

**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

\_\_\_\_\_, Individually and on Behalf of  
All Others Similarly Situated,

Plaintiff,

v.

THE CHILDREN'S PLACE, INC.,  
JANE ELFERS, and SHEAMUS  
TOAL,

Defendants.

Case No. DRAFT

**CLASS ACTION COMPLAINT  
FOR VIOLATIONS OF THE  
FEDERAL SECURITIES LAWS**

**DEMAND FOR JURY TRIAL**

Plaintiff \_\_\_\_\_ (“Plaintiff”), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by The Children’s Place, Inc., (“The Children’s Place” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by The Children’s Place; and (c) review of other publicly available information concerning The Children’s Place.

### **NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired The Children’s Place securities between March 16, 2023 and February 8, 2024, inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. The Children’s Place is a specialty portfolio of children’s brands with a digital-first model. Its retail and wholesale network includes four digital storefronts, more than five hundred stores in North America, wholesale marketplaces and distribution in sixteen countries through six international franchise partners. The Children’s Place designs, contracts to manufacture, and sells apparel, accessories

and footwear, primarily under its proprietary brands: “The Children’s Place”, “Gymboree”, “Sugar & Jade”, and “PJ Place.”

3. On February 9, 2024 before the market opened, The Children’s Place announced its preliminary fourth quarter fiscal year 2023 financial results. The Company revealed that it now expected fourth quarter net sales to fall short of previously issued guidance, and it would expect to incur an adjusted operating loss in the fourth quarter, as opposed to the Company’s previously expected adjusted operating income. The Company explained the loss reflected the impact of “aggressive promotions in an effort to maximize sales, higher than anticipated split shipments to meet customer e-commerce demand, and increased inventory valuation adjustment.” The Company further disclosed was working with advisors, lenders, and potential lenders to “obtain new financing necessary to support ongoing operations, and is considering strategic alternatives in the event that the Company is unable to consummate new financing.”

4. On this news, the Company’s share price fell \$7.25 or 37%, to close at \$12.51 on January 9, 2024, on unusually heavy trading volume.

5. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company’s business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that Company’s increased inventory valuation adjustments

were reasonably likely to lead to an adjusted operating loss in the fiscal fourth quarter 2023; (2) that the Company's aggressive promotions were reasonably likely to lead to an adjusted operating loss in the fiscal fourth quarter 2023; (3) that the Company was not effectively assessing the effect inventory valuation and aggressive promotions would have on merchandise margins; (4) that as a result the Company was reasonably likely to revise its expected fiscal fourth quarter 2023 financial results; (5) that as a result the Company was reasonably likely to revise its expected fiscal results in at least one quarter of the back half of 2023; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

6. 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**

7. The claims asserted herein arise under 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 by the SEC (17 C.F.R. § 240.10b-5).

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

9. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principal executive offices are located in this District.

10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

### **PARTIES**

11. Plaintiff \_\_\_\_\_, as set forth in the accompanying certification, incorporated by reference herein, purchased The Children's Place securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

12. Defendant The Children's Place is incorporated under the laws of Delaware with its principal executive offices located in Secaucus, New Jersey. The

Children's Place's common stock trade on the NASDAQ exchange under the symbol "PLCE."

13. Defendant Jane Elfers ("Elfers") was the Company's President and Chief Executive Officer ("CEO") at all relevant times.

14. Defendant Sheamus Toal ("Toal") was the Company's Chief Financial Officer ("CFO") at all relevant times and has been the Company's Chief Operating Officer since August 2, 2023.

15. Defendants Elfers and Toal (together, the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. The Individual Defendants were 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, the Individual 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/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

16. The Children’s Place is a specialty portfolio of children’s brands with a digital-first model. Its retail and wholesale network includes four digital storefronts, more than five hundred stores in North America, wholesale marketplaces and distribution in sixteen countries through six international franchise partners. The Children’s Place designs, contracts to manufacture, and sells apparel, accessories and footwear, primarily under its proprietary brands: “The Children’s Place”, “Gymboree”, “Sugar & Jade”, and “PJ Place.”

### **Materially False and Misleading**

#### **Statements Issued During the Class Period**

17. The Class Period begins on March 16, 2023. On that day, The Children’s Place announced its full fiscal year 2022 results and provided the Company’s fiscal year 2023 outlook in a press release (the “FY22 Press Release”). The FY22 Press Release quoted the Company’s CEO, Defendant Elfers as stating, in relevant part:<sup>1</sup>

***While we still need to work through this higher cost inventory during the front half of 2023, input cost reductions in the back half of 2023, combined with our strong focus on expense and inventory management and our strategic growth initiatives, are planned to drive double-digit operating margins in the back half of 2023.***

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<sup>1</sup> Unless otherwise stated, all emphasis in bold and italics hereinafter is added, and all footnotes are omitted.

