualify under Section 162(m). Accordingly, if bonuses are paid under the Supplemental Bonus Program, they will not qualify for deduction under Section 162(m).

Section 280G imposes in certain circumstances an excise tax and certain other unfavorable tax results on certain payments or benefits made to certain executives in connection with a change in control of the Company if the aggregate amount of such payments, after certain exclusions, exceed a certain level, which, subject to certain qualifications, depends principally on the executive's average annual taxable compensation from the Company over the five years preceding the change of control. Under Section 280G, as applied to amounts potentially payable by the Company, the bulk of such payments would not be deductible to the Company. The compensation payable by the Company to some of its NEOs in connection with a change of control of the Company as discussed below could reach the level where such excise tax or loss of deductibility would apply. As discussed below, certain change in control severance agreements with our executive officers and certain other key employees provide for a "modified gross up" of the "golden parachute" excise tax imposed by Section 4999 of the Internal Revenue Code. Under this provision, the executive's benefits will be reduced to \$1 below the golden parachute threshold if payments contingent upon a change of control are not at least 15% higher than the threshold that triggers the excise tax, and, otherwise, the excise tax (if any) will be grossed-up such that the executive's after-tax position will be the same as if the excise tax did not apply.

Section 409A imposes, commencing December 31, 2004 and subject to certain transitional exemptions, in certain circumstances an excise tax and certain other unfavorable tax results on certain payments that are considered deferred compensation but that do not satisfy the requirements of Section 409A. In fiscal 2006, the Company entered into amendments to the employment agreements with three of its then

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NEOs, including Tara Poseley, intended to assure that payments under such agreements conform to the requirements of Section 409A. The Company believes that it has no deferred compensation arrangements with any of its executive officers or other employees that are subject to Section 409A that do not meet its requirements, except as described below with respect to certain option grants, and is under no obligation to any employee to make him or her whole against the application of Section 409A.

The vesting after December 31, 2004 of options that have an exercise price that is less than the fair market value of the related shares on the date of grant ("discounted options") is considered a deferred compensation arrangement subject to, and not qualified under, Section 409A, unless certain transitional exemptions are applicable. As a result of the Company's investigation of its historical stock option grant practices, the Company determined that many of the option grants that it made, including certain options which vested after December 31, 2004, had an exercise price less than the fair market value of the Company's common stock related to the option on the measurement date applicable to such grants under U.S. GAAP (the "revised measurement date") and, if such revised measurement date is considered the date of grant for purposes of Section 409A, then such grants will be considered discounted options subject to the excise tax and other unfavorable tax results provided under Section 409A, absent the availability of a transitional exemption.

In the case of officers of the Company subject to reporting under Section 16(a) of the Exchange Act, as amended, in order to be eligible for a transitional exemption, any discounted options held by such officer were required to be amended before December 31, 2006 to change the exercise price or the exercise period of such options so as to comply with Section 409A. In December 2006, the Company offered to amend the terms of all discounted options that vested after December 31, 2004 held by such officers and certain other Vice Presidents and Senior Vice Presidents of the Company (a total of 13 individuals) so as to satisfy such requirements and all of such officers irrevocably agreed before the end of 2006 to either amend all such discounted options to increase the exercise price to the average of the high and low trading price on the date the Company determined to be the revised measurement date for the option grant or to limit the period in which such options may be exercised so as to satisfy the requirements of Section 409A. During fiscal 2007, the Company provided to all employees of the Company at the time of the offer, other than those that had the opportunity in December 2006 to amend their discounted options who held options that vested after December 31, 2004 and had an exercise price below the revised measurement date price determined by the Company to be applicable to such options, an offer to exchange such options for options with an exercise price increased to the revised measurement date price determined by the Company. Those employees that elected to accept such offer received in early 2009 a cash payment in the amount by which the aggregate exercise price of their options was increased as a result of the exchange. In addition, in the case of such employees who exercised discounted options during 2006 before the Company suspended option issuances and exercises starting on September 14, 2006, if the exercise of the option subjects the employee to the 409A excise tax, the Compensation Committee has approved the Company paying to or on behalf of the recipient an amount sufficient so that, after paying the 20% excise tax required under Section 409A and any applicable income tax on such payments, he or she will have the benefit of the amount by which the exercise price was less than the revised measurement date price (but such individual will be responsible for the amount of income tax that he or she would normally have incurred upon the exercise of such discounted options absent the applicability of Section 409A).

