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IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

MONICA RAEL and ALYSSA HEDRICK on behalf of themselves and all others similarly situated,

Plaintiff,

vs.

THE CHILDREN'S PLACE, INC., a DELAWARE corporation, and DOES 1-50, inclusive,

Defendant.

Case No. 16CV0370-GPC-JMA

THIRD AMENDED CLASS ACTION COMPLAINT

1. **Violation of California's Unfair Competition Laws ("UCL"); California Business & Professions Code Sections 17200, *et seq.***
2. **Violation of California's False Advertising Laws ("FAL"); California Business & Professions Code Sections 17500, *et seq.***
3. **Violations of California Consumer Legal Remedies Act ("CLRA"); Civ. Code § 1750, *et seq.***

[DEMAND FOR JURY TRIAL]

Plaintiffs MONICA RAEL and ALYSSA HEDRICK bring this action on behalf of themselves and all others similarly situated against Defendant The Children's Place, Inc. ("Defendant"), and states:

I. NATURE OF ACTION

1. California law prohibits the discounting of retail merchandise from its original price for more than ninety (90) days. *See* Bus. & Prof. Code Section 17501. Federal regulations also mandate that a retailer offer only genuine discounts from regular retail prices; not false discounts from inflated original prices. *See* 16 C.F.R. § 233.1. This is a class action regarding Defendant's false and misleading advertisement of phantom "savings;" discounts offered from false original prices on children's apparel, accessories, footwear and other items sold in its "Retail" and "Outlet" stores. During the Class Period (defined below), Defendant advertised false price discounts for merchandise sold throughout its retail and outlet stores.

2. Defendant continually mislead consumers by advertising children's apparel, accessories, footwear and other items at discounted, "sale" prices. Defendant would market the "sale" prices as discounts from the "original" prices set forth on the products' price tags. However, the advertised discounts are nothing more than phantom markdowns because the represented "original" prices, *i.e.*, the prices listed on the price tags for the merchandise, are artificially inflated and are never offered for sale at the full original price for any substantial period of time, (if at all) and the original prices are never the prevailing market price for the products Defendant sells.

3. Defendant marks each item with a price tag which sets forth the "original" price at which the item was purportedly offered for sale. That original price is printed on the item's price tag. Defendant then displays large sale-discount signage on top of or alongside each wrack of clothing or accessories, advertising a "discounted" or "% off," or a discounted whole-price reduction for the item (for example, Price Tag price: $17.50; Sale Price: $9.99), which is substantially less than the original price listed on the price tag. The "original" or "price tag," prices were not the prevailing market retail prices within the

three months next immediately preceding the publication of the advertised sale prices, as required by California law.

4. Defendant misleads consumers into believing they are getting a substantial discount on merchandise they purchase, when in reality, the merchandise was never intended to be sold at the inflated, "original" or "price tag" price. Defendant's pricing scheme is intended to increase sales, but has the effect of depriving consumers of the benefit of their bargain.

5. Defendant conveys its deceptive pricing scheme to consumers through promotional materials, in-store displays, and print advertisements. For example, in Defendant's retail stores, the pricing scheme is prominently displayed, advertising deep discounts on various items throughout the store.

6. The "original," "price-tag" or "regular" price listed on the price tag was never offered to customers in the market and/or did not constitute the prevailing market retail prices for such products within the three months next immediately preceding the publication of the discounted sales tag or signage. The clothing items and attire listed at regular or original prices were never offered for sale at those prices for a substantial period of time. The original or price tag price is not the price at which Defendant expects to sell the merchandise, it is merely a basis for misleading the consumer into believing they are receiving a substantial discount.

7. Defendant sells its own, exclusive, branded products in its retail and outlet stores. There is no other regular, or market price for the products being sold at its retail stores other than the price set at Defendant's own retail stores. Similarly, Defendant produces a lower quality line of products bearing The Children's Place brand, that is exclusively offered for sale in the The Children's Place outlet stores. There is no other market for the The Children's Place outlet store clothing than at The Children's Place outlet stores. The difference between the "sale" and "regular" prices offered at both the retail and outlet stores is a false savings percentage or dollar discount used to lure consumers into purchasing products they believe are significantly discounted.

8. Through its false and misleading marketing, advertising and pricing scheme, Defendant violated, and continues to violate California law prohibiting advertising goods for sale as discounted from former prices, which are false, and prohibiting misleading statements about the existence and amount of price reductions. Specifically, Defendant violated, and continues to violate, California's Business & Professions Code §§ 17200, *et seq* (the "UCL"), California's Business & Professions Code §§ 17500, *et seq* (the "FAL"), the California Consumers' Legal Remedies Act, California Civil Code §§ 1750, *et seq* (the "CLRA"), and the Federal Trade Commission Act ("FTCA"), which prohibits "unfair or deceptive acts or practices in or affecting commerce" (15 U.S.C. § 45(a)(1)) and false advertisements. 15 U.S.C. § 52(a).

9. Plaintiffs bring this action on behalf of themselves and other similarly situated consumers who have purchased one or more children's apparel, accessories, footwear and other items at Defendant's retail and outlet stores that were deceptively represented as discounted from false former or original prices in order to halt the dissemination of this false, misleading, and deceptive price scheme, correct the false and misleading perception it has created in the minds of consumers, and obtain redress for those who have purchased this product. Plaintiffs seek restitution and other equitable remedies, including an injunction under the UCL and FAL; and restitution, damages and an injunction under the CLRA.

II. JURISDICTION AND VENUE

10. This Court has original jurisdiction of this Action pursuant to the Class Action Fairness Act, 28 U.S.C §1332 (d)(2). The matter in controversy, exclusive of interest and costs, exceeds the sum or value of $5,000,000 and at least some members of the proposed Class have a different citizenship from Defendant.

11. The Southern District of California has personal jurisdiction over the Defendant named in this action because Defendant is a corporation or other business entity authorized to conduct and does conduct business in the State of California. Defendant is registered with the California Secretary of State to do sufficient business

with sufficient minimum contacts in California, and/or otherwise intentionally avails itself of the California market through the ownership and operation of over 90 retail and outlet stores within the State of California.

12. Venue is proper under 28 U.S.C. § 1391(b) because Defendant transacts substantial business in this District and a substantial part of the events or omissions giving rise to Plaintiffs' claims arose here.

III. PARTIES

Plaintiffs

13. MONICA RAEL now resides in Santa Fe, New Mexico. While living in San Diego, California, Ms. Rael traveled to her local shopping mall in Mission Valley in San Diego, California to go "bargain hunting" to purchase some clothes for herself and begin her Christmas season shopping. Plaintiff, in reliance on Defendant's deceptive advertising and discount pricing schemes, purchased a pair of Pull Over Olive Cargo Pants for her nephew for approximately $7.47 on or around November 24, 2015, at a Children's Place retail store, located at 1640 Camino Del Rio N, San Diego, CA 92108. At the time of Ms. Rael's purchase, the cargo pants bore a price tag which advertised an original price of approximately "$14.95". That price was discounted to "$7.47" and represented to Plaintiff a 50% savings on the original price. However, this product, like the majority of products offered for sale at the Children's Place retail stores, was never offered for sale at The Children's Place retail store for any substantial period of time at the full regular price of approximately $14.95, nor was it offered at The Children's Place retail store where Ms. Rael purchased it at that price within the 90-day time period immediately preceding Plaintiff's purchase. The 50% price reduction that was offered on the cargo pants was a material representation that Plaintiff relied upon in purchasing the cargo pants. She was enticed to purchase the pants because of the significant discount that was being offered from the "regular" or "original" price of $14.95. However, Ms. Rael did not receive the benefit of her bargain.

14. At the time of her purchase, Ms. Rael's recollection is that the price tag itself

listed the "regular" or "original" price for the pants of $14.95, but that large, sale discount signage announced the discounted price of "50% off". She believed that she was receiving a substantial discount and that the pants she was purchasing were of a significantly greater value than the amount she was paying for them. Instead, the cargo pants Ms. Rael purchased were of a lesser value than what she paid. By failing to price the cargo pants and other clothing items at an original or regular price for a substantial period of time, Defendant artificially inflated the "market" price or value for the clothing it sells. By failing to price its merchandise, including the cargo pants purchased by Plaintiff, at their original or regular for a substantial period of time and in compliance with California law, The Children's Place interfered market forces; driving the selling price of its products higher than they would be if Defendant had complied with the law. Defendant's false discounting practice, as described herein, has the effect of setting an artificially high market value for its merchandise. Customers purchase merchandise from The Children's Place believing they are receiving a substantial discount on their purchases, when in fact they are not. They are instead purchasing an item they would not otherwise buy and paying a higher price than they would otherwise pay were the products subject to fair market competition and pricing.

15. ALYSSA HEDRICK resides in San Diego, California. Plaintiff, in reliance on Defendant's false and deceptive "discount" pricing schemes, purchased a pair of Toddler's blue jeans for approximately $9.99 on April 27, 2016, at a Children's Place outlet store located at 4155 Camino De La Plaza, San Ysidro, California 92173. At the time of Ms. Hedrick's purchase, the blue jeans bore an actual price tag which advertised an original price of "$16.50". That price was discounted and represented to Plaintiff as "$9.99," a 40% savings on the false regular price. However, this product, like the majority of products offered for sale at The Children's Place outlet stores, was never offered for sale at The Children's Place outlet stores at the full regular price of approximately $16.50, nor was it offered at The Children's Place outlet store at that price within the 90-day time period immediately preceding Plaintiff's purchase. Nor was it offered for sale at the

original price in The Children's Place retail stores. The 40% price reduction that was offered on the cargo pants was a material representation that Plaintiff relied upon in purchasing the blue jeans. She was enticed to purchase the jeans because of the significant discount that was being offered from the "regular" or "original" price of $16.50. However, Ms. Hedrick did not receive the benefit of her bargain.