\* \* \*

Our marketing strategies produced strong returns in the back half of 2022, particularly in the areas of brand awareness and acquisition, and *we believe we can unlock significant top line growth opportunity through increased and targeted marketing investments in 2023 and beyond*, more closely aligning our spend with industry norms.

18. The FY22 Press Release reported the Company’s balance sheet and outlook, stating in relevant part:

Inventories were \$447.8 million as of January 28, 2023, compared to \$428.8 million as of the same period last year.

\* \* \*

For the full fiscal year 2023, the Company expects:

- Net sales in the range of \$1.62 billion to \$1.66 billion, representing a decrease in the low to mid-single digit percentage range as compared to the prior fiscal year
- Adjusted operating income in the range of 3.5% to 4.0% of net sales
- Adjusted net earnings per diluted share in the range of \$2.50 to \$3.00

19. On March 28, 2023, the Company submitted its annual report for fiscal year 2022 ended January 28, 2023 on a Form 10-K filed with the SEC (the “FY22 10-K”). The FY22 10-K reported the Company held \$447.8 million in current inventory assets as of January 28, 2023. The FY22 10-K also reported the following regarding the Company’s inventory valuation:

### **Inventory Valuation**

We value inventory at the lower of cost or net realizable value, with cost determined using an average cost method. The estimated market value of inventory is determined based on an analysis of historical sales



trends of our individual product categories, the impact of market trends and economic conditions, and a forecast of future demand, as well as plans to sell through inventory. Estimates may differ from actual results due to the quantity, quality, and mix of products in inventory, consumer and retailer preferences, and market conditions such as those resulting from disease pandemics and other catastrophic events. Reserves for inventory shrinkage, representing the risk of physical loss of inventory, are estimated based on historical experience and are adjusted based upon physical inventory counts. Our historical estimates for inventory obsolescence and shrinkage have not differed materially from actual results.

20. On May 24, 2023, the Company announced its first fiscal quarter 2023 financial results in a press release (the “1Q23 Press Release”). The 1Q23 Press Release reported the Company “Expects Double-Digit Operating Margin and Adjusted EPS of Over \$5.00 in the Back Half of 2023.” The 1Q23 Press Release quoted Company CEO, Defendant Elfers, stating in relevant part:

“Due to the ongoing outsized pressure on our core consumer from the challenging macro-economic environment, we have tempered both our top and bottom line expectations for the full year. *However, with input cost pressures significantly abating in the back half of the year, combined with inventory levels that are projected to continue to decline versus last year, we continue to expect to deliver double digit operating margin in the back half of 2023.*”

21. The 1Q23 Press Release reported the Company’s balance sheet and outlook, stating in relevant part:

Inventories were \$504.2 million as of April 29, 2023, compared to \$549.2 million in the same period last year, representing an 8.2% decrease in ending inventory.

### **Outlook**

Given the significant macro-economic headwinds, including the continuation of record inflation and tempered consumer sentiment,

which have an outsized impact on the Company's lower income customers' purchasing power, the Company has now taken a more cautious consumer outlook. As a result, the Company believes it is prudent to take a more conservative approach, and, as a result, the Company has tempered both its top and bottom line expectations for the remainder of the year.

***As top line expectations have been reduced, the Company has further reduced its planned inventory investments and its expenses. These actions are designed to reduce risk while helping to position the Company to achieve double digit operating margin in the back half of the year.***

For the second quarter of 2023, the Company expects:

- Net sales in the range of \$340 million to \$345 million, representing an approximately 10% decrease as compared to the prior year second quarter.
- Adjusted operating loss of approximately (8.0)% of net sales.
- Adjusted net loss per share in the range of (\$2.15) to (\$2.20).
- ***Despite continued macro-economic pressures, the Company expects to deliver double-digit operating margin and adjusted net earnings per diluted share of over \$5.00 in the back half of 2023, driven by decreasing input costs embedded in inventory and the benefit from appropriately sized inventory investments.***

For the full fiscal year 2023, the Company now expects:

- Net sales in the range of \$1.575 billion to \$1.590 billion, representing a decrease in the high-single digit percentage range as compared to the prior fiscal year.
- Adjusted operating income in the range of 2.5% to 2.9% of net sales.
- Adjusted net earnings per diluted share in the range of \$1.00 to \$1.50.

