

SERVICE CORPORATION INTERNATIONAL

Form 10-K/A

May 13, 2005

Table of Contents

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form 10-K/A
(Amendment No. 1)**

**b ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 2003

Or

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-6402-1

Service Corporation International
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

74-1488375
(I.R.S. employer
identification no.)

1929 Allen Parkway
Houston, Texas
(Address of principal executive offices)

77019
(Zip code)

Registrant's telephone number, including area code: **713/522-5141**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (\$1 par value)	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange
6 3/4% Convertible Subordinated Notes Due 2008	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in the Securities Exchange Act of 1934 Rule 12b-2). Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant (assuming that the registrant's only affiliates are its officers and directors) was \$1,142,008,087 based upon a closing market price of \$3.87 on June 30, 2003 of a share of common stock as reported on the New York Stock Exchange Composite Transactions Tape.

The number of shares outstanding of the registrant's common stock as of February 27, 2004 was 303,571,052 (net of treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement in connection with its 2004 Annual Meeting of Shareholders (Part III)

Table of Contents

Explanatory Note

The Company is amending and restating in its entirety its Form 10-K for the year ended December 31, 2003, to reflect operations that have been classified as discontinued operations and to reflect certain accounting changes surrounding the Company's insurance funded preneed funeral contracts. The Company is also including additional disclosures that were not provided in its original Form 10-K.

In addition, the Company has changed its method of accounting for insurance funded preneed funeral contracts as the Company has concluded that its insurance funded preneed funeral contracts are not assets and liabilities as defined by Statement of Financial Accounting Concepts No. 6, *Elements in Financial Statements*. Therefore, the Company has removed from its consolidated balance sheet amounts relating to insurance funded preneed funeral contracts previously recorded in Preneed funeral contracts, net and Deferred preneed funeral revenues. The removal of these amounts did not have an impact on the Company's consolidated shareholders' equity, results of operations or cash flows.

Discontinued Operations

In 1999, the Company began an initiative to identify and address non-strategic or underperforming businesses. As a result of this assessment, the Company committed to a plan in June 2004 to divest the existing funeral and cemetery operations in Argentina and Uruguay. The Company is actively marketing these operations and plans to have no continuing interest in these operations subsequent to the disposal of the Argentina and Uruguay businesses. As a result, the Company has classified these operations as discontinued operations for all periods presented.

Table of Contents

SERVICE CORPORATION INTERNATIONAL

INDEX

	Page
<u>Part I</u>	
<u>Item 1. Business</u>	4
<u>Item 2. Properties</u>	7
<u>Item 3. Legal Proceedings</u>	7
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	7
<u>Part II</u>	
<u>Item 5. Market for the Company's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities</u>	10
<u>Item 6. Selected Financial Data</u>	10
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	45
<u>Item 8. Financial Statements and Supplementary Data</u>	46
<u>Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures</u>	97
<u>Item 9A. Controls and Procedures</u>	97
<u>Part III</u>	
<u>Item 10. Directors and Executive Officers of the Company</u>	98
<u>Item 11. Executive Compensation</u>	98
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	98
<u>Item 13. Certain Relationships and Related Transactions</u>	98
<u>Item 14. Principal Accountant Fees and Services</u>	98
<u>Part IV</u>	
<u>Item 15. Exhibits, Financial Statement Schedules and Reports on Form 10-K</u>	100
<u>Signatures</u>	101
<u>Exhibit Index</u>	102
<u>Ratio of Earnings to Fixed Charges</u>	
<u>Consent of Independent Accountants</u>	
<u>Certification of CEO pursuant to Section 302</u>	
<u>Certification of PFO pursuant to Section 302</u>	
<u>Certification of CEO pursuant to Section 906</u>	
<u>Certification of PFO pursuant to Section 906</u>	

Table of Contents

PART I

ITEM 1. *Business.*

(Dollars in millions)

We restated our previously issued financial statements for the fiscal years ended December 31, 2002, 2001 and 2000, the interim quarters of 2002, 2001, 2000 and the first three quarters of 2003. All applicable amounts relating to these restatements have been reflected in this Form 10-K. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and notes two and twenty-one to the consolidated financial statements in Item 8 of this Form 10-K for details of the restatement.

General

Service Corporation International (SCI or the Company) is the world's largest provider of funeral and cemetery services. At December 31, 2003, we operated 2,225 funeral service locations, 417 cemeteries and 183 crematoria located in eight countries. We also had a minority interest equity investment in funeral and cemetery operations in the United Kingdom and Australia. In the fourth quarter of 2003, we sold our minority interest equity investment in our Australia operations. We expect to sell our minority interest investment in the United Kingdom in the second quarter of 2004, pending a successful public offering transaction. On March 11, 2004, we sold our funeral operations in France and subsequently purchased a 25% equity interest in the acquiring entity. The French operations consisted of 963 funeral service locations and 39 crematoria at December 31, 2003. For additional information regarding this transaction, see note twenty to the consolidated financial statements in Item 8 of this Form 10-K.

