

CHILDRENS PLACE RETAIL STORES INC
Form DEF 14A
May 20, 2008

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

SCHEDULE 14A

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

Filed by the Registrant

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Check the appropriate box:

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

(Name of Registrant as Specified In Its Charter)

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

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(1) Title of each class of securities to which transaction applies:

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(3) Filing Party:

(4) Date Filed:

**2008 PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS**

The Annual Meeting of Stockholders of The Children's Place
Retail Stores, Inc. will be held at the Company's
headquarters located at:

915 Secaucus Road,
Secaucus, New Jersey 07094

on

Friday, June 27, 2008, at 10:00 A.M.

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

May 20, 2008

Dear Stockholder:

On behalf of the Board of Directors of The Children's Place Retail Stores, Inc., it is my pleasure to invite you to attend the 2008 Annual Meeting of Stockholders of The Children's Place Retail Stores, Inc.

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

It is important that your shares be represented at the meeting, regardless of how many you hold. Whether or not you can be present in person, please fill in, sign, date and return in the enclosed postage paid envelope your proxy as soon as possible. If you do attend the meeting and wish to vote in person, your proxy may be revoked at your request.

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

Sincerely yours,

Sally Frame Kasaks
Acting Chair of the Board

THE CHILDREN'S PLACE RETAIL STORES, INC.

**Notice of Annual Meeting of
Stockholders
to be held Friday, June 27, 2008**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of The Children's Place Retail Stores, Inc. will be held at the Company's corporate headquarters located at 915 Secaucus Road, Secaucus, New Jersey 07094 on Friday, June 27, 2008, at 10:00 a.m., local time, for the following purpose of considering and acting on the following matters:

1. To elect three Class I directors to serve for a two-year term and three Class II directors to serve for a three-year term, each until his or her successor is duly elected and qualified.
2. To ratify the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2009.
3. To approve an annual management incentive bonus plan.
4. To approve an amendment to our certificate of incorporation to provide for majority voting in director elections.
5. To approve an amendment to our Amended and Restated 2005 Equity Incentive Plan regarding director compensation.
6. To approve an amendment to our Amended and Restated 2005 Equity Incentive Plan limiting awards that can be made to a participant in any one year.
7. To transact such other business as may properly come before the meeting, or any adjournment thereof.

Only stockholders of record at the close of business on April 30, 2008 shall be entitled to notice of, and to vote at, the annual meeting.

By order of the Board of Directors,

Patricia A. Gray
Secretary

Secaucus, New Jersey
May 20, 2006

IMPORTANT

Whether or not you expect to attend the annual meeting in person, we urge you to vote your shares at your earliest convenience by filling in, signing, dating and mailing to us in the postage paid envelope provided the enclosed proxy card. This will ensure the presence of a quorum at the meeting. Promptly voting your shares will save us the expense and extra work of additional solicitation. Submitting your proxy now will not prevent you from voting your shares at the annual meeting if you desire to do so, as your proxy is revocable at your option.

TABLE OF CONTENTS

	Page
ABOUT THE MEETING	1
When and where will the annual meeting take place?	1
Who is soliciting my vote?	1
What am I being asked to vote on?	1
What is the record date for the annual meeting?	1
How many votes do I have?	2
How many votes may be cast by all stockholders?	2
How many votes must be present to hold the annual meeting?	2
How do I vote?	2
How many votes will be required to approve each of the proposals?	2
What are the Board's recommendations?	3
May I change or revoke my vote?	3
What if I do not indicate my vote for one or more of the matters on my proxy card?	3
What if I withhold my vote or I abstain?	4
What happens if I do not return a signed proxy card?	4
Will I have any rights of appraisal or similar dissenter's rights with respect to any matter to be acted upon at the annual meeting?	4
Will my vote be confidential?	4
How can I attend the annual meeting?	5
What happens if the annual meeting is postponed or adjourned?	5
Could other matters be decided at the annual meeting?	5
Do any stockholders beneficially own more than 5% of our common stock?	5
Who will pay the expenses incurred in connection with the solicitation of my vote?	5
Will your independent registered public accounting firm participate in the annual meeting?	6
Can I view your proxy materials electronically?	6
How can I receive copies of these documents?	6
How can I obtain copies of your corporate governance documents?	6
How can I communicate with your board of directors?	6
MATTERS REQUIRING STOCKHOLDER ACTION	7
PROPOSAL NO. 1 ELECTION OF DIRECTORS	7
Nominees For Election at the Annual Meeting	8
Selection of Nominees	9
Continuing Directors	10
PROPOSAL NO. 2 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	11