In December 2008 in anticipation of the end of the transition period for Section 409A, the Compensation Committee approved amendments to the employment agreements for Mr. Crovitz and Ms. Riley, as well as the change in control severance agreements between us and certain of our executives to ensure that each of the agreements complied with Section 409A. Except for the amendments to comply with Section 409A described above and to the employment agreement between us and Mr. Crovitz to extend the term of his service as Interim CEO, there were no other amendments to the employment agreements or change in control agreements between us and the NEOs or other executive officers.

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***Other Policies Relating to Executive Compensation***

*Equity Award Policy.* On June 21, 2007, the Board, upon recommendation of the Compensation Committee, adopted a formal Policy Regarding Awards of Equity-Based Incentives to Executive Officers and Other Employees (the "Equity Grant Policy") and in fiscal 2009, the Board, upon recommendation of the Compensation Committee, amended the Equity Grant Policy to make certain clarifying changes. The Equity Grant Policy applies to all awards by the Company of equity-based compensation to employees and consultants and sets forth policies and procedures with respect to granting, reporting, documenting and disclosing awards. The policy is intended to help ensure that all equity awards are made in accordance with applicable laws, are properly accounted for and disclosed, and are otherwise handled in accordance with the Board's intentions and good business practice. Subject to oversight by the Board, the Compensation Committee is charged with supervising the application by management of the Equity Grant Policy.

Under the policy, shares of the Company are to be valued or priced for purposes of all awards, including for purposes of setting the exercise price of options, at not less than the fair market value of the shares on the date the award is granted, determined by the average of the high and low selling price on the date of grant (as required by the 2005 Equity Plan) or, if the shares are not traded on such date, on the most recent trading day. All awards must be approved by the Compensation Committee, which must approve the recipient, the number of shares involved in the award (or a formula for determining the number of shares) and all other material terms before the award is given effect, except that the Compensation Committee may delegate the granting of awards to employees other than executive officers or a committee member to a committee of at least three senior officers. The granting of awards pursuant to such delegation is subject to various limitations provided by the Equity Grant Policy, including the establishment by the Compensation Committee when making a delegation of a maximum number of shares that may be subject to all such awards, and that may be subject to awards made to any one recipient, in any fiscal year. All awards made by the Compensation Committee's delegate must be reported to the Compensation Committee at its next regularly scheduled meeting. All awards shall be on standard terms (subject to variations among recipients in award amounts and vesting schedules) approved by the Compensation Committee, except where otherwise specifically provided by the Compensation Committee, including where the Compensation Committee has specifically delegated the authority to make exceptions to a committee of officers.

The Equity Grant Policy also establishes guidelines as to the timing for granting awards. Awards to executive officers and other senior managers designated by the Compensation Committee are to be made on an annual basis and are to be approved at the meeting of the Compensation Committee most closely preceding or following the first regularly scheduled Board meeting following the filing with the SEC of the Company's Annual Report on Form 10-K, except where made in connection with the hiring or promotion of an executive. Awards to other employees or to consultants will also be made on an annual basis at or about the same time as awards to executives. Awards will be made at other times only where specifically approved by the Compensation Committee in light of extraordinary circumstances. As discussed below, the Compensation Committee approved the granting of awards in December 2007, shortly after the filing with the SEC of the Company's Form 10-K for fiscal 2006, that would under other circumstances have been made under this policy in the Spring of 2008 after the filing of the Company's Form 10-K for fiscal 2007. Under the Equity Grant Policy, awards will be considered granted when approved unless when the approval is given a future date within one month is specified as the date of grant, except that awards made in connection with the hiring or promotion of an executive or other employee will be considered granted on the first business day of the month following approval and the recipient's commencement of employment or promotion and that awards may become effective at a later date where made subject to satisfaction of conditions such as stockholder approval. Actions by the Compensation Committee regarding awards will generally be made at minuted meetings of the Compensation Committee and may be made by unanimous written consent only in extenuating