Our funeral service and cemetery operations consist of funeral service locations, cemeteries, crematoria and related businesses. Personnel at the funeral service locations provide all professional services relating to funerals, including the use of funeral facilities, motor vehicles, and preparation and embalming services. Funeral related merchandise (including caskets, coffins, burial vaults, cremation receptacles, flowers and other ancillary products and services) is sold at funeral service locations. Certain funeral service locations contain crematoria. We sell prearranged funeral services whereby a customer contractually agrees to the terms of a funeral to be performed in the future. Our cemeteries provide cemetery property interment rights (including mausoleum spaces, lots and lawn crypts) and sell cemetery related merchandise (including stone and bronze memorials, burial vaults, casket and cremation memorialization products) and services (primarily merchandise installation fees and burial opening and closing fees). Cemetery items are sold on an atneed or preneed basis. Personnel at cemeteries perform interment services and provide management and maintenance of cemetery grounds. Certain cemeteries operate crematoria and certain cemeteries contain gardens specifically for the purpose of cremation memorialization. There are 185 combination locations that contain a funeral service location within or adjacent to an SCI owned cemetery.

SCI was incorporated in Texas in July of 1962. Our principal corporate offices are located at 1929 Allen Parkway, Houston, Texas 77019 and our telephone number is (713) 522-5141. Our website is <http://www.sci-corp.com>. We make available free of charge, on or through our website, our annual, quarterly and current reports and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with the Securities and Exchange Commission. Information contained on our website is not part of this report.

Funeral and Cemetery Operations

General

The funeral and cemetery operations consist of our funeral service locations, cemeteries, crematoria and related businesses. As of December 31, 2003, our operations were organized into a North America division, which represents the United States and Canada, a European division primarily consisting of operations in France and an Other Foreign division relating to operations managed in South America and Singapore. In March 2004, we joint ventured our funeral operations in France. (For additional information regarding this transaction, see note twenty to the consolidated financial statements in Item 8 of this Form 10-K.)

During the fourth quarter of 2003, we realigned our funeral and cemetery operations in North America to better meet the needs of different market types. As a result, the funeral and cemetery operations in North America are organized into 32 major markets and 44 middle markets. Each market is led by a market director with responsibility for funeral and cemetery operations as well as preneed sales. Within each market, the operational facilities realize efficiencies by sharing common resources such as personnel, preparation services and vehicles. There are three market support centers in North America to assist market directors with financial,

Table of Contents

administrative and human resource needs. These support centers, commonly referred to as hubs, are located in Houston, New York and Los Angeles. The primary functions of the market support centers are to help facilitate the execution of corporate strategies, coordinate communication between the field and corporate offices and serve as liaisons for implementation of policies and procedures.

The death care industry in North America is characterized by a large number of locally owned, independent operations. In order to be successful, we believe our funeral service locations and cemeteries must maintain good reputations and high professional standards in the industry, as well as offer attractive products and services at competitive prices. We believe we have an unparalleled network of funeral service locations and cemeteries that offer high quality products and services at prices that are competitive with local competing funeral homes, cemeteries and retail locations.

We have multiple funeral service locations and cemeteries in a number of metropolitan areas. Within individual metropolitan areas, the funeral service locations and cemeteries operate under various names because most operations were acquired as existing businesses. Some of our international funeral service locations operate under certain brand names specific for a general area or country. We have branded our funeral operations in North America under the name Dignity Memorial®. A national brand name is unique to the death care industry in North America and we believe this gives us a strategic advantage in the industry. While this branding process is intended to emphasize our seamless national network of funeral service locations and cemeteries, the original names associated with acquired operations, and their inherent goodwill and heritage, will generally remain the same. For example, Geo. H. Lewis & Sons Funeral Directors is now Geo. H. Lewis & Sons Funeral Directors, a Dignity Memorial® provider.

In the death care industry, there has been a growing trend in the number of cremations performed in North America as an alternative to traditional funeral service dispositions. The west coast of the United States, Florida and Arizona have the highest concentration of cremation consumers in North America. Cremations usually result in lower revenue and gross profit dollars than traditional funeral services. In North America during 2003, 39.0% of all funeral services we performed were cremation cases, compared to 37.9% performed in 2002. We have expanded our cremation memorialization products and services in several North America markets, which has resulted in higher average sales for cremation cases compared to historical levels. During 2003, we continued to expand our nationally branded cremation service locations called National Cremation® Service (NCS). At December 31, 2003, NCS operated in eighteen states and Canada. NCS plans to expand its presence in existing states by adding locations where there is a business need.