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PROPOSAL NO. 3 APPROVAL OF THE 2007 ANNUAL MANAGEMENT INCENTIVE BONUS PLAN	12
What are the general goals of the plan?	13
How is the plan administered?	14
Who may participate in the plan?	14
How are bonus determinations made?	14
What are the reasons for adoption of the plan?	16
Where can I find a copy of the plan?	17
What vote is required to approve the plan?	17
PROPOSAL NO. 4 ADOPTION OF MAJORITY VOTING IN DIRECTOR ELECTIONS	17
PROPOSAL NO. 5 APPROVAL OF AMENDMENT NO. 1 TO THE 2005 EQUITY PLAN	19
Description of the 2005 Equity Plan, As Proposed To Be Amended	20
PROPOSAL NO. 6 APPROVAL OF AMENDMENT NO. 2 TO THE 2005 EQUITY PLAN	25
INFORMATION REGARDING THE BOARD OF DIRECTORS AND COMMITTEES	26
Corporate Governance	26
Governance Changes and Comprehensive Governance Review	27
Director Independence	27
Consideration of Director Nominees	28
Committees of the Board of Directors	29
<i>Compensation Committee</i>	29
<i>Corporate Governance Committee</i>	30
<i>Special Committee Stock Option Investigation</i>	30
Meetings of the Board of Directors	31
Compensation Committee Interlocks and Insider Participation	31
Compensation of Directors	31
<i>2007 Board of Directors Compensation</i>	34
INDEPENDENT AUDITORS	35
Fees Paid to Independent Auditors for Services Rendered During the Last Two Fiscal Years	35
Audit Fees	35
Audit-Related Fees	36
Tax Fees	36
All Other Fees	36
Pre-Approval Policy	36
Audit Committee Report	37
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	38
Executive Officers and Directors	40

MANAGEMENT COMPENSATION	42
Compensation Discussion and Analysis	42
Introduction	42
Our Principal Executive Compensation Policies	42
Peer Group Companies	45
Role of the Compensation Committee, the CEO and Other Executives	45
Role of Compensation Consultants and Counsel	46
Role of Employment and Change in Control Severance Agreements	46
Accounting and Tax Considerations	47
Other Policies Relating to Executive Compensation	49
Elements of Compensation	51
<i>General</i>	51
<i>Base Salary</i>	51
<i>Annual Bonuses</i>	52
<i>Equity-Based Incentive Awards</i>	55
<i>2007-8 Retention Awards</i>	58
<i>Other Benefits</i>	59
Determination of Fiscal 2007 NEO Compensation	59
<i>Mr. Crovitz</i>	60
<i>Mr. Dabah</i>	61
<i>Ms. Riley</i>	62
<i>Ms. Poseley</i>	63
<i>Mr. Flaks</i>	63
<i>Mr. Rose</i>	64
<i>Mr. Goldberg</i>	65
Compensation Upon Termination of Employment Including After a Change in Control	66
<i>Compensation Committee Report</i>	68
SUMMARY COMPENSATION TABLE	68
GRANTS OF PLAN-BASED AWARDS	69
<i>2008 Deferred Share Awards and 2008 Performance Share Awards</i>	70
<i>Restricted Share Awards to NEOs</i>	71
OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END	73
OPTION REPRICING	73
OPTION EXERCISES	74
<i>Equity Plan Compensation Information</i>	75
Employment and Severance Agreements with NEOs	75

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<i>Charles Crovitz, Interim CEO</i>	75
<i>Ezra Dabah, Former CEO</i>	77
<i>Susan Riley, Executive Vice President, Finance and Administration</i>	78
<i>Richard Flaks and Mark Rose, Senior Vice Presidents</i>	80
<i>Neal Goldberg, Former President</i>	81
<i>Tara Poseley, Former President, Disney Store North America</i>	82
Summary of Potential Payments Upon Termination of Employments	83
OTHER MATTERS	84
Section 16(a) Beneficial Ownership Reporting Compliance	84
Certain Relationships and Related Transactions	84
<i>Review and Approval of Related Person Transactions</i>	84
<i>Transactions with Related Persons</i>	85
Performance Graph	86
Other Business	86
Stockholder Proposals: 2009 Annual Meeting	87
EXHIBIT A 2007 ANNUAL MANAGEMENT INCENTIVE BONUS PLAN	A-1
EXHIBIT B PROPOSED AMENDMENT OF THE CERTIFICATE OF INCORPORATION	B-1
EXHIBIT C PROPOSED AMENDMENT OF THE BY-LAWS	C-1
EXHIBIT D PROPOSED AMENDMENT TO THE CORPORATE GOVERNANCE GUIDELINES	D-1
EXHIBIT E AMENDED AND RESTATED 2005 EQUITY INCENTIVE PLAN, AS PROPOSED TO BE AMENDED	E-1
EXHIBIT F AUDIT COMMITTEE CHARTER	F-1

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

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 27, 2008

ABOUT THE MEETING

When and where will the annual meeting take place?