22. On June 7, 2023, the Company submitted its quarterly report for the fiscal quarter ended April 29, 2023 on a Form 10-Q filed with the SEC (the "1Q23

10-Q”). The 1Q23 10-Q reported that the Company held \$504.2 million in inventory as current assets and reported a loss of \$57 million for changes in inventories operating assets and liabilities. The 1Q23 10-Q also reported the **“results from our new marketing strategies have been encouraging and we continue to position marketing as a key growth lever in Fiscal 2023 and beyond.”**

23. On August 14, 2023, the Company announced its second fiscal quarter 2023 financial results in a press release (the “2Q23 Press Release”). The 2Q23 Press Release reported the Company “Expects Adjusted EPS in the Range of \$5.00-\$5.25 for the Back Half of 2023.” The 2Q23 Press release stated, in relevant, the following concerning the Company’s financial results and outlook:

Adjusted gross margin deleveraged 480 basis points to 25.4% of net sales versus Q2 2022, ***primarily the result of lower merchandise margins due to the accelerated liquidation of seasonal inventory, the impact of a significantly larger wholesale business which operates at a lower gross margin rate but is accretive to operating margin, higher input and supply chain costs, and the deleverage of fixed expenses resulting from the decline in net sales.***

\* \* \*

***Inventories were \$537 million as of July 29, 2023, a decrease of 12.9% versus last year due to the combination of the accelerated liquidation of seasonal inventory and reductions in average unit costs, compared to \$616 million in the same period last year.***

### **Outlook**

The Company is providing ***guidance for the back half of 2023, the third quarter of 2023***, and narrowing its previously provided guidance for the full year.

- *For the back half of 2023 (combined 3<sup>rd</sup> and 4<sup>th</sup> quarters) the Company continues to expect to deliver double-digit operating margin, driven by the combination of decreasing input and supply chain costs embedded in its inventory, the benefit from reduced inventory levels and strong expense discipline.*
- *Net sales for the combined 3<sup>rd</sup> and 4<sup>th</sup> quarters are expected to be in the range of \$910 million to \$920 million*, representing a decrease in the mid-single digit percentage range as compared to the prior fiscal year.
- Adjusted operating income for the six-month period is expected to be approximately 10% of net sales.

\* \* \*

The Company is narrowing its previously provided guidance for the full year 2023 and now expects net sales for the full year to be in the range of \$1.575 billion to \$1.585 billion, adjusted operating profit is estimated to be in the range of 2.7% to 3.0% of net sales and net income per diluted share is estimated to be in the range of \$1.00 to \$1.25 based upon an anticipated weighted average number of shares of 12.6 million.

24. On August 30, 2023, the Company submitted its quarterly report for the fiscal quarter ended July 29, 2023 on a Form 10-Q filed with the SEC (the “2Q23 10-Q”). The 2Q23 10-Q stated that, as of July 29, 2023, the Company held \$537 million in inventory assets and a reported loss of \$89 million for changes in operating assets and liabilities attributed to inventories. The 2Q23 10-Q also stated, in relevant part, the following regarding the Company’s marketing:

Digital remains our top priority and we continue to expand our digital capabilities. We have migrated to a new responsive site and mobile application, and we have expanded our partnerships with our outside providers to help us monitor and reallocate our marketing budgets in a more efficient and timely manner to drive acquisition, retention and reactivation. Starting in the second half of Fiscal 2022, *the results from*

*our new marketing strategies have been encouraging and we continue to position marketing as a key growth lever in Fiscal 2023 and beyond.*

25. The 2Q23 10-K also stated, in relevant part, the following regarding the

Company's cash flows and capital expenditures:

Cash used in operating activities was \$32.7 million during Year-To-Date 2023, compared to \$52.8 million during Year-To-Date 2022. ***Cash used in operating activities during Year-To-Date 2023 was primarily the result of a lower inventory balance and losses incurred during the period,*** partially offset by other planned changes in working capital. Cash used in operating activities during Year-To-Date 2022 was primarily the result of the timing of inventory receipts as a result of global supply chain disruptions, partially offset by earnings generated during the period, the receipt of a net income tax refund of \$16.4 million, as well as other planned changes in working capital.