16. Ms. Hedrick's recollection is that the price tag itself listed the "regular" or "original" price for the jeans of $16.50, but that sale discount signage announced the discounted price of $9.99. She believed that she was receiving a substantial discount at the time of purchase and that the blue jeans she was purchasing were of a significantly greater value than the amount she was paying for them. She purchased the jeans in reliance on the representation of the discount. Instead, the blue jeans Ms. Hedrick purchased were of a lesser value than what she paid. By failing to price the blue jeans and other clothing items at an original or regular price for a substantial period of time, Defendant artificially inflated the "market" price or value for the clothing it sells at the outlet. Consumers are enticed by the discount to purchase the clothing at what they perceive to be a substantial discount, thereby artificially inflating the market price for the discounted outlet clothing. Defendant's false discounting practice, as described herein, has the effect of setting an artificially high market value for its merchandise. Customers purchase merchandise from The Children's Place outlet stores believing they are receiving a substantial discount on their purchases, when in fact they are not.

Defendant

17. Plaintiffs are informed and believes, and upon such information and belief allege, Defendant The Children's Place, Inc., is a Delaware Corporation with its principal executive offices in Secaucus, New Jersey. Defendant operates Children's Place retail and outlet stores as well as the childrensplace.com website, and advertises, markets, distributes, and/or sells children's apparel, accessories, footwear and other items in California and throughout the United States.

18. Plaintiffs do not know the true names or capacities of the persons or entities

sued herein as DOES 1-50, inclusive, and therefore sues such Defendants by such fictitious names. Plaintiffs are informed and believe, and upon such information and belief alleges, that each of the DOE Defendants is in some manner legally responsible for the damages suffered by Plaintiffs and the Class members as alleged herein. Plaintiffs will amend their Complaint to set forth the true names and capacities of these Defendants when they have been ascertained, along with appropriate charging allegations, as may be necessary.

IV. FACTUAL BACKGROUND

19. The Children's Place is a specialty retailer of children's apparel and accessories. The company markets and sells apparel under its own brands, The Children's Place, Place, and Baby Place brand names. As of June 29, 2016, the company operated approximately 90 outlet and retail stores in the State of California.

20. On November 24, 2015, Plaintiff Rael went shopping at a Children's Place retail store for clothing and related apparel for her family. Upon examining a pair of children's cargo pants, she observed that they were advertised at a "50% off" savings. Plaintiff observed signage within the store and the price tag on the pants which together demonstrated that the pants were "50% off". Believing that she was receiving a significant value by purchasing the pants for $7.47 that were originally priced at approximately $14.95, she decided to purchase the pants and proceeded to the cash register where she did in fact purchase the pants. Ms. Rael made her purchase at a The Children's Place regular retail store in the Mission Valley shopping mall.

21. On April 27, 2016, Plaintiff Hedrick went shopping for clothing for her and her family at the outlet malls located in San Ysidro, California. Upon arriving in The Children's Place outlet store, she observed that virtually the entire store was marked down or on sale form the prices listed on the price tags of the clothing. Ms. Hedrick purchased a pair of Bootcut Stonewashed medium wash blue jeans. She examined the price tag on the jeans listed for sale at $16.50. She also examined the overhead signage, which listed the

jeans on sale for $9.99. In reliance on this representation, she proceeded to purchase the jeans believing that she was receiving a substantial discount on the blue jeans. Ms. Hedrick also believed she was purchasing merchandise that was of the same like, kind and quality of that sold in the regular The Children's Place retail stores.

A. Investigation into The Children's Place Sale Discounting Practices

22. Plaintiff's counsel's investigation tracked the pricing on various consumer goods at various retail stores, including The Children's Place retail and outlet stores for several months preceding and subsequent to Ms. Rael's and Ms. Hedrick's purchase. Plaintiffs' counsel's investigation revealed that the "original" or "price tag" price ($14.95) of the cargo pants Ms. Rael purchased was never the prevailing market price at The Children's Place retail store in the 90 days preceding Ms. Rael's purchase, nor were the cargo pants offered for sale at the "original" price at The Children's Place retail store. Instead, Defendant continuously offered the cargo pants for sale at discounted prices, including at $7.47; "50% off," the price on the products' price tag. Plaintiffs' counsel's investigation revealed that this was a pervasive practice at The Children's Place, as several other items remained continuously discounted from their "original" or "price tag" price or they were not offered for sale at their original price for any substantial period of time, including children's blue jeans, pants, and tee shirts. The Children's Place engages in a systematic scheme to continuously discount its merchandise without ever offering the merchandise for sale at its "original" or "price tag" prices for any substantial period of time and in some cases, not at all.

23. As far back as August 20, 2015, all types of cargo pants and pants in general, referred to as "bottoms," were offered at a 30% discount in The Children's Place retail stores. *See* Exhibit "A," 30% off all bottoms," confirmed August 20, 2015. Ms. Rael made her purchase on November 24, 2015 at a time when the cargo pants she purchased were 50% off. *See* Exhibit "B," Plaintiff Rael's receipt. The same pants are presently

offered for sale at $12.99; discounted from and original price of $16.95[1]. *See* Exhibit "C," confirmed on June 21, 2016.

24. At the time of her purchase, Ms. Rael's recollection is that the price tag itself listed the "regular" or "original" price for the pants at $14.95, but that large, sale discount signage announced the discounted price of "50% off." She believed that she was receiving a substantial discount and that the pants she was purchasing were of a significantly greater value than the amount she was paying for them. Instead, the cargo pants Ms. Rael purchased were of a lesser value than what she paid. By failing to price the cargo pants and other clothing items at an original or regular price for a substantial period of time, Defendant artificially inflated the "market" price or value for the clothing it sells. By failing to price its merchandise, including the cargo pants purchased by Plaintiff, at their original or regular prices for a substantial period of time and in compliance with California law and related federal regulations, The Children's Place interfered with market forces; driving the selling price of its products higher than they would be if Defendant had complied with the law.

25. Defendant's false discounting practice, as described herein, has the effect of setting an artificially high market value for its "on sale" merchandise. Customers purchase merchandise from The Children's Place retail stores believing they are receiving a substantial discount on their purchases, when in fact, they are not. They are instead purchasing an item that they might not otherwise buy and paying a higher price than they would otherwise pay were the products subject to fair market competition and pricing.

26. Plaintiffs' counsel's investigation of The Children's Place outlet stores reveals that the Bootcut medium stone washed blue jeans Ms. Hedrick purchased were never offered at the full retail price at The Children's Place outlet store in the 90 days preceding her purchase. Plaintiffs' counsel's investigation revealed that the blue jeans purchased by Ms. Hedrick were continuously on sale at various discounted prices in the

[1] Defendant raised the "original" price from which the false discount was taken.

outlet stores in the 90 days leading up to her purchase on April 27, 2016.

27. Plaintiffs' counsel's investigation at The Children's Place outlet store revealed that the blue jeans Ms. Hedrick purchased were never offered for sale in the outlet store at the $16.50 regular price. Instead, Defendant continuously offered the blue jeans for sale at a discounted price, including at $9.99; 40% off the price of the products' price tag. *See* Exhibit "D," Plaintiff Hedrick's receipt. Plaintiff's counsel's investigation revealed that this was a pervasive practice at The Children's Place outlet stores, as almost every item offered at the outlet store remained continuously discounted from their "original" price and/or the price listed on the products' price tag for the duration of Plaintiffs' counsel's investigations from July of 2015 through November of 2015 and from January of 2016 through May of 2016.

28. In fact, as of June 24, 2016, the blue jeans Plaintiff Hedrick purchased were still being offered at a discount of $12.99 from their purported, false regular price of $16.50. *See* Exhibit "E," demonstrating both toddler's jeans and boy's jeans discounted from their false regular price. Plaintiffs' investigation revealed that several other items including, children's blue jeans, cargo pants, and tee shirts were all continuously discounted at substantial false savings. *See*, for example, Exhibit "F," "graphic tees," advertised at $4.99; original price: $9.50.

29. Despite Plaintiffs' counsel's best efforts at investigation, the full extent of Defendant's false and deceptive pricing scheme can only be revealed through a full examination of records exclusively in the possession of Defendant.

30. Furthering Defendant's misrepresentations, subsequent to her purchase, Ms. Hedrick learned that the merchandise she purchased from The Children's Place *outlet* store, was not ever sold at or intended to be sold at The Children's Place *retail* store. The vast majority of merchandise sold at The Children's Place Outlet Stores is merchandise that is exclusively made for and sold at the outlet stores. Customers, like Ms. Hedrick, shop at the outlet store believing they are getting a substantial discount on goods and products that were formerly sold at regular, The Children's Place retail stores. In fact, the

clothing sold at the outlet stores are of a lesser quality than those sold in the retail store. Customers, including Ms. Hedrick, believing they were receiving a discounted price from the original price of the products sold in the retail store, when in fact, the vast majority of such products were never sold in the retail store.

31. Defendant The Children's Place manufactures clothing made strictly for its outlet stores. The clothing is of a lesser quality than that sold in its regular retail stores. The relevant market for purchasing outlet quality merchandise bearing the The Children's Place logo is strictly at The Children's Place Outlet stores. Defendant does not disclose that the merchandise available for sale in their outlet stores is different or distinct from the merchandise sold in its retail stores. Nor does Defendant disclose that the outlet store merchandise is of a lesser quality than that sold in the retail stores. The outlet clothing also bears separate and distinct branding labels.