The annual meeting will be held on Friday, June 27, 2008, at 10:00 a.m., local time, at the Company's headquarters located at 915 Secaucus Road, Secaucus, New Jersey 07094.

Who is soliciting my vote?

This proxy statement is provided in connection with the solicitation of proxies by our Board of Directors (the "Board") for the annual meeting. Proxy materials, including this proxy statement, were filed with the Securities and Exchange Commission on May 20, 2008 and we expect to first send this proxy statement to shareholders on May 23, 2008.

What am I being asked to vote on?

You are being asked to vote on the following matters:

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

the ratification of the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2009;

the approval of the 2007 Annual Management Incentive Bonus Plan of The Children's Place Retail Stores, Inc. (the "2007 Bonus Plan");

the approval of an amendment to our certificate of incorporation to provide for majority voting in director elections;

the approval of an amendment to our Amended and Restated 2005 Equity Incentive Plan (the "2005 Equity Plan") regarding non-employee director compensation; and

the approval of an amendment to the 2005 Equity Plan limiting awards that can be made to a participant in any one year.

With respect to the election of directors, the Board has nominated one individual for each position on the Board to be filled at the annual meeting. All of the other matters identified above are being presented on behalf of the Board.

What is the record date for the annual meeting?

April 30, 2008 at 5:00 p.m., local time, is the record date for determining those stockholders who are entitled to vote at the annual meeting and at any adjournment or postponement of the meeting.

How many votes do I have?

You have one vote for each share of our Common Stock, \$0.10 par value per share ("Common Stock") that you owned on the record date.

How many votes may be cast by all stockholders?

A total of 29,264,331 votes may be cast, consisting of one vote for each of the 29,264,331 shares of our Common Stock outstanding on the record date, April 30, 2008.

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

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

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

How do I vote?

If you are a *holder of record* (that is, if your shares are registered in your own name with our transfer agent), you may vote using the enclosed proxy card. You must sign and date the proxy card and return it to us in the enclosed postage-paid envelope.

If you hold your shares in *street name* (that is, if you hold your shares through a bank, broker or other holder of record), please refer to the information on the voting instruction form forwarded to you by your bank, broker or other holder of record to see which voting options are available to you.

If you want to vote in person at the annual meeting and you hold your shares in street name, you must obtain a proxy card from your bank, broker or other holder of record authorizing you to vote. You must bring the proxy card to the meeting.

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

A plurality of the votes cast at the annual meeting is required to elect a nominee as a Class I director or as a Class II director of our Board. The Board has nominated an individual for election to each position on the Board to be filled at the annual meeting, each of whom is an incumbent director. No stockholder has given the advance notice of nomination of any other candidate as required by our bylaws. Accordingly, the number of nominees will be equal to the number of positions on the Board to be filled at the annual meeting and, consequently, receipt of any votes in favor of any nominee will result in that nominee being elected. Although, as discussed below, it is proposed that the Company adopt a majority vote requirement for the election of directors, this voting standard will not be effective with respect to the election of directors at the annual meeting.

The affirmative vote of the holders of a majority of the shares represented at the annual meeting and entitled to vote is required (i) to ratify the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2009, (ii) to approve our 2007 Bonus Plan and (iii) to approve the amendments to the 2005 Equity Plan.

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The affirmative vote of at least 75% of the shares of our Common Stock outstanding, as of the record date, is required to approve the proposal to amend our certificate of incorporation.

What are the Board's recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of our Board. Our Board's recommendation with respect to each matter to be voted on is set forth, together with a description of the matter, in this proxy statement. In summary, our Board recommends a vote **FOR** each nominee of the Board for election as a director and each proposal that is to be acted upon at the annual meeting.

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

May I change or revoke my vote?

Yes. To change your vote pursuant to a previously submitted proxy, if you are a record holder of shares, you may cast a new vote by mailing or otherwise submitting a new proxy card with a later date or attending the annual meeting in person and voting at the meeting. If you beneficially own shares held for your account by a bank, broker or other person, you must submit a new voting instruction to the bank, broker or other person holding of record your shares or receive a proxy from such person and attend the annual meeting with such proxy and vote at the meeting.