26. On November 16, 2023, the Company announced its third quarter 2023 financial results in a press release (the "3Q23 Press Release"). The 3Q23 Press Release reported the Company "Expects Adjusted EPS in the Range of \$3.47 to \$3.67 for the Back Half of 2023." The 3Q23 Press Release also stated the following concerning the Company's inventory and outlook, in relevant part:

***Inventories were \$462 million as of October 28, 2023, a decrease of 16% versus last year due to the combination of the accelerated liquidation of seasonal inventory, reductions in units purchased and decreases in average unit costs, compared to \$549 million in the same period last year.***

### **Outlook**

The Company is providing ***updated guidance for the fourth quarter of 2023*** and for the full year 2023. For the fourth quarter of 2023, the Company now expects:

- *Net sales in the range of \$460 million to \$465 million, representing a low single digit increase as compared to the prior year's fourth quarter.*
- *Adjusted operating profit for the fourth quarter is expected to be approximately 2.0% to 3.0% of net sales.*
- Interest expense is expected to be approximately \$6.5 million for the fourth quarter.
- The effective tax rate for the fourth quarter is expected to be approximately 27%, calculated by applying the discrete method.
- *Adjusted net income per diluted share is estimated to be in the range of \$0.25 to \$0.45 based upon an anticipated weighted average number of shares of 12.6 million.*

The Company now expects net sales for the full year 2023, to be in the range of \$1.605 billion to \$1.610 billion, *adjusted operating profit is estimated to be in the low single digit percentage range of net sales and adjusted net loss per diluted share is estimated to be in the range of (\$0.59) to (\$0.39)* based upon an anticipated weighted average number of shares of 12.5 million.

27. The 3Q23 Press Release also quoted Defendant Elfers, the Company's

President and CEO, stating:

“Our Q3 results exceeded our expectations on the top line. The top line beat was driven by another quarter of industry-leading digital performance, fueled by a double digit increase in ecommerce traffic, with strong Back-to-School results in August and the success of our seasonal categories in September and October. And, our wholesale channel, led by Amazon, delivered another outstanding quarter. *Importantly, our Q3 ending inventories were down 16%, exceeding our expectations. Our bottom-line results were negatively impacted in the third quarter by higher than planned distribution costs driven by a combination of largely unplanned but addressable factors.*”

28. On December 4, 2023, the Company submitted its quarterly report for the fiscal quarter ended October 28, 2023 on a Form 10-Q filed with the SEC (the “3Q23 10-Q”). The 3Q23 10-Q reported that, as of October 28, 2023, the Company held \$462.4 million in inventory assets, and reported a loss of \$16.2 million as changes in operating assets and liabilities attributed to inventories. The 3Q23 10-Q also stated the following regarding liquidity and capital resources in relevant part that:

Our working capital deficit increased \$89.5 million to \$108.4 million at October 28, 2023, compared to \$18.9 million at October 29, 2022, *primarily reflecting a decrease in our inventory balance from the accelerated liquidation of seasonal inventory and cash on hand*, and an increase in borrowings on our ABL Credit Facility, partially offset by a decrease in our accounts payable balance.

29. The 3Q23 10-Q stated the following, in relevant part, concerning the Company’s marketing:

Digital remains our top priority and we continue to expand our digital capabilities. We have migrated to a new responsive site and mobile application, and we have expanded our partnerships with our outside providers to help us monitor and reallocate our marketing budgets in a more efficient and timely manner to drive acquisition, retention and reactivation. *Starting in the second half of Fiscal 2022, the results from our new marketing strategies have been encouraging and we continue to position marketing as a key growth lever in Fiscal 2023 and beyond.* As our digital business continues to expand, we also continue to strengthen our partnership with our third-party logistics providers in an effort to provide our customer with a best-in-class digital experience.

30. The above statements identified in ¶¶ 17-29 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that Company's increased inventory valuation adjustments were reasonably likely to lead to an adjusted operating loss in the fiscal fourth quarter 2023; (2) that the Company's aggressive promotions were reasonably likely to lead to an adjusted operating loss in the fiscal fourth quarter 2023; (3) that the Company was not effectively assessing the effect inventory valuation and aggressive promotions would have on merchandise margins; (4) that as a result the Company was reasonably likely to revise its expected fiscal fourth quarter 2023 financial results; (5) that as a result the Company was reasonably likely to revise its expected fiscal results in at least one quarter of the back half of 2023; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