32. Jane T. Elfers, CEO of The Children's Place admitted in a Fourth Quarter 2012 Earnings call that The Children's Place had started introducing, "made for outlet" assortments at the end of 2011 and had fully executed its "made for outlet" strategy by mid-2012. The lower quality merchandise led to greater margins at the outlet stores as unwitting consumers continued to shop, believing they were receiving discounted, quality merchandise that was previously offered for sale in the The Children's Place retail stores. Ms. Elfers stated on March 26, 2013, that nearly 80% of all merchandise sold in the outlet stores was "made for outlet," and the goal was to achieve 85%. She opined:

> From a product point of view, ***<u>we're over 80% now made-for-outlet product.</u>*** And we'll continue to try to get that closer to about 85%, but we are in good shape as far as the rollout strategy. And as we mentioned on the call, had a very strong end to the year in Outlet. And we predict that we'll continue to be able to make progress in outlets over the next couple of years. And certainly, on the margin line, we're looking for parity with the U.S. Place by the end of '14".

See Exhibit "G," Earnings call transcript, Page 10 of 14 (emphasis added).

33. Plaintiffs would not have made their purchases without the misrepresentations made by Defendant. As a result, Plaintiffs have been personally

victimized by and suffered economic injury as a direct result of Defendant's unlawful, unfair and fraudulent conduct.

34. Defendant knows that its false discount advertising is deceptive, misleading and unlawful under California law.

35. Defendant fraudulently concealed from and intentionally failed to disclose to Plaintiffs and other members of the proposed class the truth about its advertised price and former prices. Defendant concealed from consumers the true nature and quality of the products sold at its outlet stores.

36. At all relevant times, Defendant has been under a duty to Plaintiffs and the proposed class to disclose the truth about its false discounts.

37. Plaintiffs relied upon Defendant's artificially inflated "market" price and false discounts when purchasing the pants at Defendant's retail store. Plaintiff would not have made such purchases but for Defendant's representations of fabricated original "market" prices and false discounts.

38. Plaintiffs and the Class reasonably and justifiably acted and relied on the substantial price differences that Defendant advertised, and made purchases believing that they were receiving a substantial discount on items of greater value than they actually were. Plaintiffs, like other class members, were lured in, relied on, and damaged by these pricing schemes that Defendant carried out.

39. Defendant intentionally concealed and failed to disclose material facts regarding the truth about false former price advertising in order to provoke Plaintiffs and the proposed class to purchase Children's Place branded products in its retail and outlet stores.

40. Despite Plaintiff's counsel's best efforts at investigation, the full extent of Defendant's false and deceptive pricing scheme can only be revealed through a full examination of records exclusively in the possession of Defendant.

V. CLASS ALLEGATIONS

41. Plaintiffs brings this action on behalf of themselves and all other similarly

situated Class members pursuant to Rule 23(a), (b)(2) and (b)(3) of the Federal Rules of Civil Procedure and seeks certification of the following Class (the "Nationwide Class") against Defendant:

42. All individuals in the United States who, from February 11, 2012 through the date the Court enters the preliminary approval order, purchased any product bearing a discount at one of The Children's Place retail or outlet stores. Excluded from the Class are Defendant, Defendant's counsel, Defendant's officers, directors, and employees, and the judge presiding over the action.

43. Plaintiff reserves the right to expand, limit, modify, or amend this class definition, including the addition of one or more subclasses, in connection with her motion for class certification, or at any other time, based upon, *inter alia*, changing circumstances and/or new facts obtained during discovery.

44. ***Numerosity***: The class members are so numerous that joinder of all members is impracticable. Plaintiff is informed and believes that the proposed Class contains hundreds of thousands of individuals who have been damaged by Defendant's conduct as alleged herein. The precise number of Class members is unknown to Plaintiffs.

45. ***Existence and Predominance of Common Questions of Law and Fact***: This action involves common questions of law and fact, which predominate over any questions affecting individual Class members. These common legal and factual questions include, but are not limited to, the following:

a. Whether, during the Class Period, Defendant used false "market" or "original" price labels and falsely advertised price discounts on its Children's Place branded products it sold in its retail and outlet stores;

b. Whether, during the Class Period, the "original" or "market" prices advertised by Defendant were the prevailing market prices for the respective Children's Place branded products during the three month period preceding the dissemination and/or publication of the advertised former prices;

c. Whether Defendant's alleged conduct constitutes violations of the laws asserted;

d. Whether Defendant engaged in unfair, unlawful and/or fraudulent business practices under the laws asserted;

e. Whether Defendant engaged in false or misleading advertising;

f. Whether Plaintiffs and Class members are entitled to damages and/or restitution and the proper measure of that loss; and

g. Whether an injunction is necessary to prevent Defendant from continuing to use false, misleading or illegal price comparison.

46. ***Typicality***: Plaintiffs' claims are typical of the claims of the members of the Class because, *inter alia*, all Class members have been deceived (or were likely to be deceived) by Defendant's false and deceptive price advertising scheme, as alleged herein. Plaintiffs are advancing the same claims and legal theories on behalf of herself and all members of the class.

47. ***Adequacy***: Plaintiffs will fairly and adequately protect the interests of the members of the Class. Plaintiffs have retained counsel experienced in complex consumer class action litigation, and Plaintiffs intend to prosecute this action vigorously. Plaintiffs have no antagonistic or adverse interest to those of the Class.

48. ***Superiority***: The nature of this action and the nature of laws available to Plaintiffs and the Class make the use of the class action format a particularly efficient and appropriate procedure to afford relief to her and the class for the wrongs alleged. The damages or other financial detriment suffered by individual Class members is relatively modest compared to the burden and expense that would be entailed by individual litigation of their claims against Defendant. It would thus be virtually impossible for Plaintiffs and Class members, on an individual basis, to obtain effective redress for the wrongs done to them. Absent the class action, Class members and the general public would not likely recover, or would not likely have the chance to recover, damages or restitution, and Defendant will be permitted to retain the proceeds of its fraudulent and

deceptive misdeeds.

49. All Class members, including Plaintiffs, were exposed to one or more of Defendant's misrepresentations or omissions of material fact claiming that former "original" advertised prices were in existence. Due to the scope and extent of Defendant's consistent false "discount" price advertising scheme, disseminated in a years-long campaign to California consumers via a number of different platforms – in-store displays, print advertisements, etc. – it can be reasonably inferred that such misrepresentations or omissions of material fact were uniformly made to all members of the Class. In addition, it can be reasonably presumed that all Class members, including, Plaintiffs affirmatively acted in response to the representations contained in Defendant's false advertising scheme when purchasing Children's Place branded merchandise at Defendant's retail and outlet stores.

50. ***Ascertainability:*** Defendant keeps extensive computerized records of its customers through, *inter alia*, customer loyalty programs, co-branded credit cards and general marketing programs. Defendant has one or more databases through which a significant majority of Class members may be identified and ascertained, and it maintains contact information, including email and home addresses, through which notice of this action could be disseminated in accordance with due process requirements.

VI. CAUSES OF ACTION

<u>FIRST CAUSE OF ACTION</u>
Violation Unfair Competition Law
Business and Professions Code § 17200 et seq.

51. Plaintiffs repeat and re-allege the allegations contained in every preceding paragraph as if fully set forth herein.

52. The UCL defines unfair business competition to include any "unlawful, unfair or fraudulent" act or practice, as well as any "unfair, deceptive, untrue or misleading" advertising. Cal. Bus. Prof. Code § 17200.

53. The UCL imposes strict liability. Plaintiffs need not prove that Defendant intentionally or negligently engaged in unlawful, unfair, or fraudulent business practices –

but only that such practices occurred.

54. A business act or practice is "unfair" under the UCL if it offends an established public policy or is immoral, unethical, oppressive, unscrupulous or substantially injurious to consumers, and that unfairness is determined by weighing the reasons, justifications and motives of the practice against the gravity of the harm to the alleged victims.

55. Defendant's actions constitute "unfair" business acts or practices because, as alleged above, Defendant engaged in misleading and deceptive price comparison advertising that represented false "regular" prices and "discount" prices that were nothing more than fabricated "regular" prices leading to phantom markdowns. Defendant's acts and practices offended an established public policy, and engaged in immoral, unethical, oppressive, and unscrupulous activities that are substantially injurious to consumers.

56. The harm to Plaintiffs and Class members outweighs the utility of Defendant's practices. There were reasonably available alternatives to further Defendant's legitimate business interests, other than the misleading and deceptive conduct described herein.

57. A business act or practice is "fraudulent" under the UCL if it is likely to deceive members of the consuming public.

58. A business act or practice is "unlawful" under the UCL if it violates any other law or regulation.

59. Defendant's acts and practices alleged above have deceived Plaintiffs and are highly likely to deceive members of the consuming public. Plaintiffs relied on Defendant's fraudulent and deceptive representations regarding its "market" prices, the corresponding discounts for the Children's Place branded products which Defendant sells at its retail and outlet stores and on its website. These misrepresentations played a substantial role in Plaintiff's decision and that of the proposed class to purchase the products at steep discounts, and Plaintiffs would not have purchased their products without Defendant's misrepresentations.

60. The FTCA prohibits "unfair or deceptive acts or practices in or affecting commerce" (15 U.S.C. § 45(a)(1)) and prohibits the dissemination of any false advertisements. 15 U.S.C. § 52(a). Under the FTC false former pricing schemes, similar to the ones implemented by Defendant, are described as deceptive practices that would violate the FTCA:

> (a) One of the most commonly used forms of bargain advertising is to offer a reduction from the advertiser's own former price for an article. If the former price is the actual, bona fide price at which the article was offered to the public on a regular basis for a reasonably substantial period of time, it provides a legitimate basis for the advertising of a price comparison. Where the former price is genuine, the bargain being advertised is a true one. If, on the other hand, the former price being advertised is not bona fide but fictitious – for example, where an article price, inflated price was established for the purpose of enabling the subsequent offer of a large reduction – the "bargain" being advertised is a false one; the purchaser is not receiving the unusual value he expects.
>
> (b) A former price is not necessarily fictitious merely because no sales at the advertised price were made. The advertiser should be especially careful, however, in such a case, that the price is one at which the product was openly and actively offered for sale, for a reasonably substantial period of time, in the recent, regular course of her business, honestly and in good faith – and, of course, not for the purpose of establishing a fictitious higher price on which a deceptive comparison might be based.
>
> (c) The following is an example of a price comparison based on a fictitious former price. John Doe is a retailer of Brand X fountain pens, which cost him $5 each. His usual markup is 50 percent over cost; that is, his regular retail price is $7.50. In order subsequently to offer an unusual "bargain," Doe begins offering Brand X at $10 per pen. He realizes that he will be able to sell no, or very few, pens at this inflated price. But he doesn't care, for he maintains that price for only a few days. Then he "cuts" the price to its usual level—$7.50—and advertises: "Terrific Bargain: X Pens, Were $10, Now Only $7.50!" This is obviously a false claim. The advertised "bargain" is not genuine.

