

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

DAVID SALKIN, Individually and On Behalf of All Others Similarly Situated,)	
)	
Plaintiff,)	CIVIL ACTION NO.
)	
vs.)	CLASS ACTION COMPLAINT
)	
THE CHILDREN'S PLACE RETAIL STORES, INC., EZRA DABAH, HITEN PATEL, and SUSAN RILEY,)	<u>JURY TRIAL DEMANDED</u>
)	
Defendants.)	
)	

Plaintiff, David Salkin ("Plaintiff"), alleges the following based upon the investigation by Plaintiff's counsel, which included, among other things, a review of the defendants' public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding The Children's Place Retail Stores, Inc. ("The Children's Place" or the "Company"), securities analysts' reports and advisories about the Company, and information readily available on the Internet, and Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION AND OVERVIEW

1. This is a federal class action on behalf of purchasers of The Children's Place's securities between August 3, 2006 and August 23, 2007, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. The Children's Place, through its subsidiaries, is a specialty retailer of apparel and accessories for children from newborn to 10 years of age. The Company sells children's merchandise under The Children's Place and licensed Disney Store brand names. As of October 28, 2006, the Company owned and operated 851 The Children's Place stores and 331 Disney Stores in North America.

3. On June 8, 2007, the Company announced that it had reached an agreement with The Walt Disney Company ("Disney") to resolve assertions by Disney that the Company had committed numerous material breaches of its long-term license agreement under which the Company operates the Disney Store retail chain in North America. The letter agreement specifically obligated the Company to remodel 234 existing Disney Stores into a new store prototype being developed by the Company, and to complete a "maintenance refresh" program in approximately 165 Disney Stores. The Company's Chief Executive Officer ("CEO") stated that The Children's Place was "committed to executing on this important remodel program which will contribute to our goal of elevating the guest experience."

4. Then on August 23, 2007, the Company shocked investors when it disclosed that it was unable to meet several of the deadlines set forth in the June letter agreement. The Company further revealed that it had identified various deadlines during the third and fourth quarters of fiscal 2007 that it would likely miss. The Company's inability to meet such deadlines breached the June letter agreement, and entitled Disney to exercise remedies including the possible termination of the agreement. As a result of its breach, the Company was forced to amend the original license agreement with Disney, and to relax restrictions on Disney's ability to grant direct licenses for the sale of Disney merchandise to other specialty retail stores.

5. On this news, the Company's shares declined \$5.59 per share, or almost 17

percent, to close on August 23, 2007 at \$27.43 per share, on unusually heavy trading volume.

6. The Complaint alleges that, throughout the Class Period, defendants failed to disclose material adverse facts about the Company's financial well-being, business relationships, and prospects. Specifically, defendants failed to disclose or indicate the following: (1) that the Company was not in compliance with certain of its obligations under the license agreement with Disney, including its obligations with respect to store renovations and maintenance; (2) that the Company would spend approximately \$175 million to renovate and/or upgrade a substantial number of Disney Stores as a result of its noncompliance with the license agreement; (3) that, as a result of the above, the Company would be forced to relinquish material contractual rights, including restrictions on Disney's ability to grant direct merchandising restrictions to other retailers; (4) that the Company lacked adequate internal and financial controls; and (5) that, as a result of the foregoing, the Company's statements about its financial well-being and future business prospects were lacking in any reasonable basis when made.

7. As a result of defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class Members have suffered significant losses and damages.

JURISDICTION AND VENUE

8. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

9. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

10. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange

Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this Judicial District.

11. In connection with the acts, conduct and other wrongs alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

12. Plaintiff, David Salkin, as set forth in the accompanying certification, incorporated by reference herein, purchased The Children's Place's securities at artificially inflated prices during the Class Period and has been damaged thereby.

13. Defendant The Children's Place is a Delaware corporation with its principal executive offices located at 915 Secaucus Road, Secaucus, New Jersey.

14. Defendant Ezra Dabah ("Dabah") was, at all relevant times, the Company's Chief Executive Officer ("CEO"), and Chairman of the Board of Directors.

15. Defendant Hiten Patel ("Patel") was, at all relevant times, the Company's Chief Financial Officer ("CFO") and Senior Vice President.

16. Defendant Susan Riley ("Riley") was, at all relevant times, the Company's Executive Vice President of Finance and Administration.

17. Defendants Dabah, Patel, and Riley are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of The Children's Place's reports to the SEC, press releases and presentations to securities analysts, money and portfolio

managers and institutional investors, i.e., the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

SUBSTANTIVE ALLEGATIONS

Background

18. The Children's Place, through its subsidiaries, is a specialty retailer of apparel and accessories for children from newborn to 10 years of age. The Company sells children's merchandise under The Children's Place and licensed Disney Store brand names. As of February 25, 2006, the Company owned and operated 802 The Children's Place stores and 316 Disney Stores across North America.

19. On June 3, 2004, Company issued a press release informing investors that it was in discussions with Disney to acquire and operate "The Disney Store" retail chain in the United States and Canada under a long-term license arrangement. The Company stated that the transaction would "bring together The Children's Place's retail expertise with the unique 'Disney' brand and creative engine."

20. On October 20, 2004, the Company issued a press release entitled "The Children's Place and the Walt Disney Company Enter into Definitive Agreement Regarding the Sale of the

Disney Store North America Retail Chain to the Children's Place." Therein, the Company, in relevant part, stated:

- **Acquisition Will Strengthen The Children's Place Leading Position in the Newborn to Age 10 Category**
- **Sale is Part of Disney's Ongoing Refocusing of its Consumer Products Operations on Character Franchise Development and Licensing**

The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) and The Walt Disney Company (NYSE: DIS) today announced that the parties *have entered into a definitive agreement for The Children's Place to acquire and operate under a long-term licensing arrangement the Disney Store retail chain in North America, which currently includes 313 stores.*

"This exciting and unique opportunity gives us instant access to one of the most magical brands in the world, and is consistent with our goal of being the leading retail player in the newborn to age 10 category," said Ezra Dabah, chairman and chief executive officer of The Children's Place. *"The Disney Store North America profile is strikingly similar to that of The Children's Place: the chain is a mall-based, vertically integrated specialty retailer, with a comparable customer demographic. Disney Store North America generates high sales productivity, driven by significant customer traffic. We believe that by utilizing our merchandising and sourcing expertise and leveraging our infrastructure we can further increase the level of profitability and build on the chain's positive momentum."*

"The Children's Place management team has a proven track record of growing a unique and compelling retail concept," said Peter E. Murphy, senior executive vice president and chief strategic officer of The Walt Disney Company. *"We believe their commitment to quality, the Disney brand, and entertainment retailing will maximize the Disney Store opportunity. We look forward to a long and rewarding relationship with The Children's Place."*

* * *

Mr. Dabah continued, *"By combining the Disney brand with our retail expertise, we believe we can increase sales, produce significant margin expansion and leverage operating expenses - resulting in increased earnings power for our shareholders."*

Assuming a November closing, we anticipate that the transaction will be accretive to earnings in fiscal 2004 and on an annualized basis in fiscal 2005."