If you wish to revoke rather than change your vote, if you are a record holder of shares, written revocation must be mailed or otherwise submitted to our Secretary prior to the annual meeting. If you own beneficially shares held for your account by a bank, broker or other person, you must give appropriate revocation instructions to such person, who must give appropriate revocation instructions, as necessary, to our Secretary.

To be given effect, a change in a vote for which you have given a proxy or voting instruction must be received by the Company before the vote is held at the annual meeting. Proxies or revocation notices mailed or otherwise sent before the annual meeting but not received before the vote is held at the annual meeting for any reason, will not be given effect.

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

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

FOR the election of the six nominees of the Board named under the caption "Proposal No. 1 Election of Directors" to serve as Class I or Class II directors;

FOR the ratification of the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2009;

FOR the approval of our 2007 Bonus Plan;

FOR the approval of the amendment to our certificate of incorporation to provide for majority voting in director elections; and

FOR the approval of the amendment to our 2005 Equity Plan regarding non-employee director compensation; and

FOR the approval of the amendment to our 2005 Equity Plan limiting awards that can be made to participant in any one year.

What if I withhold my vote or I abstain?

For the election of a nominee as a Class I or Class II director, you may vote for the nominee named on the proxy card, or you may indicate on the proxy card that you are withholding your vote for one or more of the nominees. Withheld votes, though treated as votes cast, will have no effect with respect to election of the nominees because only a plurality vote is required for the election of directors at the annual meeting. Abstentions are not considered for the purpose of the election of directors.

For each of the proposals identified above, you may vote for or against, or abstain from voting on, such proposal. An abstention on any such proposal will be treated as a vote cast on the proposal and will have the same effect as a vote against such proposal.

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

If you do not return a signed proxy card, the shares held in your name will not be voted (unless you attend and vote the shares at the annual meeting).

If you hold your shares through a broker and you do not provide your broker with specific instructions with respect to the proposal to elect the Class I and Class II directors or the proposal to ratify the appointment of our independent registered public accounting firm for the fiscal year ending January 31, 2009, your shares may be voted with respect to such proposals at your broker's discretion.

Applicable rules governing the voting of shares held by brokers (or their nominees) for the account of other persons do not permit the broker to exercise discretion to vote such shares on certain non-routine matters without receiving instructions from the beneficial owner of the shares. Therefore, if you do not issue instructions to your broker, your broker is not allowed to exercise its voting discretion on the following, which are considered non-routine matters: approval of (i) our 2007 Bonus Plan, (ii) either of the two proposed amendments to our 2005 Equity Plan, and (iii) the proposed amendment to our certificate of incorporation. Accordingly, if you return your broker voting instructions without specifying the vote you wish to make on any such matter, the shares held by your broker for your account will not be voted on the matter even if your broker submits a proxy on your behalf, producing a so-called "broker non-vote." Under applicable law, broker non-votes are not considered entitled to vote on a matter. In addition, for purposes of determining if the necessary votes have been received for approval of a matter, broker non-votes will not be considered for purposes of determining the number of shares represented at the annual meeting and entitled to vote on the approval of (i) our 2007 Bonus Plan and (ii) the two amendments to our 2005 Equity Plan and, thus, determining if the requisite number of votes for approval of such proposals has been cast. As the affirmative vote of 75% of the outstanding shares of Common Stock is required to approve the proposed amendment of our certificate of incorporation, broker non-votes with respect to that matter will have the same effect as a vote against.

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

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

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

Will my vote be confidential?

Yes. It is our policy that your vote will not be disclosed to our Board or any of our employees, except for a very limited number of employees who may be involved in coordinating the vote tabulation process and solely for such purpose. An independent inspector reviews the vote tabulation process. However, our

confidentiality policy does not apply to certain matters, such as contested elections of directors or certain contested proposals or as the resolution of disputes as to how shares were voted.

How can I attend the annual meeting?

Only stockholders as of the record date, April 30, 2008 at 5:00 p.m., local time, may attend the annual meeting.

To attend the meeting, you must bring with you:

photo identification; and

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

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

What happens if the annual meeting is postponed or adjourned?

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

Could other matters be decided at the annual meeting?

Our bylaws require prior notification of a stockholder's intent to present a matter for a vote at the annual meeting by May 13, 2008. No such notice was received and, accordingly, we do not expect any other matter to be voted on at the meeting (other than any procedural matter incidental to the meeting that may arise). If, however, any other matter is presented for a vote at the annual meeting, your proxy, together with the other proxies received, will be voted at the discretion of the proxy holders designated on the proxy card.

Do any stockholders beneficially own more than 5% of our common stock?