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circumstances, in which event the action by consent will be given effect only after all committee members have signed and dated the consent; "as of" consents will not be used. Awards may be made at a time when the Company has material undisclosed information if the award is scheduled in accordance with the Equity Grant Policy to be made at such time and the timing is not motivated by an intention to improperly use such information for the benefit of a recipient.

The Equity Grant Policy also establishes requirements governing the reporting and documentation of awards, including requirements for the prompt reporting of all granting actions to members of the Company's Legal and Accounting Departments who are specifically designated as responsible for supervising the administration of awards. In addition, awards once approved by the Compensation Committee or its delegate may not be modified (other than to reflect correction of a clerical error) unless such modification is approved in the same manner as required for the granting of a new award.

The requirements and guidelines established by the Equity Grant Policy are subject to waiver or modification from time to time by action of the Compensation Committee (but not its delegate) or the Board.

*Recovery of Compensation Upon a Restatement.* The Company has not established a policy with respect to the recovery or other adjustment of compensation to be provided to executives or other employees in the event of a restatement of its financial statements. The Company did not seek to recover bonuses paid to executives by reason of the restatement of its financial statements for the fiscal period 1997 through 2006 in part because no evidence of wrongdoing was found in the matter giving rise to the restatement. Under certain circumstances, the Company may, in the future, have the right or the duty to adjust compensation before it is paid, or to recover compensation after it is paid, to its then NEOs. Under Section 304 of the Sarbanes-Oxley Act of 2002, if we are required to prepare an accounting restatement due to a material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws, our CEO and CFO must reimburse the Company for any bonus or other incentive-based or equity-based compensation received by them during the 12-month period following the first public issuance or filing with the SEC (whichever first occurs) of the document embodying that financial reporting requirement and any profits realized by them from the sale of our securities during that 12-month period. In the event of any future restatement, we will rely on an evaluation by the Board, after receiving advice of counsel, as to whether the circumstances giving rise to any restatement of the Company's financial statements, including the requirements of Section 304, warrant the Company seeking to recover any compensation from executives or other employees.

*Elements of Compensation*

*General.*

The compensation packages we provide our NEOs are designed to generate total compensation at levels that are sufficient in light of competitive considerations to attract and retain executives with the skills and experience required for the successful conduct of the Company's business and that reflect the performance of the executive and the Company's business performance, financial results and stock performance over time. To achieve our executive compensation objectives and in applying our compensation policies, we used for fiscal 2008 primarily three forms of compensation:

base salary;

a performance-based annual cash bonus, with objective components; and

long-term equity-based incentives in the form of performance share and deferred share awards.

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*Base Salary.*

The Compensation Committee sets annual salaries at a level designed to attract and retain superior leaders. An annual salary is agreed upon when an executive is hired, as part of the recruitment process and taking into account the specific competitive factors regarding the candidate and general competitive factors as reflected in salary and total compensation levels for persons with similar job responsibilities at peer group companies, determined based on publicly available information compiled by the Company's Human Resources Department. When an annual salary is set forth in an agreement, it is usually established as a minimum and is subject to annual review and adjustment. Generally, the Compensation Committee sets the salary of each NEO at the beginning of the year as part of its annual review of the executive's compensation package and considering his or her performance during the previous year. In fiscal 2007, however, the annual salaries for Ms. Poseley, Ms. Riley, and Mr. Crovitz were each determined pursuant to negotiated agreement. In fiscal 2008, the Compensation Committee did not consider any merit pay increase for NEOs until August 2008 where after considering the Company's performance during the first half of the fiscal year and mid-year evaluations the Compensation Committee approved a 1.75% merit pay increase for each NEO other than Mr. Crovitz, the Interim CEO. Due to the variation in the number of pay periods during a fiscal year, the salary amounts reflected on the Summary Compensation table below and shown in prior years may vary slightly from the annual salary levels established for the executives.