16 C.F.R. § 233.1.

61. Indeed, the FTCA prohibits such conduct regardless of whether the merchandise sold uses the words regular, original or former price to deceptively describe merchandise:

> (e) If the former price is set forth in the advertisement, whether accompanied or not by descriptive terminology such as "Regularly," "Usually," "Formerly," etc., the advertiser should make certain that the former price is not a fictitious one. If the former price, or the amount or percentage of the reduction, is not stated in the advertisement, as when the ad merely states, "Sale," the advertiser must take care that the amount of reduction is not so insignificant as to be meaningless. It should be sufficiently large that the consumer, if he knew what it was, would believe that a genuine bargain or saving was being offered. An advertiser who claims that an item has been "Reduced to $9.99," when the former price was $10, is misleading the consumer, who will understand the claim to mean that a much greater, and not merely nominal, reduction was being offered. [Guide I]

16 C.F.R. § 233.1.

62. California law also expressly prohibits false former pricing schemes. Cal. Bus. & Prof. Code §17501, entitled "*Worth or value; statements as to former price*," States:

> For the purpose of this article the worth or value of any thing advertised is the prevailing market price, wholesale if the offer is at wholesale, retail if the offer is at retail, at the time of publication of such advertisement in the locality wherein the advertisement is published.
>
> **No price shall be advertised as a former price of any advertised thing, unless the alleged former price was the prevailing market price as above defined within three months next immediately preceding the publication of the advertisement** or unless the date when the alleged former price did prevail is clearly, exactly and conspicuously stated in the advertisement. [Emphasis added.]

63. As detailed in Plaintiff's Third Cause of Action below, Cal. Civ. Code § 1770(a)(9), prohibits a business from "[a]dvertising goods or services with intent not to sell them as advertised," and subsection (a)(13) prohibits a business from "[m]aking false

or misleading statements of fact concerning reasons for, existence of, or amounts of price reductions."

64. Defendant's practices, as set forth above, have mislead Plaintiffs, the proposed class, and the general public in the past and will continue to misled in the future. Consequently, Defendant's practices constitute an unlawful an unfair business practice within the meaning of the UCL.

65. Defendant's violation of the UCL through its unlawful, unfair and fraudulent business practices are ongoing and present a continuing threat that members of the public will be deceived into purchasing products based on price comparisons of arbitrary and inflated "regular" prices to "sale" prices that created merely phantom markdowns and lead to financial damage for consumers, like Plaintiffs and the proposed Class

66. Pursuant to the UCL, Plaintiffs are entitled to preliminary and permanent injunctive relief ordering Defendant to cease this unfair competition, as well as disgorgement and restitution to Plaintiffs and the Class of all of Defendant's revenues associated with its unfair competition, or such portion of those revenues as the Court may find equitable.

SECOND CAUSE OF ACTION

Violation of the California False Advertising Law,
California Business & Professions Code § 17500, *et seq*.

67. Plaintiffs repeat and re-allege the allegations contained in every preceding paragraph as if fully set forth herein.

68. Cal. Bus. & Prof. Code § 17500 provides that "[i]t is unlawful for any…corporation…with intent…to dispose of…personal property…to induce the public to enter into any obligation relating thereto, to make or disseminate or cause to be made or disseminated…from this state before the public in any state, in any newspaper or other publication, or any advertising device, or by public outcry or proclamation, or in any other manner or means whatever, including over the Internet, any statement…which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be

known, to be untrue or misleading…" [Emphasis added].

69. The "intent" required by Cal. Bus. & Prof. Code § 17500 is the intent to dispose of property, and not the intent to mislead the public in the disposition of such property.

70. Similarly, this section provides, "no price shall be advertised as a former price of any advertised thing, unless the alleged former prices was the prevailing market price…within three months next immediately preceding the publication of the advertisement or unless the date when the alleged former price did prevail is clearly, exactly, and conspicuously stated in the advertisement." Cal Bus. & Prof. Code § 17501.

71. Defendant's routine of advertising discounted prices from false "original" prices associated with its Children's Place branded store products, which were never the true prevailing "market" prices of those products and were materially greater than the true prevailing prices was an unfair, untrue and misleading practice. This deceptive marketing practice gave consumers the false impression that the products were regularly sold on the market for a substantially higher price than they actually were. Therefore, leading to the false impression that the Children's Place branded products were worth more than they actually were.

72. Defendant misled consumers by making untrue and misleading statements and failing to disclose what is required as stated in the Code, as alleged above.

73. As a direct and proximate result of Defendant's misleading and false advertisements Plaintiffs and Class members have suffered injury in fact and have lost money. As such, Plaintiffs request that this Court order Defendant to restore this money to Plaintiffs and all Class members, and to enjoin Defendant from continuing these unfair practices in violation of the California law in the future. Otherwise, Plaintiffs, Class members and the broader general public will be irreparably harmed and/or denied an effective and complete remedy.

<u>THIRD CAUSE OF ACTION</u>

Violation of the Consumers Legal Remedies Act ("CLRA"),
California Civil Code § 1750, *et seq*.

74. Plaintiffs repeat and re-allege the allegations contained in every preceding paragraph as if fully set forth herein.

75. This cause of action is brought pursuant to the Consumers Legal Remedies Act (CLRA), California Civil Code § 1750, et seq. and similar laws in other states. Plaintiff and each member of the proposed class are "consumers" as defined by California Civil Code § 1761(d). Defendant's sale of the Children's Place branded products at its retail and outlet stores and online to Plaintiff and the Class were "transactions" within the meaning of California Civil Code § 1761(e). The products purchased by Plaintiffs and the Class are "goods" within the meaning of California Civil Code § 1761(a).

76. Defendant violated and continues to violate the CLRA by engaging in the following practices proscribed by California Civil Code § 1770(a) in transactions with Plaintiffs and the Class which were intended to result in, and did result in, the sale of Children's Place branded products:

a. Advertising goods or services with intent not to sell them as advertised;

b. Making false or misleading statements of fact concerning reasons for, existence of, or amounts of price reductions.

77. Pursuant to § 1782(a) of the CLRA, Plaintiffs' counsel notified Defendant in writing by certified mail of the particular violations of § 1770 of the CLRA and demanded that it rectify the problems associated with the actions detailed above and give notice to all affected consumers of Defendant's intent to act.

78. Defendant failed to appropriately respond to Plaintiffs' letter or agree to rectify the problems associated with the actions detailed above and give notice to all affected consumers within 30 days of the date of written notice pursuant to §1782 of the Act. Therefore, Plaintiffs further seeks claims for actual, punitive and statutory damages, as appropriate against Defendant.

VII. PRAYER FOR RELIEF

79. Wherefore, Plaintiffs, on behalf of themselves and on behalf of the other members of the Class, requests that this Court award relief against Defendant as follows:

a. An order certifying the class and designating MONICA RAEL and ALYSSA HEDRICK as the Class Representatives and their counsel as Class Counsel;

b. Awarding Plaintiffs and the proposed Class members damages;

c. Awarding restitution and disgorgement of all profits and unjust enrichment that Defendant obtained from Plaintiffs and the Class members as a result of its unlawful, unfair and fraudulent business practices described herein;

d. Awarding declaratory and injunctive relief as permitted by law or equity, including: enjoining Defendant from continuing the unlawful practices as set forth herein, and directing Defendant to identify, with Court supervisions, victims of its misconduct and pay them all money they are required to pay;

e. Awarding actual, punitive and statutory damages as permitted under the California Consumer Legal Remedies Act;

f. Order Defendant to engage in a corrective advertising campaign;

g. Awarding attorneys' fees and costs; and

h. For such other and further relief as the Court may deem necessary or appropriate.

VIII. DEMAND FOR JURY TRIAL

80. Plaintiffs hereby demand a jury trial for all of the claims so triable.

Dated: November 22, 2017

CARLSON LYNCH SWEET KILPELA & CARPENTER, LLP

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Attorneys for Plaintiff

Exhibit "A"

Exhibit "A"


GET IT NOW
SALE
30% off
big 4-14
bottoms
FLAT-FRONT FIT
SKINNY FIT

Exhibit "B"

Exhibit "B"

The Children's Place Retail Store #4266
MISSION VALLEY
1640 CAMINO DEL RIO NORTH
SAN DIEGO, CA 92108
(619) 295-1810

PJ CARGO PANT OLIVE CAMO 3T

424530215190		7.47 SCL
ORIGINAL PRICE	14.95	
PROMO PRICE	7.47	

SUBTOTAL	$7.47
STATE 6.500%	$0.49
COUNTY 1.000%	$0.07
LOCAL .500%	$0.04
TOTAL	$8.07
CASH	$20.07
CHANGE	$12.00

****
How was your visit?
Tell us at www.placesurvey.com
for a chance to win a
$250 gift card from
The Children's Place!

Complete the survey within
7 days to earn an entry in our
monthly sweepstakes.