TRANSACTION OVERVIEW

The Children's Place will acquire the equity of the Disney Store North America from Disney Enterprises, Inc. in exchange for a working capital adjustment payment to Disney at the close of the transaction. The Disney Store North America will retain responsibility for the store lease obligations. *The Disney Store North America will be held in a wholly owned subsidiary of The Children's Place and will have the exclusive right to operate the Disney Stores in the United States and Canada under a long-term license agreement. The Disney Store North America will continue to manufacture, source, offer, and sell merchandise featuring "Disney-branded" characters, past, present and future,* and will begin to pay royalties to Disney on its physical retail store sales on the second anniversary of the closing of the transaction. Furthermore, beginning in October 2005, the Disney Store North America will operate an Internet store featuring a select assortment of merchandise offered in the physical retail locations. The Walt Disney Company will continue to operate the Disney Catalog and will maintain a Disney online retail presence.

The Children's Place has committed to invest up to \$100 million into the remodeling and operations of the Disney Store North America. Of this amount, an initial \$50 million will be funded at closing. The Children's Place will fund the transaction with cash on hand and short term borrowings and at this time, does not anticipate taking on any long-term debt or issuing any stock as a result of this transaction. In connection with the acquisition, The Children's Place is in the process of expanding its credit facility and establishing a working capital facility for its new subsidiary with its working capital lender, Wells Fargo Retail Finance.

* * *

"The Disney Store provides us with the ability to capitalize on the popular licensed character apparel market and gives us a new growth vehicle. We believe we can significantly grow the chain through selective expansion into quality malls, and lifestyle and outlet centers," Mr. Dabah concluded. [Emphasis added.]

21. On April 14, 2005, The Children's Place filed its Annual Report with the SEC on Form 10-K. Therein, the Company, in relevant part, stated:

License Agreement With Disney

In connection with the acquisition of the DSNA Business, two of our subsidiaries entered into a license and conduct of business agreement with an affiliate of Disney (the "License Agreement") under which our subsidiaries have the right to use certain Disney intellectual property to operate the Disney Store retail chain in exchange for ongoing royalty payments. The agreement allows our subsidiaries to operate retail stores in the United States and Canada using the "Disney Store" name and to contract, manufacture, source, offer and sell merchandise featuring Disney-branded characters, past, present and future. Our subsidiaries will make royalty payments to Disney beginning in November 2006 equal to 5% of net sales from physical Disney Store locations, subject to an additional royalty holiday period with respect to a limited number of stores. Beginning in October 2005, our subsidiaries will operate the www.disneystore.com Internet store, which will feature a select assortment of merchandise offered in the physical Disney Store locations. In the first year, Internet sales have a 5% royalty, and 9%, and in some instances 10%, thereafter. The initial term of the License Agreement is 15 years and, if certain financial performance and other conditions are satisfied, it may be extended at our option for up to three additional ten-year terms.

Materially False and Misleading Statements Issued During the Class Period

22. The Class Period begins on August 3, 2006. On this day, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports July Sales up 28%; Comparable Store Sales up 15%; Company Anticipates Second Quarter Loss of \$(0.54) to \$(0.56) Per Share and Increases Fiscal 2006 EPS Guidance to \$2.85 to \$2.95." Therein, the Company, in relevant part, stated:

- Comparable Store Sales at The Children's Place Brand Increased 16%
- Comparable Store Sales at Disney Store Increased 14%

The Children's Place Retail Stores, Inc. (Nasdaq: PLCE): The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) today

announced sales results for the four-week period ended July 29, 2006.

Total sales for the four-week period ended July 29, 2006 increased 28% to \$131.1 million compared to \$102.8 million last year. Consolidated comparable store sales increased 15%. During July, the Company opened two Children's Place stores and one Disney Store.

* * *

"We are pleased to see our strong sales momentum continue into July, closing off a strong first half for The Children's Place and Disney Store brands," said Ezra Dabah, Chairman and Chief Executive Officer of The Children's Place Retail Stores, Inc. "We are also encouraged by the initial favorable customer response to our Back-to-School offerings at both brands and we are especially pleased with the continued strength at Disney Store."

23. In response to these statements, shares of the Company's stock increased \$2.73, or over 5 percent, to close on August 3, 2006 at \$57.02 per share, on unusually heavy trading volume.

24. On August 17, 2006, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports Second Quarter 2006 Financial Results; Loss Per Share of \$0.53 Compared to Loss Per Share of \$0.68 Last Year; Net Sales Increased 24%; Comparable Store Sales Increased 16%." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) today reported financial results for the fiscal second quarter and twenty-six weeks ended July 29, 2006.

* * *

"We are pleased with our second quarter and first half financial results," said Ezra Dabah, Chairman and Chief Executive Officer of The Children's Place Retail Stores, Inc. "We drove substantial improvements at both brands through consistent execution of our strategies. We are particularly pleased with our first half results, are encouraged by our initial start to the Back-to-School season, and we look forward to the second half of the year."

25. In response to these statements, shares of the Company's stock increased \$2.27, or almost 4 percent, to close on August 17, 2006 at \$59.33 per share, on heavy trading volume.

26. On August 31, 2006, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports August Sales up 23%; Comparable Store Sales up 12%; Comparable Store Sales at the Children's Place Brand Increased 10%; Comparable Store Sales at Disney Store Increased 21%." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) today announced sales results for the four-week period ended August 26, 2006.

Total sales for the four-week period ended August 26, 2006 increased 23% to \$155.4 million compared to \$126.2 million last year. Consolidated comparable store sales increased 12%. During August, the Company opened five Children's Place stores and five Disney Stores.

27. On September 7, 2006, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Delays Filing of Second Quarter 2006 Form 10-Q to Complete Its Review of Accounting for Past Stock Option Grants." Therein, the Company, in relevant part, stated:

Outside Counsel Delivers Report to Audit Committee on Findings of Investigation of Stock Option Procedures

The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) announced today that it will delay the filing of its Quarterly Report on Form 10-Q for the quarter ended July 29, 2006 with the Securities and Exchange Commission. This delay will allow time for the Company to complete an analysis of the accounting treatment for its past stock option grants and to determine the extent of any corrections that may be required to its previously reported financial results.