In setting an executive's salary, the Compensation Committee considers the executive's scope of responsibilities (including changes in responsibility made during the year or slated to be made), his or her expertise in matters pertinent to the Company, the executive's level of experience with the Company, in its industry and with business affairs and the executive's performance over several years, and also benchmarks salary levels and total compensation against the salary and total compensation of executives with similar job responsibilities at our peer group companies, using information from publicly available sources, including Equilar. Historically, the Compensation Committee has targeted each executive's salary to be within the 50% to 75% quartile of salaries of executives with comparable responsibilities at peer group companies, considering variation in size and business complexity among the peer group companies.

*Annual Cash Bonuses.*

*Creation of the 2007 Bonus Plan and Supplemental Bonus Program*

In 2006 the Board and the stockholders approved an annual cash bonus plan for the Company's management (the "2006 Bonus Plan"), which in general terms provided for bonuses for fiscal 2006 and subsequent years to be awarded based primarily on objective performance measures to be pre-established at the beginning of the year by the Compensation Committee. Bonuses under the 2006 Bonus Plan were intended to qualify as performance-based compensation that will be deductible by the Company under Section 162(m) of the Code even where the annual compensation to an executive exceeds \$1 million. See "Accounting and Tax Considerations" above. For fiscal 2006, the Compensation Committee established earnings per share before equity compensation expense as the objective performance measure to be used under the plan. In early 2007, the Compensation Committee approved in accordance with the 2006 Bonus Plan bonuses for the Company's executives and other bonus-eligible employees for fiscal 2006 determined based on the level of the Company's earnings per share before equity compensation expense for the year and on the target bonus amounts and other specific criteria for the award of bonuses that had been pre-established by the committee for the year in accordance with the plan. The Compensation Committee also approved on a discretionary basis additional bonus awards for fiscal 2006 for some executives and other employees, totaling \$2.1 million in the aggregate, calculated based on the level of bonuses that would have been payable based on fiscal

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2006 earnings per share if certain adjustments to the earnings per share were made, including adjustments to exclude certain costs relating to the investigation in fiscal 2006 of the Company's historical stock option grant practices. The matters giving rise to the items for which adjustments were made arose primarily out of events occurring before fiscal 2006 and had not been anticipated when the earnings per share targets for the year were set. The Compensation Committee concluded, consistent with our principal compensation policies, that in general, the management team was not in a position to control these matters and that the related accounting entries did not reflect the level of management's performance and so should not affect the bonuses to be paid to such employees. Notwithstanding such determination, the Company's former CEO and former General Counsel did not receive bonuses for fiscal 2006. Based on its experience in applying the 2006 Bonus Plan during fiscal 2006 and in otherwise determining the bonuses appropriate for fiscal 2006, the Compensation Committee determined that certain refinements of the Company's bonus system should be instituted. Accordingly, the Compensation Committee decided to recommend to the Board, and the Board approved, termination of the 2006 Bonus Plan after the payment of bonuses for fiscal 2006 and adoption of a new bonus plan, the 2007 Bonus Plan, for use in fiscal 2007 and subsequent years and, also, adoption of a Supplemental Bonus Program for use in fiscal 2007 and subsequent years.

The 2007 Bonus Plan provides for annual performance-based cash bonuses for members of management selected by the Compensation Committee in amounts that are to be determined (subject to the Compensation Committee's discretion to reduce such amounts) based upon the attainment of any of a variety of objective performance criteria to be established by the committee in the first quarter of the year. Bonuses payable under the 2007 Bonus Plan, are intended to qualify as performance-based compensation deductible under Section 162(m) of the Code even where the annual compensation to an executive exceeds \$1 million.