Shop online
for more great deals!
childrensplace.com

50426601308663780901676З

TOTAL SAVINGS
$7.48

ITEMS 1
11-24 2015 04:1[illegible] PM 4266 01 308663 7809

Refunds and returns until
1/15/2016 with this receipt

Exhibit "C"

Exhibit "C"


your choice
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MOS
12-18
mos.
12-18
mos.
PLACE
9-12
MOS
9-12
MOS
CARGO PANTS

Exhibit "D"

Exhibit "D"

The Children's Place - Outlet #1806
LAS AMERICAS
4155 CAMINO DE LA PLAZA
SAN YSIDRO, CA 92173
(619) 662-1994

0 BOOTCUT MDSTONE MD STONEDM 3T		
440000440671		9.99 SCL
ORIGINAL PRICE	16.50	
PROMO PRICE	9.99	

SUBTOTAL	$9.99
STATE 6.250%	$0.62
COUNTY 1.250%	$0.12
LOCAL .500%	$0.05
TOTAL	$10.78
CASH	$20.00
CHANGE	$9.22

****
How was your visit?
Tell us at www.placesurvey.com
for a chance to win a
$250 gift card from
The Children's Place!

Complete the survey within
7 days to earn an entry in our
monthly sweepstakes

Shop online
for more great deals!
childrensplace.com

501806033405094664016918

TOTAL SAVINGS
$6.51

ITEMS 1
04-27-2016 04:32:24PM 1806 03 340509

Refunds and returns until
6/11/2016 with this receipt

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Exhibit "E"

Exhibit "E"


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3T

Exhibit F

Exhibit F


V2016
DEPT./CAT.
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G
COLOR#
814
TURKS AQUA
ITEM#
2064905
SIZE
4T
35-39 LB/16-18 KG
4 400001 44558 3
$9.50


camisetas con diseños
graphic tees
4.99

Exhibit "G"

Exhibit "G"

Seeking Alpha$^{\alpha}$

The Children's Place Retail Stores Management Discusses Q4 2012 Results - Earnings Call Transcript

Mar. 26, 2013 11:50 AM ET
by: SA Transcripts

The Children's Place Retail Stores (NASDAQ:PLCE)

Q4 2012 Earnings Call

March 26, 2013 8:30 am ET

Executives

Jane Singer - Vice President of Investor Relations

Jane T. Elfers - Chief Executive Officer, President and Director

Michael Scarpa - Chief Financial Officer and Executive Vice President

Analysts

Lorraine Maikis Hutchinson - BofA Merrill Lynch, Research Division

Gabriella Carbone - Janney Montgomery Scott LLC, Research Division

Janet Kloppenburg

Brian J. Tunick - JP Morgan Chase & Co, Research Division

Taposh Bari - Goldman Sachs Group Inc., Research Division

Dana Lauren Telsey - Telsey Advisory Group LLC

Richard Ellis Jaffe - Stifel, Nicolaus & Co., Inc., Research Division

John Zolidis - The Buckingham Research Group Incorporated

Jay Sole - Morgan Stanley, Research Division

Susan K. Anderson - Citigroup Inc, Research Division

Dorothy S. Lakner - Topeka Capital Markets Inc., Research Division

Operator

Good day, everyone, and welcome to The Children's Place Fourth Quarter and Fiscal 2012 Conference Call. [Operator Instructions] Please note, this call may be recorded, and I will be standing by should you need any assistance. It is now my pleasure to turn the conference over to Ms. Jane Singer. Please go ahead, ma'am.

Jane Singer

Thank you, Zach. Thank you for joining us this morning. With me here today are Jane Elfers, President and Chief Executive Officer; and Mike Scarpa, Executive Vice President and Chief Financial Officer.

We issued a press release earlier this morning announcing fourth quarter and fiscal 2012 financial results. A copy of the release can be found on our website.

Before we begin, I'd like to remind participants that any forward-looking remarks made today are subject to the Safe Harbor statements found in this morning's press release as well as in our SEC filings. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially.

The company undertakes no obligation to publicly release any revision to these forward-looking statements to reflect subsequent events or circumstances. After the prepared remarks, we will open the call to questions.

[Operator Instructions] Thank you. And now, I will turn the call over to Jane Elfers for her opening remarks.

Jane T. Elfers

Thank you, Jane, and good morning, everyone. We had a strong finish to 2012, resulting in record sales, our first annual comp increase in 4 years, an 11% increase in EPS and $205 million generated in operating cash. I'd like to highlight the significant progress we achieved on our strategic initiatives in 2012, starting with the senior leadership team.

Since my arrival, a top priority has been upgrading talents at the senior leadership level. During 2012, we made significant progress on completing this initiative with 3 key hires: First, Mike Scarpa, Executive Vice President and Chief Financial Officer. Mike joined us at the end of November. He has more than 30 years of financial and operational leadership experience with publicly-held apparel companies. He joined us from Talbots, where he was Chief Operating Officer and Chief Financial Officer with responsibility for finance, treasury, planning and allocation, supply chain, information technology and corporate strategy. Prior to Talbots, Mike spent 25 years with Liz Claiborne, where he held several senior financial positions, culminating in his appointment as Chief Operating Officer.

I've known Mike for several years and I'm thrilled that he decided to join the team. We're very fortunate to be able to partner with such a strong finance and operating executive.

Greg Poole, Senior Vice President, Global Sourcing, joined us last September and has more than 27 years of global sourcing and supply chain leadership experience. Greg joined us from Talbots, where he served as Executive Vice President, Chief Supply Chain Officer and was responsible for product development, global sourcing, global logistics, distribution, quality assurance, social compliance and technical design. Previously, he served as Senior Vice President, Chief Procurement Officer for Ann's, and he also held several senior-level sourcing positions at GAP, culminating in his role as Senior Vice President, Sourcing and Vendor Development.

And John Moroz, Senior Vice President, Global Logistics and Distribution, joined us in January. John brings 35 years of multichannel, multi-brand and multi-geography experience. He joined us from Fifth & Pacific, where he was Senior Vice President, Global Operations.

Getting the right leadership in the finance and operating areas of the business is critical to unlocking margin growth, and these 3 seasoned executives have already made a meaningful impact on our business.

Merchandise improvements, Big Kids. Our primary focus continues to be on improving the performance of the Big Kids business by differentiating the merchandise to keep kids in our brand longer. The Big Kids accounts for almost 2/3 of our apparel business, and these divisions comped positive mid- to high-single digits in 2012.

Accessories and footwear. We expanded our non-apparel offerings to make it easier for moms to buy complete outfits. Accessories and footwear, which are account for about 20% of sales, comped positive low- to mid-single digits during 2012.

Baby. We undertook several initiatives to improve our Baby business in 2012, including new talent in design and merchandising. We created a baby play zone in stores and reduced the duplication between Newborn and Baby sizing. Baby improved sequentially from the third to the fourth quarter, and we expect to continue to see improvement during fiscal '13.

Canada. We hired a Vice President of merchandising exclusively for Canada with significant experience in Canadian kids apparel to help us ensure we maximize country appropriate assortments as well as further focusing our marketing efforts for the Canadian consumer.

Outlets. As you may recall, The Children's Place did not have an outlet strategy prior to 2011. We started introducing made-for-outlet assortments at the end of 2011. And by midyear 2012, we had fully executed our made-for-outlet strategy, just in time for the back-to-school season.

As a result, comp sales rebounded in the third and fourth quarters after 13 straight quarters of decline. In addition to positive comps, outlet margins significantly strengthened in the second half of 2012.

For fiscal '12, outlet margins lagged Place by approximately 400 basis points compared to 600 basis points in fiscal 2011, and we expect the outlets to achieve margin parity with U.S. Place stores in fiscal 2014.

E-commerce. In 2012, total e-commerce sales increased to $215 million. E-commerce has increased 7% of net sales in 2009 to 12% in 2012, and we expect it to reach 15% of sales over the next couple of years. E-commerce will be key in driving growth margin expansion, as it is our most profitable channel.

Over the past year, we've been working to upgrade our e-commerce infrastructure in order to support our aggressive growth plans. Specifically, we've upgraded our core e-commerce platform and implemented a new catalogue, content and promotions management system. We also improved the user experience through changes in site navigation, enhancing the browse and check-out features, as well as significantly improving the product presentation on the site. Our Canadian e-commerce site is live on the new platform, and our U.S. and international e-commerce site will go live this spring.

International expansion. Prior to 2011, the company was focused solely on the North American market. We've put together a tight team to develop and implement an international strategy and now have 16 stores open in the Middle East. We're very pleased with the early results and enthusiasm for our brand in those markets, and plan to open another 25 stores in the Middle East in fiscal 2013.

There is a void of high-quality, value children's retailers in those markets, and we believe we have the potential to build significant market share. International is an important growth vehicle for The Children's Place, and we are in talks to expand into additional markets, potentially as soon as the fourth quarter of this year.

Loyalty. Customers who purchase in stores and online spend 3x more than single-channel shoppers. We launched our loyalty program last October to increase multichannel purchasing and to provide incentives for customers to increase their share of wallet with The Children's Place. We currently have 3.6 million active customers enrolled, and this program will be a key lever in our marketing efforts going forward.

Sourcing. Mike and I attended our global vendor summit meeting in Hong Kong 2 weeks ago. Over the next 24 months, we will be intensely focused on improving our supply chain capability to ensure a constant flow of high-quality goods at optimal speed and cost while mitigating the impact of macroeconomic challenges. With the new leadership in place, we are focused on executing 4 key strategies: One, we're migrating a significant amount of our business into lower-cost manufacturing countries. Close to 40% of our merchandise was sourced from China in fiscal '12, and we expect to reduce that to less than 20% over the next 24 months. We started to consolidate our vendor network in order to develop stronger, more strategic relationships with our key partners. Third, we've engaged William E. Conner and Associates, a Hong Kong-based company, as our partner to develop and source footwear and accessories. This will allow us to continue to drive outsized growth in these categories, while our owned sourcing offices focus their efforts on the significant opportunity that exist within apparel, from vendor consolidation and country migration.