On August 24, 2006, at the request of the Company's audit committee, the Company's outside counsel began an investigation into the Company's stock option practices. Outside counsel delivered its findings to the audit committee on September 6, 2006. The investigation found various instances in which the Company's

records did not correctly reflect the legal grant date for stock options granted to employees and directors of the Company, resulting in errors in the dating of these stock options. The report concluded that, except for one occasion in 2001, as to which the report was inconclusive, the errors in the granting and recording of stock options were unintentional.

The Company is currently engaged in an analysis of the accounting treatment of its stock option grants since its initial public offering in 1997 to determine the extent of any corrections that may be required to its previously reported financial results. The Company cannot predict when this analysis will be completed. While the Company expects that some corrections to its reported financial results will be necessary, it is not yet able to estimate the aggregate amount of any such corrections or whether such corrections would be material. Accordingly, the Company has not yet determined whether any corrections would be made by recording a non-cash charge to earnings for the second quarter of 2006, or whether it may be necessary to restate its previously filed financial statements for prior fiscal years and the first quarter of fiscal 2006.

The Company is committed to resolving these issues as quickly as possible and will make a further announcement regarding its analysis of stock options and the extent of any necessary corrections to its financial statements as soon as additional information is available.

28. On October 5, 2006, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports September Sales; Provides Update Regarding Stock Option Investigation." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) today announced sales results for the five-week period ended September 30, 2006.

Total sales for the five-week period ended September 30, 2006 increased 31% to \$210.3 million compared to \$160.7 million last year. Consolidated comparable store sales increased 20%. During September, the Company opened seven Children's Place stores and three Disney Stores.

* * *

Separately, in connection with the Company's previously announced investigation into its stock option practices which

concluded that there were errors in the dating of various stock option grants, at the request of the Company's audit committee, the Company's outside counsel is continuing its investigation and conducting additional follow-up work regarding these stock option grants. While the Company is still conducting its accounting analysis and has not yet determined definitively the impact of these errors in the dating of stock options on the Company's historical financial statements, the Company expects that it will be necessary for it to restate its previously filed financial statements for certain fiscal years and for periods in fiscal 2006. Accordingly, the Company's previously issued financial statements and other historical financial information and related disclosures relating to periods through the second quarter of fiscal 2006 contained in the Company's SEC filings, including applicable auditor reports, and press releases should not be relied upon. The Company believes that this expected restatement will not have a material impact on its fiscal 2006 operating results. The Company is committed to resolving these issues as quickly as possible and will make a further announcement as soon as additional information is available.

In addition, the Company announced that, on September 29, 2006, it was contacted by the Securities and Exchange Commission in connection with an informal investigation of the Company's stock option grants. The Company intends to cooperate fully with the SEC investigation.

29. On November 2, 2006, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports October Sales." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) today announced sales results for the four-week period ended October 28, 2006.

Total sales for the four-week period ended October 28, 2006 increased 20% to \$184.8 million compared to \$154.2 million last year. Consolidated comparable store sales increased 10%. During October, the Company opened 18 Children's Place stores and three Disney Stores.

30. On November 13, 2006, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Delays Third Quarter 2006 Earnings Release and Conference

Call Pending Completion of Review of Stock Option Practices." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq: PLCE) announced today that it will delay the release of its preliminary third quarter 2006 financial results, originally planned for November 16, 2006, pending the completion of the investigation being conducted by outside counsel into the Company's stock option practices. The Company expects its preliminary third quarter results will be released after the stock option investigation is concluded.

The Company commented that while the investigation into its stock option grant practices has been progressing, at the recent request of the Audit Committee, the Company's outside counsel is performing additional analysis of various stock option grants to determine whether they impact the conclusions announced on September 7, 2006. The Company remains committed to resolving these issues as quickly as possible and believes that the additional time is necessary to enable this process to be completed in an orderly, prudent and conclusive fashion.

31. On November 30, 2006, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports November Sales." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced sales results for the four-week period ended November 25, 2006.

Total sales for the four-week period ended November 25, 2006, increased 20% to \$199.4 million compared to \$166.0 million last year. Consolidated comparable store sales increased 12%. During November, the Company opened 14 Children's Place stores and two Disney Stores.

32. On January 4, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports December Sales." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced sales results for the five-week period ended December 30, 2006.

Total sales for the five-week period ended December 30, 2006, increased 11% to \$318.5 million compared to \$286.6 million last year. Consolidated comparable store sales increased 5%. During December, the Company opened one Children's Place store and one Disney Store.

For the nine-week holiday selling period, The Children's Place brand achieved a 5% increase in comparable store sales on top of an 11% increase for the same period last year. Disney Store reported a 12% increase.

* * *

The Company believes that December results at The Children's Place brand were negatively impacted by unseasonable weather, which resulted in higher than planned promotional activity. In addition, the Company believes it would have benefited from increased ownership of key volume drivers and fresh spring goods, given early reads on Spring merchandise.

At Disney Store, December results reflect the Company's strategies to build a full-price business. The month was driven by strong customer response to the Company's toy and apparel assortments.

33. On January 31, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Concludes Stock Options Investigation." Therein, the Company, in relevant part, stated:

Company Implements Various Structural Changes

Company Commits to Improved Internal Processes and Procedures

Company Outlines Financial Impact of Investigation

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

accepted the report and approved the findings and recommendations.

Summary of Investigation and Key Findings

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

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

- There was no conclusive evidence of intentional backdating of options or other misconduct in connection with the option grant process.
- There was no evidence of an intent to mislead about option grant dates or exercise prices.
- No member of management and no director engaged in improper self-dealing in connection with the option grants made by the Company.
- All Company personnel cooperated fully with the investigation.
- The Company did not maintain appropriate governance and other internal controls, which resulted in errors in the dating of options and other irregularities in option grants. In many instances options were dated before all grant-making processes were finalized. Consequently, in such instances the option exercise price was lower than it should have been based on the trading price on the date the grant process was completed and incorrect charges were taken for the options for financial

reporting purposes. Also, in a few instances, the Company may have selected grant dates with a view toward upcoming disclosures.

A copy of the report is also being provided to the SEC in connection with the previously announced informal investigation by the SEC of the Company's option grant practices.

Key Near-Term Actions

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

Governance and Management Changes:

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

merchandise purchasing. The Company will commence a search for a new General Counsel and Secretary immediately.

- The Board of Directors has commenced a comprehensive review, with the assistance of independent counsel, of the Company's governance system and processes and its internal controls, and will make appropriate improvements in the near-term.