The Supplemental Bonus Program is intended to provide a framework for the granting of bonuses based on factors that cannot be considered under the 2007 Bonus Plan including the Compensation Committee's assessment of the performance of an individual employee or extraordinary contributions made to the Company. It provides an individualized performance-based bonus opportunity for those employees selected by the Compensation Committee to participate in the program for a fiscal year. Under the program, an individual target bonus amount will be established by the Compensation Committee for a participating employee and will be payable only if (i) a minimum score is achieved on the employee's individual performance review, which is scored from 0 to 5.0, and (ii) a threshold objective Company (or divisional) performance target is achieved for the fiscal year. No individual performance component is paid to any bonus-eligible employee who does not achieve a minimum score of 3.0 on his or her annual performance review. Additional performance criteria may be established by the Compensation Committee. The actual bonus earned by an eligible employee under the Supplemental Bonus Program may be less than, or greater than, the target bonus amount depending upon the extent to which the applicable performance targets are met or exceeded and any additional factors the Compensation Committee determines to take into account in making bonus determinations under the program. Bonuses payable under the Supplemental Bonus Plan will not qualify under Section 162(m) of the Code.

In accordance with the 2007 Bonus Plan, the Compensation Committee in the first quarter of fiscal 2008 selected operating income and the ability to achieve cost reductions as the objective performance measures to be used in the Company's bonus program for such year. Consistent with the plan's provisions, the Compensation Committee established during the first quarter a target bonus amount for each then NEO based on a percentage of the NEO's annual salary and established a range of operating income and cost reduction levels that it believed would, if achieved, support awarding bonuses to the NEOs (and other bonus plan participants). Because the Company's bonus plan is self-funding, notwithstanding that the Compensation Committee selected two performance metrics for NEO bonuses, if operating income were below this range, no bonuses would be paid under the plan and, if above the



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minimum, bonuses of between 1% and up to 200% of the target bonus amount would be considered, with a target level of operating income and cost reductions specified at which bonuses of 100% of the target bonus amount would be considered. For each participating NEO, the target bonus amount would be paid out 75% based on the operating income performance metric and 25% based on cost reduction levels. The minimum level of operating income for fiscal 2008 established for purposes of the bonus program was \$66 million and the minimum level of cost reductions established was \$27 million. The target level at which bonuses of 100% of the target bonus amount would be paid was set at \$90 million for the operating income portion of the bonus and \$35 million for the cost reduction portion of the bonus.

In setting the range of operating income and cost reduction targets, the Compensation Committee considered the Company's business plan and historical earnings and earnings growth rate. Because the Company did not adjust the compensation levels for any NEOs based on the Company's fiscal 2007 performance, the Compensation Committee maintained the bonus program targets at levels consistent with historical earnings growth rates of peer group companies, and targeted a level of earnings performance for bonus purposes that it anticipated would be in the 50% to 75% quartile of historical earnings growth performance of peer group companies based on their historical performance and scaled the range of targets to produce bonuses that, in general, would be at a level at the upper end of 50% to 75% quartile of bonuses paid to comparable executives of peer group companies if our business plan goals were achieved and extending into the top quartile if superior earnings performance in comparison to our business plan were achieved. In setting target bonus amounts for executives, based on the Company's results of operations for the fiscal 2007 year, the Compensation Committee did not consider a merit increase for any NEO nor did the Compensation Committee consider an increase in bonus target. Accordingly, the total compensation level for each NEO during fiscal 2008 was based on the total compensation for executives holding comparable positions at peer group companies. Based on the levels set for comparable companies during the fiscal 2007 and the Company's performance during fiscal 2007, the Compensation Committee believed the fiscal 2008 compensation levels to be appropriate to incentivize each executive to achieve the Company's business plan goals. In general, these compensation levels were consistent with the ranges of earnings targets we had set for fiscal 2007, target bonus amounts for fiscal 2008 were set at a level that falls within the 50% to 75% quartile of the bonuses paid in recent years to executives having comparable responsibilities at peer group companies but not accounting for adjustments to compensation levels either positive or at peer group companies based on performance during fiscal 2007.