Yes. According to public filings and the Company's stockholder list, the following three stockholders beneficially owned more than 5% of the outstanding shares of our Common Stock as of April 1, 2008:

Ezra Dabah, a director and our former Chief Executive Officer;

Stanley Silverstein, a director and the father-in-law of Ezra Dabah; and

Fidelity Research & Management Company.

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

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

We may use the services of our directors, officers, employees and others to solicit proxies, personally or by telephone. We also make arrangements with brokers, banks and other custodians, nominees, fiduciaries and stockholders of record to forward solicitation material to the beneficial owners of stock held of record by such persons. We may reimburse such solicitors for reasonable out-of-pocket expenses incurred by them in soliciting proxies, but we will not pay any compensation for their services. In addition, we have retained MacKenzie Partners, Inc., a proxy solicitation firm, to assist us in soliciting

proxies. We expect to pay MacKenzie Partners, Inc. \$15,000 plus reasonable expenses for these services.

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

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

Can I view your proxy materials electronically?

We have posted this proxy statement, our Annual Report on Form 10-K for the fiscal year ended February 2, 2008 and the form of proxy distributed by the Board on our website, www.childrensplace.com, under the section entitled "Investor Relations." Any other solicitation materials distributed on behalf of the Board will also be posted there. You also may use our website to view our other filings with the Securities and Exchange Commission.

How can I receive copies of these documents?

We will furnish to any stockholder who so requests in writing a copy of this proxy statement and/or our Annual Report on Form 10-K (including financial statements and the schedules thereto) for the fiscal year ended February 2, 2008, as filed with the Securities and Exchange Commission, without charge (other than a reasonable charge for reproduction and mailing of any exhibit to our Annual Report requested). Any such request should be directed to: The Children's Place Retail Stores, Inc., 915 Secaucus Road, Secaucus, New Jersey 07094, Attention: Investor Relations.

How can I obtain copies of your corporate governance documents?

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

How can I communicate with your board of directors?

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

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

You should specify in each communication the applicable addressee or addressees to be contacted as well as the general topic of the communication. We will initially receive and process communications

before forwarding them to the addressee. Our Assistant Secretary generally will not forward to the directors a stockholder communication that he determines to be primarily commercial in nature, that relates to an improper, or irrelevant topic, that requests information about us that is generally available (which will instead be forwarded to our Investor Relations Department) or that is unrelated to the stockholder's ownership of our stock.

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

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on June 27, 2008: This proxy statement, the Company's Form 10-K Annual Report for the fiscal year ended February 2, 2008 and the form of proxy distributed by the Board of Directors for use at the shareholder meeting are available at www.childrensplace.com under the section "Investor Relations."

MATTERS REQUIRING STOCKHOLDER ACTION

Proposal No. 1 Election of Directors

Our certificate of incorporation and our bylaws provide for a "classified" board of directors comprised of three classes, designated Classes I, II and III, whose members serve staggered three year terms, so one-third of our directors are elected each year. Class I directors were last elected at our annual meeting of stockholders held in 2004, Class II directors were last elected at our annual meeting of stockholders held in 2005 and Class III directors were last elected at our annual meeting of stockholders held in 2006. Class I directors were to be elected at our annual meeting of stockholders to be held in 2007; however, since no annual meeting of stockholders was held last year, election of both the Class I directors and the Class II directors is to take place at our annual meeting of stockholders to be held in 2008. Class III directors are to be elected at our annual meeting of stockholders to be held in 2009. We did not hold an annual meeting of stockholders during 2007 because of the previously disclosed delays in completing our Form 10-K Annual Report to the Securities and Exchange Commission ("SEC") for the fiscal year ended February 3, 2007.

Class I directors elected at this year's annual meeting will serve for a two-year term, extending until the second succeeding annual meeting, and Class II directors will serve for a three-year term, extending until the third succeeding annual meeting, and in each case until their successors are duly elected and qualified.

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Nominees For Election at the Annual Meeting

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

= Chair = Member

NAME	CLASS OF DIRECTOR	DIRECTOR SINCE	AUDIT COMMITTEE	COMPENSATION COMMITTEE	CORPORATE GOVERNANCE COMMITTEE
Robert Fisch, age 58	I	2004			

Since 2001 Mr. Fisch has served as the President, Chief Executive Officer and Chairman of the Board of rue21, a leading specialty retailer of value priced apparel for young women and men with over 375 stores across the United States.

Louis Lipschitz, age 63	I	2008			
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Mr. Lipschitz currently serves on the Boards of Finlay Enterprises, New York & Company, Majesco Entertainment and Forward Industries. He served as the Executive Vice President and Chief Financial Officer of Toys "R" Us, Inc. from 1996 until his retirement in 2004.