* * *

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

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

Summary of Financial Implications

Based on the results of the investigation and its own additional review, management has concluded that incorrect measurement dates were used for financial reporting purposes in respect to option grants. As previously announced, the Company will restate its previously issued financial statements for the fiscal years 2003, 2004, 2005 and the first fiscal quarter 2006 and may amend the financials disclosed in its fiscal 2006 second quarter press release. At this time, the Company does not expect this cumulative

restatement to exceed \$24 million, pre-tax, or \$17 million, after tax, with the majority of the restatement impacting fiscal 2005. Approximately \$22 million of the total pre-tax restatement amount is expected to be non-cash. As stated previously, the amounts of the restatement and related expenses are subject to significant adjustment pending the review of the Company's determination of the appropriate accounting for its previously issued stock options, related discussions with the staff of the SEC, and clarification of certain tax laws and their accounting impact. The Company intends to complete the restatement of its financial statements as soon as practicable. There is no assurance that, when finally determined, the Company will not be required to make adjustments in a greater amount.

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

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

34. On February 1, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports Preliminary Third Quarter 2006 Financial Results and Provides Guidance." Therein, the Company, in relevant part, stated:

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

Fiscal 2006 Third Quarter

- As previously announced, consolidated net sales for the third quarter ended October 28, 2006 increased 25% to \$550.4 million compared to \$441.0 million last year. Third quarter sales were comprised of \$397.2 million from The Children's Place brand, a 24% increase over last year, and \$153.2 million from Disney Store, a 27% increase over last year.
- Consolidated comparable store sales increased 14% in the quarter. The Children's Place brand's comparable store sales increased 15% on top of last year's 6% increase. Disney Store's comparable store sales increased 12%.

* * *

Guidance

Fourth Quarter 2006

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

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

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

Disneystore.com, as the Company is in discussions with the Walt Disney Company to form an e-commerce alliance, in which Disneystore.com would maintain a presence within Disney.com, in an effort to create a seamless experience for the guest.

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

Fiscal 2006

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

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

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

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

Fiscal 2007

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

residual expenses the Company may incur as a result of the conclusion of the stock option investigation.

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

35. Also on February 1, 2007, The Children's Place held an earnings conference call with investors and financial analysts. During this call, Defendants Dabah and Riley, in relevant part, stated:

EZRA DABAH: And Kimberly, as it relates to the Disney license, as we mentioned in our press release, *we are [in] discussion with the Walt Disney Company about changes to the license agreement, which could be material. It's really premature for me to comment on the status of these discussions.* But most importantly, I believe that it's in the best interest of both of our companies to resolve these issues, and we look forward to do so in the very near future.

[ANALYST]: Ezra, can you--?

EZRA DABAH: As it relates to -- go ahead, Kimberly.

[ANALYST]: Could you just let us know, did you instigate the talks with Disney or did Disney instigate the talks with you?

EZRA DABAH: *Disney instigated talk with us.*

[ANALYST]: Okay.

EZRA DABAH: As it relates -- although we were both on the same wavelength at the same time. As it relates to the \$6 million charge. [I don't want to say charge] -- estimated capital --

SUE RILEY: Well, it's expense. Basically, *because we're going to have to make some changes to some stores that already have been renovated, we expect -- and this is very, very preliminary,*

but we felt that we had to factor it into our 2007 earnings estimate. We'll have to take some charges or accelerate some depreciation. We're not sure exactly what form this will take. *It's pretty fair to say that because we had to make some pretty extensive renovations to stores that have recently been remodeled, we'll have to take some expense associated with that. And that's all in connection with these discussions that are underway with the Walt Disney Company.* [Emphasis added.]

36. On February 8, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports January Sales." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced sales of \$127.2 million for the five-week period ended February 3, 2007 versus sales of \$87.0 million for the four-week period ended January 28, 2006. Consolidated comparable store sales for the four weeks ended February 3, 2007, increased 3% versus the corresponding four-week period last year. During January, the Company opened two Children's Place stores and closed two. In addition, the Company closed six Disney Stores, similar to last year.

37. On March 8, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports Consolidated February Sales Up 18 Percent; Consolidated Comparable Store Sales Up 5 Percent." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced sales of \$133.8 million, for the four-week period ended March 3, 2007, an 18% increase compared to sales of \$113.8 million for the four-week period ended February 25, 2006. Due to the 53rd week in fiscal 2006, February 2007 comps are compared to the four week period ended March 4, 2006. On that basis, consolidated comparable store sales increased 5% versus 3% last year. During February, the Company closed one Children's Place store.

38. On March 15, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports Preliminary Fourth Quarter and Fiscal 2006 Financial Results." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) announced preliminary financial results for its fourth quarter and fiscal year

ended February 3, 2007. These preliminary results may be subject to significant adjustment as a result of the Company's restatement of previously issued financial results to correct the accounting for past stock option grants to reflect the findings of the investigation into the Company's stock option practices, which were announced in a separate press release on January 31, 2007. As a result, the Company is not providing net income on a per share basis or full comparative financial results for the fourth quarter and full fiscal year ended January 28, 2006, and is providing only selected balance sheet data.

* * *

Fiscal Year 2007 Guidance

The Company now anticipates fiscal 2007 earnings per share of approximately \$3.63 to \$3.73, \$0.08 higher than previous guidance due to an approximate \$4 million reduction in the Company's previously anticipated \$6 million pre-tax expense for fiscal 2007 to address issues with certain recently remodeled Disney Stores. The Company anticipates a tax rate of 38% and diluted shares outstanding of 31 million. This guidance does not reflect any residual expenses the Company may incur as a result of the conclusion of the stock option investigation.

As previously reported, the Company is in discussions with the Walt Disney Company regarding potential modifications to certain terms of the Company's long-term license agreement to operate the Disney Store retail chain in North America, some of which may be material. *These discussions began after the Company was notified by Disney that the Company had failed to comply with certain of its obligations under the license agreement, including, among others, obligations with respect to renovation of stores and store maintenance. Disney has asserted that these failures constitute material breaches of the license agreement.* The Company and Disney have engaged in a dialogue and have exchanged proposals regarding the resolution of these issues. To date, no agreement has been reached. Accordingly, the Company cannot predict the specific nature of any modifications to be made to the license agreement and no assurances can be made as to the outcome of these negotiations. If the Company is unable to reach agreement with Disney on the modifications, Disney may exercise its rights and remedies under the agreement. [Emphasis added.]

39. Also on March 15, 2007, The Children's Place held an earnings conference call with investors and financial analysts. During this call, Defendant Dabah, in relevant part, stated:

[ANALYST]: ... And one last question. Just anything you can say about a timetable we should think about in terms of the negotiations with Disney. Thanks.

* * *

EZRA DABAH: And, Dorothy, in regards to your last questions about potential timing on the negotiation with The Walt Disney Company, as you can imagine that is something we cannot put a timing on. As we mentioned in this morning's press release, we have exchanged proposals and we believe we are making progress. And at this moment we'll leave it as such.