We're also in the process of strengthening the sourcing capabilities of our Asian offices to better support our overseas vendors in real-time while simultaneously reducing our operating expenses.

We had a strong finish to 2012, and I want to thank the team for all their accomplishments. During 2012, The Children's Place significantly upgraded the senior team, generated record sales of $1.8 billion, increased comp retail sales 2%, increased e-comm's sales 22%, grew U.S. market share, opened our first stores outside North America, made significant strides towards optimizing our supply chain, increased earnings 11% to $3.23 per share, generated $205 million in cash from operations and returned $89 million to shareholders through our buyback program.

Moving forward to our outlook for Q1 and fiscal '13. We started 2013 with a significant drop, week 1, which we believe was due to a combination of factors, with weather being the biggest. Mall traffic was down significantly and sales of spring apparel were particularly soft. We were encouraged to see positive comp sales for the rest of February and into early March. However, you may recall that we had record heat last March, and starting with the 2nd week of March this year, temperatures have fluctuated anywhere from 15 degrees to 50 degrees colder than last year throughout the majority of our markets.

This insurmountable weather challenge coinciding with our peak Easter selling period has significantly impacted our traffic and the sales of warm weather apparel versus last year and has resulted in a negative 8% comp quarter-to-date. We are approaching the rest of the quarter cautiously, without visibility into a change in the weather and the generally tough macro environment. For Q2 through Q4, we are projecting an improvement in the run rate of the business.

Thank you. And now I'll turn the call over to Mike.

Michael Scarpa

Thank you, Jane, and good morning, everyone. I'm going to start with an overview of the fourth quarter under the retail method of accounting for our inventories, which is consistent with the guidance we gave going into the quarter. I will then discuss our decision to move from retail to cost accounting and to capitalize additional supply chain costs. Then I'll move on to the key operational and initiatives we are undertaking in fiscal 2013, and will conclude with our guidance.

For the fourth quarter 2012, net sales increased 11% to $509 million. But excluding the 53rd week, net sales increased 6.7%. Comparable retail sales increased 4.3%. The positive comp was driven by a 3.1% increase in transactions and a 1.2% increase in average transaction value. Comparable store sales increased 1.4% in the United States and increased 1% in Canada. E-commerce comp sales increased 29.8%.

Under the retail method, gross margin rate improved 200 basis points to 37.8%. The benefits from an increase in merchandise margin were somewhat offset by higher supply chain costs and costs associated with the rollout of our new loyalty program.

Gross margins increased in both the United States and Canada during the quarter.

SG&A was well managed in the fourth quarter. The rate delevered only by 20 basis points to 26.7% of sales. We were able to largely offset the year-over-year increase in bonus and equity comp by more effectively managing store and other administrative expenses.

On a non-GAAP basis, depreciation and amortization expense in the fourth quarter, which excludes accelerated depreciation for the East Coast distribution center closure, was 3.5% of sales compared to 4.1% last year. Non-GAAP operating income increased 250 basis points to 7.6% of sales at $38.7 million. Non-GAAP earnings were $1.15 per diluted share compared with $0.87 in the fourth quarter of 2011.

Moving on to the balance sheet. Our cash balance at the end of fiscal 2012 increased 18% to $209 million. We generated $205 million in cash from operations during the year, and the company repurchased 1.8 million shares for a total of $89 million and invested $90 million in CapEx.

Balance sheet inventory at the end of the year increased 13% in dollars and 11% per square foot, primarily due to in-transit inventory. Saleable inventory increased 2% in dollars and was flat per square foot. As a result of the 53rd week and the earlier Easter timing, in-transit inventories increased $27 million.

During fiscal 2012, we opened 64 stores and closed 18. We operated 1,095 stores at the end of the year with a total of 5.25 million square feet. This represents a 2% increase in square footage compared to last year.

In the fourth quarter, we made 2 changes to our accounting policy. We changed our method of inventory valuation from the retail method to the cost method, and we began capitalizing additional supply chain costs instead of reporting them as period expenses. Cost is a more precise method of valuing inventory and is the SEC's preferred accounting method. Internally, our merchant teams managed their business on the cost method while finance has been reporting on the retail method. Aligning merchants and finance on the cost method will be a much more effective way to run the business.

Historically, the company capitalized some, but not most of the supply chain costs. Similar to the cost method, the preferred accounting treatment is to capitalize supply chain costs in order to match the cost of sales with the recording of sales. We are now recording a more appropriate level of supply chain costs and inventory, which will be expensed when the product is sold.

From a timing perspective, we thought it was important to make the changes during the fourth quarter so we could start fiscal 2013 clean using the new inventory valuation method.

The change has been applied retroactively to prior periods for 5 fiscal years, 2008 through 2012, and the last 8 fiscal quarters, which are included as attachments to this morning's press release. The impact of the change in accounting methods is relatively small on an annual basis. For example, net income for fiscal 2012 increased 1% under the new accounting method, whereas net income for fiscal 2011 declined by 4%.

The important thing is that this accounting change is the preferred method of accounting for inventory. It will increase internal alignment and it will increase the organization's focus on margin expansion. I will be providing guidance for the first quarter and fiscal '13 under the cost method.

Going forward, I believe there is tremendous opportunity to improve our operations and strengthen our financial performance, and we are currently focusing on 4 initiatives: managing company-wide expenses; increasing hurdles for return on invested capital, which will impact our store expansion decisions; making progress on systems implementation; and developing alternative channels of distribution.

Company-wide expense management. We need to take expense out of our business. I believe there is an opportunity to reduce store expenses, particularly in payroll by better aligning store payroll hours with volume group and store size. In the last 3 months, we have seen considerable progress in managing store labor, and we should see additional progress when we implement a workforce management system in the third quarter of this year. This system will enhance our ability to align the hours of our sales force with peak selling periods and driving overall efficiency and productivity.

We are also increasing the rigor around corporate expense management. Since my arrival, we have gone back and revisited all of our departments' operating budgets. Our goal for 2013 will be to reduce the absolute level of SG&A spending versus last year, despite the full year impact of the additional stores added in 2012 and the incremental SG&A associated with planned openings for 2013. Improving operational efficiencies and reducing costs is an imperative and we are making it a priority in our culture.

In order to improve operating margins over the next 3 years, we need to set higher hurdles for return on invested capital. As the company mentioned in prior calls, we completed a comprehensive fleet review in 2012 to identify the North American fleet potential and market voids. The team is further leveraging that analysis by conducting a market-by-market portfolio review, utilizing a four-wall contribution hurdle rate in addition to the cash contribution metric that was used in the original fleet review. We believe this additional review will inform management with a fact-based set of parameters we can use in determining opportunities around both store openings and closings.

We are planning openings in fiscal 2013 to be approximately 55 compared to 64 in 2012, and are currently anticipating a square footage increase of approximately 2%, which has been factored into the guidance we are providing for fiscal year '13.

Systems implementations. In addition to the website enhancements Jane mentioned, we are the middle of an ERP implementation that has been in process for about 2 years now. We completed the implementation of the SAP financial system at the end of fiscal 2012. The next major module will be the core merchandising, which we expect to be operational in the next 12 months.

In addition, we are exploring opportunities to implement systems to enhance our planning and allocation capabilities. We will be starting with the implementation of buy-in size optimization, followed by allocation and auto-replenishment. Each module will start with a specific product assortment, and we will widen the assortments as the implementation progresses.

Developing ultimate channels of distribution. We are pleased with the initial results of our franchise stores in the Middle East and plan to expand the number of stores in countries of operation. In addition, there has been significant interest from various wholesale retailers in partnering with The Children's Place brand. In February, Mary Lee Gallagher joined as Vice President, Wholesale to develop a wholesale strategy and business channel for The Children's Place. We expect the International and

Wholesale businesses will become a meaningful contributor to operating margin over time. And combined with continued strong e-commerce growth, increased four-wall contribution from North American stores and strong expense management will enable the company to significantly improve operating margins over the next few years.

Now I'd like to move to the first quarter of 2013. Quarter to date, our comp sales are down 8%, and we believe we will end the quarter with comps in the negative high-single-digit range. As a result, we project the first quarter earnings per share will be in the range of $0.60 to $0.65 compared to adjusted EPS of $1.14 in the first quarter of 2012 under the cost method. We expect to deleverage gross margin by 300 to 340 basis points, primarily as a result of 220 to 240 basis points of deleverage of fixed expenses on our negative comp sales.

We expect SG&A dollar spending will decline in the first quarter, but will deleverage as a percent of sales by approximately 100 basis points due to the negative comp. We expect inventory per square foot to be up low-double-digits at the end of the first quarter, due primarily to a higher in-transit as timing of 2013 floor sets in the first half of the year require earlier shipment due dates to the 53rd week in 2013.

We project fiscal 2013 earnings per share to be between $2.90 and $3.10 on negative low-single-digit comps. We expect gross margins to be down approximately 20 to 60 basis points for the year, and we expect SG&A to leverage 20 to 30 basis points.

This guidance excludes unusual costs or events that are reported in our non-GAAP adjustments. It also assumes that currency exchange rates will remain consistent with today's rates and does not include the impact of further potential share repurchases in fiscal 2013.

We expect depreciation to increase to approximately $74 million due to more capital being deployed throughout the year and system projects coming online. We expect our tax rate to be approximately in the 33.5% range, and we expect capital expenditures to be between $90 million and $95 million.

Finally, I want to say that we remain committed to using our strong balance sheet and cash generated by operations to invest in our business to support long-term profitable growth and to consistently return cash to our shareholders. During fiscal 2012, the company repurchased 1.8 million shares for approximately $89 million. At the end of the year, we got $80 million available under our current share repurchase authorization.

At this point, we'll open the call to your questions.

Question-and-Answer Session

Operator

[Operator Instructions] We'll move first to Lorraine Hutchinson with Bank of America Merrill Lynch.