Stanley Silverstein, age 83	I	1996			
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Since 1952 Mr. Silverstein has served as Chairman of the Board of Directors of Nina Footwear, a company he founded with his brother. (Mr. Silverstein is the father-in-law of Ezra Dabah, former Chief Executive Officer of the Company)

Joseph Alutto, age 66	II	2008			
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Since October 2007, Dr. Alutto has served as the Executive President and Provost of The Ohio State University. Prior to this position, Dr. Alutto served as the institution's interim President from July 1, 2007 until September 30, 2007. Prior to these positions, Dr. Alutto served as the Dean of the Max M. Fischer College of Business at The Ohio State University for 16 years.

Charles Crovitz, age 54	II	2004			
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Interim CEO

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

Ezra Dabah, age 54	II	1989			
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Mr. Dabah served as our Chief Executive Officer from 1991 to September 2007. From 1989 to 2006, Mr. Dabah served as our Chairman of the Board. (Mr. Dabah is Stanley Silverstein's son-in-law)

Selection of Nominees

The foregoing nominees were recommended to the Board by the Corporate Governance Committee of the Board and were unanimously approved by the Board. Mr. Lipschitz and Dr. Alutto were first elected to

the Board to fill vacancies at a May 9, 2008 meeting by unanimous vote of the Board upon recommendation of the Corporate Governance Committee. Each satisfies the Board's standards for classification as an independent director and has no business, professional or other material relationship with the Company or any of its directors or any officer of the Company.

To assist it in identifying director candidates for election to the Board the Corporate Governance Committee in early 2008 approved the engagement of Seiden, Kreiger & Associates, an executive and director recruitment firm. This firm identified Mr. Lipschitz for consideration by the committee and, for its services, upon his election to the Board became entitled to a fee of \$70,000. Dr. Alutto was identified for consideration by the committee by Mr. Dabah. Other than in engaging the assistance of a search firm in identifying candidates for its consideration, the Corporate Governance Committee followed the selection process, criteria and other policies that it normally follows in recommending each of Dr. Alutto and Mr. Lipschitz for election as a director and the full slate of nominees of the Board for election at the annual meeting. See "Information Regarding the Board of Directors and Its Committees Consideration of Director Nominees."

In connection with recent discussions among the directors regarding Board candidates and the Board's slate of nominees, Mr. Dabah indicated that, as a director, he would support, and with respect to shares he has the power to vote agreed that he would vote, for the election of the slate of nominees that the Corporate Governance Committee has recommended to the Board for election at the annual meeting. Mr. Dabah beneficially owns approximately 17% of the Company's shares. See "Security Ownership of Certain Beneficial Owners and Management" below. However, the Company and Mr. Dabah have not entered into any formal agreement with respect to the voting of shares that Mr. Dabah owns or has the power to vote.

In October 2007, the Company announced that the Board had underway a review of the Company's strategic alternatives and had retained Lehman Brothers Inc. to advise it on the review. In March 2008, in connection with this strategic review, the Company announced that it would exit the Disney Stores North America Business conducted by certain of its subsidiaries. On May 1, 2008, the Company announced that subsidiaries of the Company had successfully completed the transition of the Disney Stores North America business and related assets to affiliates of The Walt Disney Company. With the completion of that transaction and the related effectiveness of certain agreements, the Company considers its exit from the Disney Stores North America business substantially complete. At its May 9 meeting, as part of its continuing review of the Company's strategic alternatives, the Board, in order to enable the evaluation at this time of the full range of options available to maximize shareholder value, including the potential sale of the Company, granted a request from Mr. Dabah and Golden Gate Private Equity, LLC for approval under Section 203 of the Delaware General Corporation Law to facilitate their working together to develop and make a proposal to acquire the Company, including their coming to an agreement, arrangement or understanding with respect to shares of the Company. Section 203 requires under certain conditions an approval by a supermajority vote of shareholders that would not otherwise be required for certain business combination transactions involving certain owners of 15% or more of a Company's shares, including persons who are deemed to own shares by virtue of an agreement, arrangement or understanding with a person who directly owns shares, unless such owner has obtained from the Board prior approval of such share ownership or deemed share ownership. Mr. Dabah made his request for the approval under Section 203 in February 2008. Among other things, his request indicated that he was confident that, were the request granted, he would be able to make a proposal to acquire all of the Company's outstanding Common Stock for \$24 per share. He also disclosed at this time that he intended to contact and discuss with other shareholders of the Company their respective views regarding their investment in the Company, the Company's prospects and possible strategies to maximize shareholder value and that his activities could include, among other possibilities, a proxy solicitation to seek shareholder approval of proposals he might make and/or elect directors to the Board. As indicated above, Mr. Dabah has now decided to support the Board's slate of nominees for election at the 2008 annual meeting of stockholders. There is no assurance that a proposal to acquire the Company will be made by either Mr. Dabah or Golden Gate Private Equity, or any affiliate of either, jointly or

separately, or, if any such proposal is made, that the proposal would lead to an agreement with the Company providing for a sale of the Company.