* * *

[ANALYST]: ... Ezra, to extent you can talk about it, and I know you've got to be careful on this, but it would probably help us just to kind of clarify a little bit. *Is the nature of the discussions with Disney pretty much solely about the remodels and maintenance, as mentioned in the release, or are there other factors? Can you just speak to that?*

EZRA DABAH: *Yes. We would rather not get into details. Please refer -- refer to the announcement that we made this morning in that -- in that regard.* [Emphasis added.]

40. On April 12, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports Consolidated March Sales Up 18 Percent; Consolidated Comparable Store Sales Up 7 Percent." Therein, the Company, in relevant part, stated:

**Company Provides Preliminary First Quarter EPS Guidance;
Reiterates Fiscal 2007 EPS Guidance**

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced sales of \$204.7 million for the five-week period ended April 7, 2007, an 18% increase compared to sales of \$173.4 million for the five-week period ended April 1, 2006. Consolidated comparable store sales increased 7% on top of last year's 11% increase. During March 2007, the Company opened two Children's Place stores and closed two.

* * *

As previously stated, due to the extra week in fiscal 2006, the Company's fiscal 2007 comparable store sales have shifted by one week as compared to the corresponding period of fiscal 2006. Any

references made today and going forward regarding last year's comparable store sales results will be on the "adjusted" basis. For a breakdown of the Company's fiscal 2006 comparable store sales results on an "as reported" and "as adjusted" basis, please refer to the Company's March 8, 2007 press release.

At this time, the Company anticipates first quarter 2007 earnings per share to be approximately even with last year's first quarter. ***The Company continues to expect fiscal 2007 earnings per share of approximately \$3.63 to \$3.73***, before any residual expenses the Company may incur as a result of the conclusion of the stock option investigation. [Emphasis added.]

41. On May 10, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports Consolidated April Sales Up 1 Percent; Consolidated Comparable Store Sales Down 2 Percent." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced sales of \$140.3 million for the four-week period ended May 5, 2007, a 1% increase compared to sales of \$139.2 million for the four-week period ended April 29, 2006. Consolidated comparable store sales decreased 2% compared to last year's 22% increase. During April 2007, the Company opened four Children's Place stores and closed one.

* * *

At this time, the Company anticipates reporting preliminary earnings per share of \$0.40 to \$0.42 for the first quarter of fiscal 2007, below previous guidance. While consolidated comparable stores sales results came in at the low end of previous guidance, sales were lower than planned and markdowns were higher at both brands than previously anticipated, primarily due to continued poor Spring performance at The Children's Place, lack of newness at Disney Store and the unfavorable weather experienced in April. This earnings per share range also includes approximately \$2.5 million, pre-tax, in costs paid or accrued in association with the stock option investigation and related expenses.

For fiscal 2007, at this time, the Company anticipates earnings per share of \$3.45 to \$3.55, also below previous guidance. While the Company remains cautiously optimistic regarding the second half of the year, April results and current business trends have made it more difficult to achieve the Company's previous earnings expectation. This updated guidance reflects the \$2.5 million, pre-

tax, in stock option investigation and related expenses incurred in the first quarter but does not contemplate additional residual expenses the Company may incur as a result of the conclusion of the investigation.

Separately, the Company stated that, due to its previously announced restatement of financial results, the Company will postpone its annual shareholder meeting, originally scheduled for June 21, 2007. The Company will announce a new date for its annual shareholder meeting at a later date.

42. On May 22, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports Preliminary First Quarter 2007 Financial Results." Therein, the Company, in relevant part, stated:

Company Provides Update On Discussions With The Walt Disney Company

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today reported preliminary financial results for the fiscal first quarter ended May 5, 2007. These preliminary results may be subject to significant adjustment as a result of the Company's restatement of previously issued financial results to correct the accounting for past stock option grants to reflect the findings of the investigation into the Company's stock option practices, which were announced on January 31, 2007. As a result, the Company is not providing net income on a per share basis or full comparative financial results for the first quarter ended April 29, 2006, and is providing only selected balance sheet data.

- Consolidated net sales for the thirteen weeks ended May 5, 2007, increased 12% to \$478.9 million, compared to \$426.5 million for the thirteen weeks ended April 29, 2006. First quarter sales were comprised of \$356.0 million from The Children's Place brand, an 11% increase over last year's sales of \$322.0 million, and \$122.9 million from Disney Store, an 18% increase compared to \$104.5 million last year.

* * *

As previously reported, the Company has been in discussions with The Walt Disney Company (Disney) regarding potential modifications to certain terms of the Company's long-term license agreement to operate the Disney Store retail chain in North America. *These discussions began after the Company was*

notified by Disney that the Company had failed to comply with certain of its obligations under the license agreement, including, among others, obligations with respect to renovation of stores and store maintenance. Disney has asserted that these failures constitute material breaches of the license agreement.

The Company believes that the discussions between the Company and Disney are nearing conclusion and the parties have exchanged drafts of a letter agreement which contemplates that various modifications would be made to the license agreement. Among other things, it is expected that the Company would commit to renovate or upgrade a substantial number of Disney Stores over the next five years, beginning immediately, and to expend approximately \$175 million for this purpose. If the Company fails to adhere to the new schedule of compliance and renovations or otherwise comply with the modified terms, the agreement is expected to require the Company to pay Disney a significant fee. Disney would continue to retain all its other rights and remedies under the license agreement.

As the final agreement is still pending, the terms are subject to change. Further, there is no assurance that the Company and Disney will enter into a definitive agreement with respect to these matters. If the Company is unable to reach agreement with Disney on the new terms, the Company anticipates that Disney may exercise its rights and remedies under the license agreement. The Company will provide a further update once the agreement is executed or other developments occur. [Emphasis added.]

43. On June 7, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports Consolidated May Sales Up 13 Percent; Consolidated Comparable Store Sales Up 4 Percent." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced sales of \$127.6 million for the four-week period ended June 2, 2007, a 13% increase compared to sales of \$112.7 million for the four-week period ended May 27, 2006. Consolidated comparable store sales increased 4% compared to last year's 16% increase. During May 2007, the Company opened eight Children's Place stores.

44. On June 8, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Announces Agreement With The Walt Disney Company." Therein, the

Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) announced today that it has executed a letter agreement with a subsidiary of The Walt Disney Company (Disney) *to resolve assertions by Disney that the Company committed numerous material breaches of its long-term license agreement under which the Company operates the Disney Store retail chain in North America.* This letter agreement, which modifies and supplements the license agreement, represents the conclusion of several months of previously disclosed discussions that have been ongoing between the companies.

"We are pleased to have come to an understanding with The Walt Disney Company," said Ezra Dabah, Chief Executive Officer of The Children's Place Retail Stores, Inc. "We are committed to executing on this important remodel program which will contribute to our goal of elevating the guest experience."