#### **Disclosures at the End of the Class Period**

31. On February 9, 2024, before the market opened, The Children's Place announced its preliminary fourth quarter fiscal year 2023 financial results (the "Preliminary 4Q23 Press Release"). The Preliminary 4Q23 Press Release revealed the Company now expected fourth quarter net sales to fall short of previously issued



guidance and that the Company would now expect an operating loss in that quarter. Specifically, the Company disclosed net sales expected in the range of \$454 million to \$456 million, versus the Company's prior guidance of \$460 million to \$465 million. The Preliminary 4Q23 Press Release revealed the Company now expected to incur an adjusted operating *loss* in the fourth quarter of fiscal 2023, as opposed to the Company's previously expected adjusted operated *income*. The Company stated adjusted operating loss for the fiscal fourth quarter "is expected to be in the range of (9.0%) to (8.0%) of net sales, versus the Company's prior guidance of adjusted operating income of approximately 2% to 3% of net sales." The Preliminary 4Q23 Press Release revealed that Company would expect to incur this fourth quarter fiscal year 2023 loss as the result of "***lower than expected merchandise margin resulting from more aggressive promotions in an effort to maximize sales, higher than anticipated split shipments to meet customer e-commerce demand, and increased inventory valuation adjustments.***"

32. The Preliminary 4Q23 Press Release further disclosed that "[t]otal liquidity as of February 3, 2024 is expected to be approximately \$45 million" and revealed the Company "is working with its advisors (including Centerview Partners), lenders and potential lenders to obtain new financing necessary to support ongoing operations, and is considering strategic alternatives in the event that the Company is unable to consummate new financing."

33. On this news, the Company's share price fell \$7.25 or 37%, to close at \$12.51 on January 9, 2024, on unusually heavy trading volume.

### **CLASS ACTION ALLEGATIONS**

34. 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 persons and entities that purchased or otherwise acquired The Children's Place securities between March 16, 2023 and February 8, 2024, inclusive, and who were damaged thereby (the "Class"). 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.

35. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, The Children's Place's shares 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 at least hundreds or thousands of members in the proposed Class. Millions of The Children's Place shares were traded publicly during the Class Period on the NASDAQ. 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.

36. 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.

37. 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.

38. 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 omitted and/or misrepresented material facts about the business, operations, and prospects of The Children's Place; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

39. 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 makes 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**

40. 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/or misleading statements, and/or 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 Company's securities and market information relating to The Children's Place, and have been damaged thereby.

41. 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/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information and/or misrepresented

the truth about The Children's Place's business, operations, and prospects as alleged herein.

42. 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 and/or misleading statements about The Children's Place's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or 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 when the truth was revealed.

### **LOSS CAUSATION**

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

44. 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 Company'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**

45. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or 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, the Individual 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)**

46. The market for The Children’s Place’s securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, The Children’s Place’s securities traded at artificially inflated prices during the Class Period. On April 3, 2023, the Company’s share price closed at a Class Period high of \$41.03 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company’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.

47. During the Class Period, the artificial inflation of The Children’s Place’s shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing 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 and/or misleading statements about The Children’s Place’s business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of The Children’s Place and its business, operations, and prospects, thus causing the price of the Company’s securities to be artificially inflated at all relevant times, and when

disclosed, negatively affected the value of the Company shares. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

48. 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 shares met the requirements for listing, and was 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/or the NASDAQ;

(c) The Children's Place regularly communicated with public investors via established market communication mechanisms, including through regular dissemination 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/or

(d) The Children's Place was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports 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.

49. 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 Children's Place's share price. 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.

50. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

## **NO SAFE HARBOR**

51. 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. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and 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. In the alternative, to the extent that the statutory safe harbor is determined to 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 speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of The Children’s Place who knew that the statement was false when made.

## **FIRST CLAIM**

### **Violation of Section 10(b) of The Exchange Act and**

### **Rule 10b-5 Promulgated Thereunder**

### **Against All Defendants**

52. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

53. 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 defendant, took the actions set forth herein.

54. 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.

55. 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 and prospects, as specified herein.

56. 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/or 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 Company's securities during the Class Period.

57. 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 and/or recklessly disregarded was materially false and misleading.

58. Defendants had actual knowledge of the misrepresentations and/or 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 and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the

Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or 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.

59. As a result of the dissemination of the materially false and/or misleading information and/or 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 Company'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.

60. At the time of said misrepresentations and/or 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.

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

62. 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**

63. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

64. 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 intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, 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. 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.

65. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

66. As set forth above, The Children's Place and 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 position as controlling persons, 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.



**PRAYER FOR RELIEF**

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: \_\_\_\_\_, 2024

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