*Determination of Fiscal 2008 Bonus Amounts*

During fiscal 2008, the Company experienced strong results of operations due to a significant increase in operating income over the previous fiscal year and significant cost reductions resulting in a year over year earnings increase of 60%. At the beginning of fiscal 2008 as part of the Company's strategic review which resulted in a decision to exit the Company's Disney Store North America business, the Company embarked upon a campaign to reduce costs in its continuing operations. Accordingly, the Company achieved operating income (less adjustments for one-time items) of \$117 million, which resulted in a 200% bonus achievement for the operating income portion of the bonus, and \$60 million in cost reductions, which in a 200% bonus achievement for the cost reduction portion of the bonus. Although executives were eligible to participate in the Supplemental Bonus Program for fiscal 2008, the Compensation Committee did not approve a discretionary bonus in fiscal 2008 for any executive officer.

*2009 Bonus Program*

After considering the Company's recent performance and the Company's completion of its review of strategic alternatives, the Compensation Committee decided to eliminate the cost savings as a specific performance metric for measuring bonus achievement. The Compensation Committee determined that

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measuring management based on the operating income performance metric was sufficient to focus management on both achieving both sales objectives and expense control. Accordingly, on March 4, 2009, the Compensation Committee selected annual operating income (subject to adjustments provided by the 2007 Bonus Plan) as the objective performance measure to be used in the Company's annual cash bonus program for fiscal 2009, such measure to be determined based solely on fiscal 2009 performance. Consistent with the 2007 Bonus Plan's provisions, each NEO's bonus opportunity for fiscal 2009 is based on a target bonus amount that is a percentage of the NEO's annual salary and a range of operating income targets that the Compensation Committee believes, if achieved, will support awarding bonuses to the NEOs (and other bonus plan participants) under the plan for fiscal 2009. For each current NEO, the annual cash bonus opportunity has been weighted 100% to the achievement of the operating income target. If performance for the year is below the range established, no bonus will be paid under the plan. If above the minimum level of the range, bonus amounts will range between 1% and 200% of the target bonus amount would be considered, with a target level of operating income specified at which 100% of the target bonus amount would be considered.

For fiscal 2009, the Compensation Committee has not established target bonus amounts for any of the Company's executives under the Supplemental Bonus Program and executives are currently eligible to receive a bonus only under the 2007 Bonus Plan. The Compensation Committee nevertheless has retained discretion to award a bonus for fiscal 2009 to any executive or other employee if it determines that doing so is warranted in the best interests of the Company.

*Equity-Based Incentive Awards.*

*General*

A significant portion of the executive compensation we provide is in the form of equity-based incentive awards. We currently provide performance share awards, deferred share awards and in a few instances restricted stock grants, each as further discussed below. Until fiscal 2006, we provided equity-based incentives solely in the form of stock options, which generally were granted to members of the senior management team, as well as other employees, on an annual basis in connection with annual performance reviews or upon hiring or promotion. In April 2005 the Board and, in June 2005, the stockholders approved the 2005 Equity Plan, under which equity incentives in a variety of forms, including awards of conditional rights to receive shares either upon, among other conditions, the expiration of a period of employment ("deferred share awards") or satisfaction of individual or Company performance measures along with expiration of a period of employment ("performance share awards"), as well as stock options and restricted stock grants, may be awarded. Under the 2005 Equity Plan, awards for a maximum of 2,000,000 shares of Common Stock may be made. As discussed further below, in connection with the adoption of the 2005 Equity Plan the Compensation Committee determined, after considering the accounting aspects of granting the different types of awards, that the Company would generally favor granting deferred share or performance share awards rather than stock option awards. Early in fiscal 2006, we made performance share awards under the 2005 Equity Pla