Under the letter agreement, the Company has agreed to, among other things, remodel a total of 234 existing Disney Stores into a new store prototype being developed by the Company, by the end of fiscal 2011. The first nine remodels, which will include two stores bearing the "Mickey" format, will be completed during the second half of fiscal 2007. The Company is required to remodel at least 67 additional Disney Stores, 33 of which will be "Mickey" stores, into the new store prototype by the end of fiscal 2008 and to remodel an additional 53, 70 and 35 Disney Stores during fiscal 2009, 2010 and 2011, respectively. In addition, by the end of fiscal 2008, the Company will open at least 18 new Disney Stores using the new store prototype.

In addition, under the terms of the letter agreement, the Company will complete a "maintenance refresh" program in approximately 165 Disney Stores, including the flagship store located on Michigan Avenue in Chicago, by no later than June 30, 2008.

As previously announced, the Company's Board of Directors has committed \$175 million of capital to fund the remodel and refresh programs described above between now and the end of fiscal 2011.

The Company and Disney also agreed to make certain other modifications to the provisions of the license agreement, including eliminating the extended royalty abatement for some of the Disney Stores that were identified as "Non-Core Stores" in

the license agreement, reducing the restrictions on Disney's ability to grant direct merchandising licenses to other specialty retail store chains, requiring the potential implementation of a differentiated merchandise plan for the Disney Store outlets and modifying the provisions of the license agreement that would apply to a potential wind-down of the Disney Store business following any termination of the license agreement.

If the Company fully complies with the terms of the letter agreement, Disney has agreed to refrain from exercising any rights or remedies that it would have based on the existing breaches of the license agreement that are identified in the letter agreement. However, *if the Company violates any of the provisions of the letter agreement, Disney has the right to terminate this forbearance and the letter agreement, in which case Disney would be free to exercise any or all of its rights and remedies under the license agreement, including terminating the Company's license to operate the Disney Stores.*

In addition, if the Company breaches any of the provisions of the letter agreement on three or more occasions, Disney can require the Company to make a payment of \$18.0 million to Disney.

If the Company violates any of the provisions of the letter agreement on five or more occasions, Disney has the right to terminate the license agreement, without any right on the part of the Company to defend, counterclaim, protest or cure. Disney continues to retain all its other rights and remedies under the license agreement with respect to any other breaches that may occur. [Emphasis added.]

45. The statements contained in ¶¶ 22, 24, and 26 – 44 were materially false and misleading when made because defendants failed to disclose or indicate the following: (1) that the Company was not in compliance with certain of its obligations under the license agreement with Disney, including its obligations with respect to store renovations and maintenance; (2) that the Company would spend approximately \$175 million to renovate and/or upgrade a substantial number of Disney Stores as a result of its noncompliance with the license agreement; (3) that, as a result of the above, the Company would be forced to relinquish material contractual rights, including restrictions on Disney's ability to grant direct merchandising restrictions to other

retailers; (4) that the Company lacked adequate internal and financial controls; and (5) that, as a result of the foregoing, the Company's statements about its financial well-being and future business prospects were lacking in any reasonable basis when made.

The Truth Begins to Emerge

46. On July 9, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Comments On June Sales, Second Quarter Outlook." Therein, the Company, in relevant part, stated:

Company Expects to File SEC Reports No Later Than the End of August

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced total consolidated sales of approximately \$154.7 million for the five-week period ended July 7 2007, an approximate 2% increase compared to sales of \$151.7 million for the five-week period ended July 1, 2006. Consolidated comparable store sales decreased approximately 4% for the five weeks ended July 7, 2007, compared to a 15% increase last year. Consolidated June comparable store sales are comprised of an approximate 4% decrease at The Children's Place brand, and an approximate 3% decrease at Disney Store. Quarter-to-date, consolidated comparable store sales are approximately flat compared to last year's 14% increase. Final June sales results will be reported on Wednesday, July 11, 2007, before the market opens.

Based on quarter-to-date sales trends, *the Company anticipates reporting a loss per share of approximately \$(0.94) to \$(0.98) for the second quarter ending August 4, 2007.* This earnings per share range includes approximately \$2.0 million, pre-tax, in costs paid or accrued in association with the Company's previously disclosed stock option investigation and related expenses.

"In the month of June, sales came in below our expectations at both brands," said Ezra Dabah, Chief Executive Officer of The Children's Place Retail Stores, Inc. "As a result, we took significantly more markdowns which are negatively impacting our gross margin. We believe our assortments at both brands were not as focused and compelling as last year, which has been compounded by continuing mall traffic declines."

"As we look at our back-to-school and holiday assortments at both brands, we remain cautiously optimistic about the second half. Our merchandise is focused and we remain true to our formula of fashion, quality and value."

The Company stated that inventory per square foot at the end of the second quarter is anticipated to be in-line to below previous guidance at The Children's Place and in-line with guidance at Disney Store, as previously provided by the Company on its first quarter conference call.

The Company expects to provide an update to full fiscal year earnings guidance on its second quarter conference call, scheduled for August 23, 2007, by which time it will have received initial customer response to its Back-to-School assortments.

Separately, the Company commented that progress is being made toward finalizing its historical financial statements to reflect the correct measurement dates for its past stock option grants. At this time, *the Company anticipates becoming current in its quarterly and annual filings with the Securities and Exchange Commission by the end of August.* [Emphasis added.]

47. On this partial disclosure, the Company's shares declined \$6.12 per share, or over 11.6 percent, to close on July 9, 2007 at \$46.42 per share, on unusually heavy trading volume.

48. On July 11, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports Final June Sales." Therein, the Company, in relevant part, stated:

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced sales of \$155.4 million for the five-week period ended July 7, 2007, a 2% increase compared to sales of \$151.7 million for the five-week period ended July 1, 2006. Consolidated comparable store sales decreased 4% compared to last year's 15% increase.

* * *

As announced on July 9, 2007, the Company anticipates reporting a loss per share of approximately \$(0.94) to \$(0.98) for the second fiscal quarter ending August 4, 2007. This loss per share range includes approximately \$2.0 million, pre-tax, in costs paid or

accrued in association with the Company's previously disclosed stock option investigation and related expenses.

Further, as stated in the Company's press release on July 9, 2007, at this time, the Company anticipates becoming current in its quarterly and annual filings with the Securities and Exchange Commission by the end of August.

49. On August 9, 2007, the Company issued a press release entitled "The Children's Place Retail Stores, Inc. Reports July Sales Up 8 Percent; Comparable Store Sales Down 1 Percent." Therein, the Company, in relevant part, stated:

Company Reiterates Second Quarter Guidance of a Loss of \$(0.94) to \$(0.98) Per Share

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today announced sales results for the four-week period ended August 4, 2007.