Unless authorization is withheld or except as otherwise specified by the stockholder, the persons named as proxies will vote FOR the nominees of the Board for election as Class I directors and FOR the nominees of the Board for election as Class II directors. If a nominee is unable or declines to serve as a director at the time of the annual meeting, the proxy holders will vote for any nominee who shall be designated by our Board (as constituted prior to the time of the meeting) to fill the position. If additional persons are validly nominated for election at the annual meeting as a Class I or Class II director, the proxy holders intend to vote all proxies received by them for the nominees of the Board listed below and not for any other nominees. As of the date of this proxy statement, our Board is not aware that any of the nominees of the Board are unable or will decline to serve as a director. All of the nominees are currently serving as directors.

The election to our Board of the nominees identified in this proxy statement will require a plurality of the votes cast, in person or by proxy, at the annual meeting.

The Board recommends a vote FOR the election as Class I and Class II directors of the nominees identified above.

The following table sets forth certain information with respect to the Class III directors, whose term of office continues beyond the 2008 annual meeting.

Continuing Directors

= Chair = Member

NAME	CLASS OF DIRECTOR	DIRECTOR SINCE	AUDIT COMMITTEE	COMPENSATION COMMITTEE	CORPORATE GOVERNANCE COMMITTEE
Malcolm Elvey, age 66	III	2002			
<p>Mr. Elvey is the Chief Executive Officer of the U.S. licensee of The International Academy for Chief Executives, a UK-based executive education business. From 2004 to 2006, Mr. Elvey served as the Chief Executive Officer of QLIMO, a ground transportation company he helped found in New York. Since 1999, he has also served as Managing Partner of Collaborative Capital, a venture capital fund focused on early-stage technology companies.</p>					
Sally Frame Kasaks, age 63	III	2000			

Ms. Kasaks has served as our lead director since 2005, and as our acting chairman since January 2007. Ms. Kasaks served as Interim Chief Executive Officer of Pacific Sunwear of California, Inc. from October 2006 through May 2007 when she became Chairman and Chief Executive Officer. Since 1997, she has served as a business consultant to a number of retailers through ISTA Incorporated. In addition to being a director of Pacific Sunwear of California, Inc., Ms. Kasaks is also a director of Crane & Co., Inc.

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

Our Board, upon the recommendation of its Audit Committee, has appointed BDO Seidman, LLP as our independent registered public accounting firm for the current fiscal year ending January 31, 2009 ("fiscal 2008"). BDO Seidman, LLP acted as our independent registered public accounting firm for the most recently completed fiscal year ended February 2, 2008 ("fiscal 2007") pursuant to appointment on October 15, 2007 by action of the Board upon recommendation of the Audit Committee. In connection

with its fiscal 2007 engagement, BDO Seidman, LLP was also engaged on January 18, 2008 to re-audit our consolidated balance sheet as of February 3, 2007 and our consolidated statements of operations, changes in stockholders' equity and cash flow for each of the fiscal years ended February 3, 2007 ("fiscal 2006") and January 28, 2006 ("fiscal 2005") and its audit report with respect to those financial statements, as well as our fiscal 2007 financial statements is included in our Annual Report on Form 10-K for the year ended February 2, 2008 filed with the Securities and Exchange Commission (our "2007 10-K Report").

The appointment of BDO Seidman, LLP as our independent auditor for fiscal 2008 is being submitted for ratification by the stockholders as a matter of sound corporate governance practice. If the stockholders do not ratify the appointment, the Audit Committee will reconsider the appointment but the vote will not be binding and the Audit Committee may continue the appointment. The outcome of the vote will also be considered in the decision to appoint our independent registered public accounting firm for next year. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time if it determines that such a change would be in our best interests and in the best interests of our stockholders.