Lorraine Maikis Hutchinson - BofA Merrill Lynch, Research Division

Just -- obviously, the first quarter, off to a bit of a difficult start. As you think about the second quarter and beyond, do you expect to have any of this inventory carrying over? Or should we start with a clean slate and look for earnings growth in each of the subsequent quarters?

Michael Scarpa

Well, from an inventory perspective, obviously, with the negative 8% comp through the first part of first quarter, inventories will be a little heavier than what we had expected as we go into the second quarter. The good news about inventory, though, is that we bought our spring fashion actually down and put the investment behind the 6-month seasonal spring basics and our replenishment 12-month programs. So we feel as we go into the second quarter that we're in a fairly good shape from an inventory perspective.

Lorraine Maikis Hutchinson - BofA Merrill Lynch, Research Division

And then, Mike, you listed a number of cost reduction issues. Any way to put some dollar figures around your goals there?

Michael Scarpa

Well as I said, we definitely want to, in absolute terms, spend less in SG&A than we did in the prior year. We spent about $507 million last year. And our goal is to obviously get under that, despite adding what I'll say is approximately about $25 million of expense in terms of the new store openings. So our goal is to come in lower than where we were a year ago. We see opportunities obviously in store payroll. We've done a good job over the last 3 months and expect to continue reducing overall hours in our store fleet as we go through the rest of 2013. Corporate expenses have gone under our microscope and we continue to reduce period-on-period. And then we've done some good things in our distribution center last year. As you remember, we've consolidated our warehousing, and our distribution centers are performing very well. We have one left in the United States and one in Canada. And the one in the United States has really performed very efficiently over the first couple of months of operations under a consolidated basis.

Operator

We go next to Adrienne Tennant with Janney Capital Markets.

Gabriella Carbone - Janney Montgomery Scott LLC, Research Division

This is actually Gabriella Carbone calling in for Adrienne. I was just wondering if you could share with us trends you're witnessing in different regions of the country, if you're seeing better sales trends in the regions having more favorable weather?

Jane T. Elfers

Sure, Gabriella, it's Jane. February, as we said, week 1 was very tough, and then we comped positive for the next 4 weeks. The last 2 weeks have been painful, and this 1 has started off similar with all the snowstorms across the country. We have 20 to 40, 2-0 to 4-0, 20 to 40 point comp swings month-to-date between our Western and Southwestern markets and our Midwestern and our Northeastern markets. And when you look at these comp swings, they're even significantly more pronounced within key item categories, like shorts, tanks, sandals, flip flops, swims and sunglasses. For an example, just in our short category alone, we have a 95-point swing in comp short sales between the West and the Midwest. And the comp swings are even more pronounced in Canada as the entire country has been cold. So there are extraordinarily significant changes from region to region.

Gabriella Carbone - Janney Montgomery Scott LLC, Research Division

Okay. That's helpful. And then my second question is regarding the Baby business. On the last call, I remember you speaking to keeping Baby at about 30% of the business but directing your focus more to key items, such as like knits and fleece and decreasing receipts on dressy. Is that something you did for Easter? Or is that something we'll see more for holiday?

Jane T. Elfers

No, that's something we did for Easter. As Mike had mentioned on inventory, we pulled back our fashion inventory in the spring season and really took our shots more on the key item basics.

Operator

We'll move next to Janet Kloppenburg with JJK Research.

Janet Kloppenburg

Jane, just to stay on the current business trends, I was wondering if there were any disappointments by category other than the weather, separating out the weather effect that -- categories that you just discussed or the regional differences. I'm just wondering if, for instance, the Baby catalog -- Baby category is performing to your expectations and how the factory business is running at this time? And I'm also wondering if, given the trends, you are able to modify your inventory receipt flow for the second quarter? And also -- well, Michael, how you're thinking about inventory planning for the back half of the year? That would be helpful a lot.

Jane T. Elfers

Sure. Well as far as misses, I think, as we said, we comped positive weeks 2, 3 and 4 in February and into week 1 in March. And then when we come up against the weather, what we're seeing is, we haven't seen any of the key item basic hot weather categories open up. So we haven't seen shorts or tees, sandals, flip flops, any of those businesses open up. What we are seeing right now is the consumer that is coming in. Our traffic has certainly really been impacted by this weather to a great degree. But the customer that is coming in is converting and buying true Easter product. So we're in pretty good shape as far as Easter inventories are concerned, particularly since we did buy them down going into spring. So we're anticipating ending next week, post-inventory, very clean in that fashion, and where we really have the ownership is in the key basics. From a flow point of view, we certainly have the ability to flow the receipts. There's a lot of receipts coming in April and May, and we have receipts in our DC, so we're able to keep the receipts in the DC until we need to flow them into the stores. But as far as changing the total number of receipts, we really don't have the ability to do that. We own what we own for the first half the year.

Michael Scarpa

And not to get ahead of the game in terms of how we're planning in the second half of the year inventories, but we would see salable inventory in the flattish range. Obviously, we want to increase our overall turns. But we are making an investment in our replenishment goods, which will allow us that we believe to capture more sales than we did a year ago.

Operator

And we'll move next to Brian Tunick with JPMorgan.

Brian J. Tunick - JP Morgan Chase & Co, Research Division

I guess, a couple of questions. I guess, first, can you remind us maybe about the store base? How many leases are coming up over the next year or 2, and sort of what your typical lease terms have been? And then maybe on the gross margins, just curious about the loyalty programs, sort of what impact you are seeing there relative to the guidance you're providing for the quarter and for the year. And on the timing of those sourcing benefits you talked about, Mike, in the IT initiatives, what do you see a some longer-term gross margin goals for the company?

Michael Scarpa

Okay. So I'll start with the store portfolio question first. We have roughly about 40% of our leases coming due with either -- with expiration or kickouts within the next 3 years. Our typical lease terms are 10 years. And like I said, we're currently undergoing a fleet review on a market-by-market basis. We've added another financial hurdle when evaluating our stores. We're also now putting -- taking into account four-wall contribution and not just cash contribution. And based on this review, which is currently ongoing, I believe there's an opportunity to refine the overall portfolio. From an overall gross margin perspective and operating margin perspective, we have a lot of initiatives underway as a company. Obviously, some are directed from an IT perspective and others from a supply chain. But we've -- we're going to start to see some of the IT initiatives start to take fruition in 2014. And obviously our sourcing strategy, which Jane talked about regarding country migration, vendor consolidation, obviously, the move that we made to the agent in terms of footwear and accessories and the strengthening of our Asian offices, we hope that that will play into our average unit cost over the second half of this year and as we move into 2014. From a loyalty perspective also, we've seen a pretty good reaction, initial reaction to our loyalty program. We actually are seeing that individuals that have signed up for loyalty are actually spending about 4% more than our consumers who are not part of that program. So it's early days. We've just really implemented them about 4 or 5 months ago, so stay tuned. But we think that this is going to be a cornerstone of our marketing program on a go-forward basis.

Operator

And we'll move next to Taposh Bari with Goldman Sachs.

Taposh Bari - Goldman Sachs Group Inc., Research Division

I guess I wanted to start a question for Mike. Can you just quantify the extra week benefit in the fourth quarter, both in terms of the EPS, if you could give us clarity around the gross margin and SG&A benefit as well?

Michael Scarpa

Sure. We did roughly about $20 million of sales in the 53rd week. And I think overall our operating margin was around $1 million. So it didn't have a very significant impact overall on the quarter.

Taposh Bari - Goldman Sachs Group Inc., Research Division

Okay, that's helpful. And then just wanted to ask a follow-up on the wholesale opportunity that you guys outlined. If you could just provide some are color around what types of, maybe not specific accounts, but what types of channels you'd be considering entering. And you'd mentioned that, that was a margin accretive channel. I was just curious to get some more clarity around that. Typically, with some of these traditional wholesalers, when they enter retail, they claim that retail is a margin accretive channel, so I just wanted to get some more clarity there.

Michael Scarpa

Sure. We've done a small test so far with Sam's Club, and we think, based on early results, that the product sold through very well and it's an opportunity for the company to explore that channel of distribution. We just brought somebody into the company about a month ago to help us formulate a strategy. So at this point, it's a little early to be talking about what we're thinking. I would suggest that next call, we'll have much more information that we can share with you regarding our plans.

Operator

We'll move next to Dana Telsey with Telsey Advisory Group.

Dana Lauren Telsey - Telsey Advisory Group LLC

Can you talk a little bit about -- Jane, as you were talking about the Big Kids product, what are you seeing there on terms of Boys and Girls and how do you see the transformation of the products from now until back-to-school and any of the initiatives there? And then, Mike, of the buckets that you mentioned, whether it's systems, hurdle rates on returns, where do you see the long-term operating margin potential for the business and how much comes from each bucket?

Jane T. Elfers

Thanks, Dana. On the Big Kids transformation, we were really pleased with 2012, where we ended up in Big Kids, both Boys and Girls. I think that the merchandising and design team has done a terrific job over the last couple of years, really differentiating Big versus Baby and really putting a focus on that consumer and what they're really looking for. Right now, in the business, we see a reaction to our spring fashion in both the Big and Big Girl and Big Boys. And as I said, I think that we'll be the very good shape when we exit Easter as far as that product, with very little carryover inventory. I can't really speak to the summer categories in either gender, Big Girl or Boy, just based on fact they haven't opened up yet, but I feel that the design and the styles that are in place are going to be very well accepted when the weather does break open. The only thing we have to go by is the Southwest and Western markets, and the response to this summer product out there has been very strong.

Michael Scarpa

And from an operating margin perspective, I've been with the company just about 4 months now, and I do see tremendous opportunity to increase our overall operating margins in all of the areas that you did mention. We're currently working with our senior team to quantify and put strategies behind all the different initiatives that we have. So again, being here 4 months, I'm not in a position really to be quantifying specific buckets and specific opportunities. I would suggest that you give me a couple more months, and on the next call, we'll be able to outline a little more in detail in terms of what those buckets could represent to overall margin over the next 2 to 3 years.