Total sales for the four-week period ended August 4, 2007 increased 8% to \$141.2 million compared to sales of \$131.1 million for four-week period ended July 29, 2006. Consolidated comparable store sales decreased 1% compared to last year's 10% increase. During July, the Company opened eight Children's Place stores and closed one.

* * *

The Company continues to anticipate reporting a loss per share of approximately \$(0.94) to \$(0.98) for the second quarter of fiscal 2007. As a reminder, this loss per share range includes approximately \$2.0 million, pre-tax, in costs paid or accrued in association with the Company's previously disclosed stock option investigation and related expenses, which is in line with previous guidance. Further, as stated in its July 9, 2007 press release, the Company expects to provide an update to full fiscal year earnings guidance on its second quarter conference call, scheduled for Thursday, August 23, 2007.

The Company stated that inventory per square foot at the end of the second quarter is anticipated to be below previous guidance at The Children's Place and in-line with guidance at Disney Store, as previously provided by the Company on its first quarter conference call.

50. On August 23, 2007, the Company issued a press release entitled "The Children's

Place Retail Stores, Inc. Reports Preliminary Fiscal 2007 Second Quarter Financial Results."

Therein, the Company, in relevant part, stated:

- **Provides Updated Earnings Per Share Guidance for Fiscal 2007**
- **Company Provides Update on License Agreement with The Walt Disney Company**
- **Company Provides SEC Filings/Nasdaq Listing Update**

The Children's Place Retail Stores, Inc. (Nasdaq:PLCE) today reported preliminary financial results for the fiscal second quarter ended August 4, 2007. These preliminary results may be subject to adjustment until the Company completes its historical financial statements and files its SEC reports on a timely basis. As a result, the Company is not providing net income on a per share basis or full comparative financial results for the second quarter ended July 29, 2006, and is providing only selected balance sheet data.

Second Quarter

- Consolidated net sales for the second quarter ended August 4, 2007, increased 7% to \$424.3 million compared to \$395.6 million last year. Second quarter sales were comprised of \$290.5 million from The Children's Place brand, an 8% increase over last year, and \$133.8 million from Disney Store, a 6% increase over last year.

* * *

Fiscal Year 2007 Guidance

At this time, the Company anticipates reporting earnings per share of \$2.25 to \$2.40 for fiscal 2007. This updated guidance includes the \$3.4 million, pre-tax, in stock option investigation and related expenses incurred in the first half of fiscal 2007.

The Company's full year guidance assumes it will earn \$0.94 to \$1.02 per share in the third fiscal quarter and \$1.79 to \$1.86 per share in the fourth fiscal quarter.

Ezra Dabah, Chief Executive Officer of The Children's Place Retail Stores, Inc. commented, "We remain cautiously optimistic regarding the second half and are pleased with month-to-date sales trends. However, in view of the sales and margin trends we have

experienced through the first half, we believe it's best to take a conservative view for the remainder of the year."

Disney Update

The Company also provided an update regarding its License Agreement with The Walt Disney Company under which the Company operates the Disney Store chain in the United States and Canada.

As previously announced, on June 8, 2007, the Company and Disney executed a letter agreement which modified certain provisions of the parties' long-term license agreement, to address claims by Disney that the Company had committed numerous material breaches of the license agreement. The June letter agreement provided that Disney would treat the Company's breaches as having been cured so long as the Company complied with the terms of the June letter agreement. The June letter agreement imposed specific obligations on the Company with respect to the remodeling and refreshing of numerous stores in the Disney Store chain between fiscal 2007 and fiscal 2011 and, for the stores to be remodeled in fiscal 2007 and fiscal 2008, set forth a detailed timetable for submission of plans and completion dates.

To date the Company has been unable to meet several of the deadlines set forth in the June letter agreement. In every instance except for this most recent one, Disney has provided the Company with written confirmation that it does not consider these missed deadlines to constitute breaches of the June letter agreement. While the Company expects that the amendment to the license agreement described below will defer the one remaining deadline that was missed, unless and until this amendment agreement is signed, ***the Company will be in breach of the June letter agreement, entitling Disney to exercise its remedies under the June letter agreement and the license agreement, including possible termination of the license agreement. In addition, this breach constitutes a cross-default under the secured credit facility for the Disney Store chain, entitling the lenders to exercise their contractual remedies.*** Neither Disney nor the lenders have notified the Company that they have, or intend to, exercise their rights mentioned above, but there can be no assurance that they will not exercise their rights in the future.

In addition, the Company has identified various upcoming deadlines during the third and fourth quarters of fiscal 2007 that it will likely miss. The Company and Disney have been engaged in recent discussions regarding potential changes to the requirements

of the June letter agreement that would postpone the due dates of certain of the Company's remodel obligations until later in fiscal 2007, fiscal 2008 and fiscal 2009. In consideration for these changes, the parties have also been discussing changes to the original license agreement to allow Disney to relocate its flagship store in Manhattan.

In addition, the parties have been discussing modifications so that the restrictions on Disney's ability to grant direct licenses to other specialty retailers for the sale of Disney merchandise will apply only to specialty retailers primarily focused on the sale of children's merchandise.

There can be no assurance that the Company's discussions with Disney will result in any agreement or that the dates for the Company's remodel obligations will be deferred. Whether or not these dates are deferred, ***the Company's ability to meet its obligations under the June letter agreement will depend on numerous factors, some of which are beyond the Company's control, and there can be no assurance that it will be able to fully comply. If the Company fails to comply with these obligations, it will be in breach of the June letter agreement, entitling Disney to exercise its remedies under the June letter agreement and the license agreement.***

SEC/Nasdaq Update

The Company has been working diligently on completing its delayed financial statements and SEC reports, including its Annual Report on Form 10-K for the fiscal year ended February 3, 2007, and its quarterly reports on Form 10-Q for the second and third quarters of fiscal 2006 and first quarter of fiscal 2007. The Company remains committed to making every effort to complete these filings by August 31, 2007, as previously announced. However, these filings may not be completed by August 31st, in which case the Company would expect to file its SEC reports in September. While the Company believes the work surrounding the accounting for its historical stock option grants is substantially completed, additional factors have arisen causing further delay, which include the above mentioned discussions with Disney. The Company currently does not anticipate that it will complete its delinquent SEC filings until the current discussions with Disney regarding possible modifications to the June letter agreement and the license agreement are completed and full disclosure regarding any such modifications is included in its SEC reports. ***In addition, in connection with the Board's ongoing review of internal controls and compliance, the Company has identified certain***

violations of the Company's policies and procedures by two executives of the Company. The Board expects to complete its consideration of these matters prior to filing the Form 10-K.