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

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

The Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007 (the "2006 10-K Report"), which the Company filed with the SEC on December 5, 2007, included management's assessment of the Company's internal control over financial reporting as of the end of such fiscal year. In such assessment, management concluded that the Company's internal control over financial reporting as of such date was not effective because of three material weaknesses in the Company's internal financial controls, one relating to accounting for stock options, one relating to the financial closing and reporting process and one relating to the control environment. As previously disclosed in the 2006 10-K Report, while in its audit work Deloitte also identified the same three material weaknesses, Deloitte determined that management's assessment of the Company's internal financial controls, as contained in the Fiscal 2006 10-K, was not, in Deloitte's judgment, fairly presented in all material respects. Specifically, in the course of its audit Deloitte informed the Company of a difference in judgment between the Company and Deloitte as to the factors that should contribute to a conclusion as to the existence of

the material weakness in the Company's control environment. In Deloitte's judgment, there was a material weakness in the control environment as of February 3, 2007 resulting not only from the factors identified by the Company in its 2006 10-K Report but also from insufficient remediation actions imposed by those charged with governance in response to violations of Company policies and other actions of senior management and, because this factor was not discussed in management's assessment of this weakness, the weakness was not fairly presented in all material respects in the assessment contained in the 2006 10-K Report. The Audit Committee discussed with Deloitte each of the three material weaknesses and this difference in judgment with respect to the factors contributing to the weakness relating to the control environment. Deloitte advised the Company that this difference in judgment represents, in Deloitte's professional judgment, a disagreement with the Company with respect to a matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure. The Company agrees that the difference in judgment should be so treated. However, in the Company's judgment its disclosure regarding the control environment weakness, including the factors contributing to a finding of a weakness in the control environment, as contained in its Fiscal 2006 10-K, was fairly presented in all material respects.

Before it engaged BDO Seidman, LLP as the Company's independent registered public accounting firm for fiscal 2007, the Company had discussed with it, and authorized Deloitte to discuss with it, each of the matters referred to in the foregoing paragraph.

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

The Board recommends a vote FOR the ratification of the appointment of BDO Seidman, LLP as our independent registered public accounting firm.

PROPOSAL NO. 3 APPROVAL OF THE 2007 ANNUAL MANAGEMENT INCENTIVE BONUS PLAN

During 2006, the Compensation Committee adopted and the stockholders approved a management incentive bonus plan for our executives (the "2006 Bonus Plan"). Bonuses paid pursuant to the 2006 Bonus Plan were intended to be "qualified performance-based compensation" under Section 162(m) of the Internal Revenue Code of 1986 as amended ("Section 162(m)"), so as to be fully deductible by the Company for federal income tax purposes. In summary, Section 162(m) denies a deduction to a publicly held corporation for compensation it pays to a "covered employee" to the extent that such compensation in any taxable year, exclusive of "qualified performance-based compensation" under such section, exceeds \$1 million. In applying the 2006 Bonus Plan in early 2007 we determined that certain provisions of the plan were more restrictive with respect to the circumstances when bonuses would be payable than permitted in order for the bonuses to be treated as "qualified performance-based compensation," with the result that a portion of the bonuses paid for fiscal 2006 to certain of our executives who were covered employees would not be deductible. In April 2007, upon being advised of this, the Compensation Committee terminated the 2006 Bonus Plan and adopted a new management incentive bonus plan (the "2007 Bonus Plan") containing requirements consistent with these and the other requirements of Section 162(m) and directed that the new 2007 Bonus Plan be submitted for stockholder approval at the annual meeting so that any bonuses paid pursuant to the 2007 Bonus Plan to covered executives for fiscal year 2007 and in future years could be fully deductible by us as "qualified performance-based compensation".

The 2007 Bonus Plan is substantially similar to the 2006 Bonus Plan, except that the 2007 Bonus Plan contains no provision for the use of non-objective performance measures, such as performance evaluation scores, in addition to objective performance measures in determining the bonus amounts

earned under the plan. The 2007 Bonus Plan also explicitly includes provisions that allow the Compensation Committee to take action to eliminate or reduce the amount of a participant's bonus below that earned and otherwise payable to the participant under the plan notwithstanding achievement of the objective performance measures. In addition, the 2007 Bonus Plan provides that the business criteria to be used to determine achievement of performance goals under the plan may be either business criteria (such as net income, operating income, after-tax cash flow, or cost reduction goals) for the Company as a whole (as had been provided in the 2006 Bonus Plan) and/or business criteria for any particular subsidiary, division, segment or product of the Company (which had not been explicitly provided in the 2006 Bonus Plan).

Other than the changes described above and a few wording clarifications, there are no other differences between the 2006 Bonus Plan and the 2007 Bonus Plan. A copy of the proposed 2007 Bonus Plan is attached to this proxy statement as Exhibit A. Copies of the 2007 Bonus Plan may also be obtained by making a written request therefor to our Assistant Secretary.