Operator

We'll move to Richard Jaffe with Stifel, Nicolaus.

Richard Ellis Jaffe - Stifel, Nicolaus & Co., Inc., Research Division

A follow-up about the Outlet center opportunity. With the made-for-outlet product being fully rolled out, what do you see the opportunity for Outlet in terms of a physical expansion, store count, average store size as you become more committed to the product line?

Jane T. Elfers

I think from a store rollout point of view, we are in most of the strong outlet centers throughout the country. And we certainly are involved in any major projects that come online. So we feel good about -- there's probably just a handful of locations and outlets that we'd like to be in and that we're not in. So from real estate point of view, I think we're in good shape. From a product point of view, we're over 80% now made-for-outlet product. And we'll continue to try to get that closer to about 85%, but we are in good shape as far as the rollout strategy. And as we mentioned on the call, had a very strong end to the year in Outlet. And we predict that we'll continue to be able to make progress in outlets over the next couple of years. And certainly, on the margin line, we're looking for parity with the U.S. Place by the end of '14.

Michael Scarpa

And currently, right now, the operating expenses of the Outlet group is lower than our U.S. Place stores. So if -- when we do gain parity in terms of the gross margins, we'll really see a big increase in total operating margins in terms of the comparison to Place.

Richard Ellis Jaffe - Stifel, Nicolaus & Co., Inc., Research Division

And just one more question, total number of stores that will be outlet and the average square footage of an outlet store versus the regular stores?

Jane T. Elfers

Yes, there are about 6,000 square feet versus an average, around 4,000, 4,200 square feet.

Richard Ellis Jaffe - Stifel, Nicolaus & Co., Inc., Research Division

And the number of stores?

Michael Scarpa

Currently, we have about 125 outlets.

Operator

Next to John Zolidis with Buckingham Research.

John Zolidis - The Buckingham Research Group Incorporated

I was wondering if I could to dig into this change in the evaluation for new stores, looking at ROIC versus cash contribution margin. Obviously, those 2 things are related. So I was wondering if you could talk about what the incremental criteria are that you're putting into place on your capital projects for the sparse. And I don't know if that relates back to outer uses of cash and how you view that overall. And if you could comment on share repurchase versus store openings, just more color on what you're doing differently on evaluating use of capital, especially in the stores?

Michael Scarpa

Sure. Obviously, the focus for the company is to improve its overall operating margin. In the past, the company has really been focused on cash contribution and not so much in terms of four-wall contribution. Obviously, the four-wall would include the depreciation and amortization of the lease hold improvements costs. So as we started to evaluate new stores coming to the portfolio, we want to make sure that the new stores that we're adding are indeed accretive to the overall four-wall profitability of the fleet itself. Also as we look at a market-by-market approach in the opportunities potentially to close some doors, we're looking at four-wall contribution overall and the impact that it has on our total operating income. So it's just an added measure of scrutiny that we've put into place. And it's informed us in terms of some of the new store opening decisions that have been made. And we hope that it will be able to -- it will inform us in terms of potential closures.

John Zolidis - The Buckingham Research Group Incorporated

Sorry, I just wanted to follow up with that. Just, not every company uses cash contribution margin or four-wall contribution margin in exactly the same way. In some cases, companies use those 2 terms interchangeably. Could you define the difference as far as Children's Place is using it?

Michael Scarpa

Obviously, it's a different calculation once you throw in depreciation and amortization. The company historically has looked at the cash contribution. My sense though is as we've tried to increase our operating margins from what has been a mid-6% range and obviously the goal is to get it up into the double-digit range, we need to put that further scrutiny on new stores that we're opening and really take a look at the portfolio and understand what stores are making money from a four-wall prospective and which ones aren't, and the decisions around potential closures of some of those stores. So it's something that we've added in terms of our real estate portfolio committee, it's something that's reported on now, and it's just like I said, it's an extra measure that we want to look at. As far as share buyback, the company has purchased about $90 million last year, similar amount the year before. We have $80 million that was remaining at the end of the fiscal 2012. And obviously, we work very closely with our board in -- around decisions on repurchasing shares and returning that money back to shareholders. So I don't expect any difference in terms of potential opportunities around share repurchase as we go into '13.

Operator

And we'll move next to Jay Sole with Morgan Stanley.

Jay Sole - Morgan Stanley, Research Division

Jane, as you look out into 2013 in the competitive landscape, where do you see The Children's Place having the most advantage versus the peers? And maybe if you can talk about it in terms of age and categories and price, that will be really helpful.

Jane T. Elfers

Sure. I think we overall have a competitive advantage. We have the #4 market share in the country in kids apparel. And the strength and scale of our brand, I think, has allowed us the opportunity to continue to expand share even during our turnaround. The numbers just came out and Children's Place expanded market share by another 40 basis points, even with the new players and spinoff divisions out there, so that we're real optimistic about our ability to continue to expand chair as our growth strategies mature. I think from a -- Bigs versus Little Kids, our competitive advantages is that we carry from 0 to 14 size and we can outfit from newborn to big kids. And I think also the fact that we can do head-to-toe outfitting has been a big plus for The Children's Place. When you look at what we do carry, we do carry lifestyle-specific end use product, so I think the ability for us to go from a very casual to dress up is also a competitive advantage for us in our price ranges. And we continue -- expect to continue to leverage that throughout 2013 and beyond.

Jay Sole - Morgan Stanley, Research Division

Okay. But let me ask you one more. You talk about the senior leadership changes that you've made. Where are you now just in terms of having the total team in place that you feel like it's the right team to lead the company forward? I mean, do you feel you need to add more people? Or are you satisfied with where things stand?

Jane T. Elfers

No, I don't feel like I need add more people. I feel like we made a significant upgrade, particularly in the operational and financial leadership positions at Children's Place during 2012. So we really feel good about where the senior team is right now, how the senior team is interacting and collaborating. And by far, since I've been here, I feel the best about the team we have, and I'm really excited about the potential to go forward.

Operator

And we'll move next to Susan Anderson with Citi.

Susan K. Anderson - Citigroup Inc, Research Division

I was wondering if you could talk about product costs for 2013. Do you guys still expect to get a benefit on the cost side from lower cotton in the first half? And then, I assume it goes away in the second half. And then, should we see higher costs from other things like transportation?

Jane T. Elfers

Where we're at right now is, for product cost, we're looking at mid- to high-single digit decreases in AUCs throughout the first 6 months of the year. That is on apparel, not on the accessories. Accessories is more flat to LY. And then as we go into the second half of the year, we start to anniversary the cost decreases from LY, so those the AUC decreases will certainly start to level out in the back half the year.

Susan K. Anderson - Citigroup Inc, Research Division

Okay, great. And then I think you said you're expecting April same store sales to be about the same as what they're trending now. So does that mean you're assuming that they stay down 8% for April?

Michael Scarpa

No. I think what we said was we had a big comp store decrease in the first week of February, followed by 3 weeks of positive. And February was down basically in the low-single-digit range. We expect March to be down and down significantly based on the weather impact. And then we see a slight rebound as we end up into -- in April, giving us a high-single-digit comp decrease for the quarter.

Operator

And we'll move next to Dorothy Lakner with Topeka Capital Markets.

Dorothy S. Lakner - Topeka Capital Markets Inc., Research Division

I just wondered if you could give a little bit more color on vendor consolidation, maybe quantify a little bit how much do you think is possible. And then looking at the various systems initiatives you've got going, just a little bit of a time line. I understand we're talking about 2014 for seeing the real benefits, but just in terms of implementation?

Jane T. Elfers

Sure. On the vendor consolidation part, I think we have a significant opportunity to decrease the total number of vendors we do business with. Probably, up to about 1/3, we could decrease vendors. The other thing on the vendor side is how much more important we're going to become to our top 10 vendors, and how much more opportunity we have to really develop those strategic partnerships with those top 10 players and to become much more important to each other and to get a little bit further out in our long-range planning.

Michael Scarpa

And from a systems perspective overall ERP, we put in the financial systems at the end of this year, and our expectation around the core merchandising portion of SAP will go in within the next 12 months. Planning and allocation, we're starting to do certain things as we speak, and we hope to have the full benefit of that as we begin to roll out into 2014. And then obviously, as Jane mentioned, Canada is up and running on our new -- our new platform from an e-commerce prospective. And we expect to have the U.S. up and aboard within the next couple of months. So we expect to see benefit from e-commerce this side of the year.

Operator

We'll take our last question from Rick Patel [ph] with Stephens.

Unknown Analyst

Can you give us the changes in operating margin for the U.S. versus Canada in the fourth quarter? And then as a follow-up, are the merchandising changes in Canada gaining traction yet? And how should we think about the next year in terms of how that region should perform, both from a comp and margin perspective?

Jane T. Elfers

Yes, on the merchandising initiatives, we were able to have a positive comp in Canada in Q4, which we were really proud of. So I think that notwithstanding the current situation we have in weather, I think we're doing a better job up there. As we mentioned on the call, we just hired a VP of Merchandising up there who has significant Canadian experience. So we anticipate as we go through '13 into '14, we'll be able to further refine those assortments in Canada.

Michael Scarpa

And just from a Canadian and U.S. perspective in terms of operating margins, both saw nice increases in terms of operating margin, basically just approximating the same increase year-on-year in the fourth quarter for both geographical locations.

Operator

No further questions. I would just like to turn the program back over to Ms. Jane Singer.

Jane Singer

Thank you for your interest in The Children's Place. If you have further questions, please call me at (201) 453-6955.

Operator

And this does conclude today's conference. You may now disconnect, and have a wonderful day.

Children's Place (PLCE): Q4 EPS of $1.15 beats by $0.11. Revenue of $509.2M beats by $13.16M. Shares -4.3% AH. (PR)

Comments (0)