As previously announced, *the Company has been advised by the Nasdaq Stock Market on several occasions that the Company is not in compliance with Nasdaq listing requirements because of its delinquent SEC filings and that the Company will be delisted if it does not file these reports with the SEC.* The Nasdaq Listing and Hearing Review Council granted the Company an extension of the time in which to file these reports with the SEC through September 4, 2007. The Company has since received notification that the Nasdaq Board of Directors has put on hold any future action by the Council to delist the Company's stock from Nasdaq pending further consideration by the Nasdaq Board. If the Company is unable to file its delinquent SEC reports by the end of August, the Company will request that the Nasdaq Board grant it an additional period of time to file the required reports with the SEC. There is no assurance that the Nasdaq Board will grant additional time to file with the SEC the required reports or, if granted, that the Company will be able to file the reports by such new deadline. [Emphasis added.]

51. On this news, the Company's shares declined \$5.59 per share, or almost 17 percent, to close on August 23, 2007 at \$27.43 per share, on unusually heavy trading volume.

POST CLASS PERIOD DEVELOPMENTS

52. On August 24, 2007, JP Morgan issued an analyst report entitled "The Children's Place; More Negative Surprises; Cutting Estimates Again." The report, in relevant part, stated:

With PLCE shares now back to October 2003 levels, investors clearly continue to be underwhelmed with this management team's execution and penchant for negative surprises. Although guidance was finally lowered (although questionable whether low enough), there were other concerns. PLCE is already in breach on its two-month-old Disney agreement and is pushing out the deadline for finally filing its financials. Having two executives violate the co.'s "internal policies and procedures" only adds fuel to the fire, especially given a long-winded options investigation.

- **Guidance conservative enough?** We are not convinced that after EBIT margins declining 380 bps in 2Q and over 300 bps in 3Q, the co.'s guidance for flattish margins in 4Q (and up

earnings) is achievable. ***Inventories continue to be managed aggressively***, up 25%/sq ft exiting 2Q and expected to be up again in the 20s at the end of 3Q, putting more pressure on margins. [Emphasis added.]

53. On September 27, 2007, *The Wall Street Journal* published an article entitled "Children's Place Says CEO Quits Following Probe." The article, in relevant part, stated:

Children's Place Retail Stores Inc. said Chief Executive Ezra Dabah resigned after an internal investigation found violations of company policy. Board member Chuck Crovitz was named interim CEO. Company shares rose more than 7%.

Children's Place said the probe found that Mr. Dabah "did not properly report to the company an immaterial increase in his wife's ownership of company shares as a result of a trust distribution." Also, ***"on two occasions he pledged shares of the company pursuant to a customary margin account during a 'black-out period' when prior approval of the company's board was required..."***

Mr. Dabah's actions ***"violated the company's code of business conduct,"*** but "no improper personal benefit was obtained, nor did the violations have a material adverse affect on the company," it said. Mr. Dabah will be required to reimburse the Secaucus, N.J., firm for "out-of-pocket costs in investigating the violations."

* * *

The change will lead to further delays in completing Children's Place's overdue report for the year ended Feb. 3, it said.

The investigation also found ***"irregularities in expense reimbursement practices" by Chief Creative Officer Nina Miner.*** Ms. Miner's violations "did not involve an intentional effort to obtain an improper personal benefit." Dismissal was "not warranted," the company said, adding that Ms. Miner is now chief creative director and no longer an officer. She was not available to comment. [Emphasis added.]

PLAINTIFF'S CLASS ACTION ALLEGATIONS

54. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased The

Children's Place's securities between August 3, 2006 and August 23, 2007, inclusive (the "Class Period") and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

55. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, The Children's Place's securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by The Children's Place or, its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

56. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

57. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

58. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether the federal securities laws were violated by defendants' acts as alleged herein;

- (b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of The Children's Place; and
- (c) to what extent the members of the Class have sustained damages and the proper measure of damages.

59. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

60. The market for The Children's Place's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements, and failures to disclose, The Children's Place's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired The Children's Place's securities relying upon the integrity of the market price of The Children's Place's securities and market information relating to The Children's Place, and have been damaged thereby.

61. During the Class Period, defendants materially misled the investing public, thereby inflating the price of The Children's Place's securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were

materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

62. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about The Children's Place's financial well-being, business relationships, and prospects. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of The Children's Place and its financial well-being, business relationships, and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

LOSS CAUSATION

63. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

64. During the Class Period, Plaintiff and the Class purchased The Children's Place's securities at artificially inflated prices and were damaged thereby. The price of The Children's Place's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

65. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding The Children's Place, their control over, and/or receipt and/or modification of The Children's Place's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning The Children's Place, participated in the fraudulent scheme alleged herein.

**Applicability of Presumption of Reliance:
Fraud On The Market Doctrine**

66. At all relevant times, the market for The Children's Place's securities was an efficient market for the following reasons, among others:

- (a) The Children's Place's securities met the requirements for listing, and were listed and actively traded on the NASDAQ, a highly efficient and automated market;
- (b) As a regulated issuer, The Children's Place filed periodic public reports with the SEC and the NASDAQ;
- (c) The Children's Place regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as

communications with the financial press and other similar reporting services; and

- (d) The Children's Place was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

67. As a result of the foregoing, the market for The Children's Place's securities promptly digested current information regarding The Children's Place from all publicly-available sources and reflected such information in the price of The Children's Place's securities. Under these circumstances, all purchasers of The Children's Place's securities during the Class Period suffered similar injury through their purchase of The Children's Place's securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

68. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular

forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of The Children's Place who knew that those statements were false when made.

FIRST CLAIM
Violation of Section 10(b) of
The Exchange Act and Rule 10b-5
Promulgated Thereunder Against All Defendants

69. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

70. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase The Children's Place's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

71. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for The Children's Place's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

72. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a

continuous course of conduct to conceal adverse material information about The Children's Place's financial well-being, business relationships, and prospects, as specified herein.

73. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of The Children's Place's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about The Children's Place and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of The Children's Place's securities during the Class Period.

74. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they

knew or recklessly disregarded was materially false and misleading.

75. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing The Children's Place's financial well-being, business relationships, and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's financial well-being, business relationships, and prospects throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

76. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of The Children's Place's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of The Children's Place's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by defendants, but not disclosed in public statements by defendants during the Class Period, Plaintiff and the other members of the Class acquired The Children's Place's securities during the Class Period at artificially high prices and were damaged thereby.

77. At the time of said misrepresentations and omissions, Plaintiff and other members

of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that The Children's Place was experiencing, which were not disclosed by defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their The Children's Place securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

78. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

79. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM
Violation of Section 20(a) of
The Exchange Act Against the Individual Defendants

80. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

81. The Individual Defendants acted as controlling persons of The Children's Place within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The

Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

82. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

83. As set forth above, The Children's Place and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated:

Respectfully submitted,

By: _____

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