Historically, we focused on the acquisition and consolidation of independent funeral homes and cemeteries in the fragmented death care industry in North America. During the 1990s, we also expanded our operations through acquisitions in Europe, Australia, South America and the Pacific Rim. At one time, our network consisted of more than 4,500 businesses in 20 countries on 5 continents. During the mid to late 1990s, the acquisition market became extremely competitive resulting in increased prices for acquisitions and substantially reduced returns on invested capital. In 1999, we significantly reduced the level of acquisition activity and focused on identifying and addressing non-strategic or underperforming businesses. This focus resulted in the divestiture of several North America and international operations. During 2002 and 2001, we completed joint ventures of operations in Australia, United Kingdom, Spain and Portugal; and divested of operations in the Netherlands, Norway, Italy and Belgium. In 2003, we sold our equity investment in our operations in Australia, Spain and Portugal. During the first quarter of 2004, we completed a joint venture of our funeral operations in France. We expect to sell our minority interest equity investment in the United Kingdom in the second quarter of 2004, pending a successful public offering transaction. We will pursue discussions with various third parties concerning the sale or joint venture of our remaining international operations (primarily in South America) as we intend to focus our efforts on operating a core business of high quality funeral service locations and cemeteries in North America.

Funeral Service Locations

Our 2,225 funeral service locations provide all professional services relating to funerals, including the use of funeral facilities, motor vehicles, and preparation and embalming services. Funeral service locations sell caskets, coffins, burial vaults, cremation receptacles, flowers, burial garments, and other ancillary products and services. Our funeral service locations generally experience a greater demand for services in the winter months primarily related to higher incidents of deaths from pneumonia and influenza.

In addition to selling products and services to client families at the time of need, we also sell preneed funeral services in most of our service markets. A funeral preneed arrangement is a means through which a customer contractually agrees to the terms of a funeral to be performed in the future. All or a portion of the funds collected from preneed funeral contracts are placed into trust accounts, pursuant to applicable law. Alternatively, where allowed, customers may choose to purchase a life insurance or annuity policy from third party insurance companies to fund their preneed funeral. In certain situations and pursuant to applicable laws, we will post a surety bond as financial assurance for a certain amount of the preneed funeral contract in lieu of placing certain funds in

Table of Contents

trust accounts. See the *Financial Assurances* section included in Financial Condition, Liquidity and Capital Resources in Item 7 of this Form 10-K for further details on our practice of posting such surety bonds. For additional information regarding preneed funeral activities, see the *Preneed Funeral and Cemetery Activities* section in Financial Condition, Liquidity and Capital Resources in Item 7 and notes three, four and five to the consolidated financial statements in Item 8 of this Form 10-K.

Cemeteries

Our cemeteries sell interment rights associated with cemetery property such as mausoleum spaces, lots and lawn crypts, and sell cemetery merchandise such as stone and bronze memorials, burial vaults, caskets and cremation memorialization products. Our cemeteries perform interment services and provide management and maintenance of cemetery grounds. Certain cemeteries operate crematoria and certain cemeteries contain gardens specifically for the purpose of cremation memorialization.

Cemetery sales are often made on a preneed basis pursuant to installment contracts providing for monthly payments. A portion of the proceeds from cemetery contracts is generally required by law to be paid into perpetual care trust funds. Earnings from perpetual care trust funds are used to defray the maintenance costs of cemeteries. Additionally, all or a portion of the proceeds from the sale of preneed cemetery merchandise and services may be required by various state laws to be paid into merchandise and services trusts until the merchandise is delivered or the service is provided. In certain situations and pursuant to applicable laws, we will post a surety bond as financial assurance for a certain amount of the preneed cemetery contract in lieu of placing certain funds into trust accounts. See the *Financial Assurances* section included in Financial Condition, Liquidity and Capital Resources in Item 7 of this Form 10-K for further details on the practice of posting such surety bonds. For additional information regarding cemetery preneed activities, see the *Prearranged Funeral and Cemetery Activities* section in Financial Condition, Liquidity and Capital Resources in Item 7 of this Form 10-K and notes three, four and six to the consolidated financial statements in Item 8 of this Form 10-K.

Combined Funeral Service Locations and Cemeteries

At December 31, 2003, we owned 185 funeral service/cemetery combination locations in which a funeral service location is physically located within or adjoining an SCI owned cemetery. Combination locations allow certain facility, personnel and equipment costs to be shared between the funeral service location and cemetery and typically have a higher gross margin than if the funeral and cemetery operations were operated separately. Combination locations also create synergies between funeral and cemetery sales force personnel and give consumers added convenience to purchase both funeral and cemetery products and services at a single location.

Employees

At December 31, 2003, we employed 20,471 (13,461 in North America) individuals on a full time basis and 7,342 (6,788 in North America) individuals on a part time basis. Of the full time employees, 19,949 were employed in the funeral and cemetery operations and 522 were employed in corporate or other overhead activities and services. All eligible employees in the United States who so elect are covered by SCI's group health and life insurance plans. Eligible employees in the United States are participants in retirement plans of SCI or various subsidiaries, while international employees are covered by other SCI (or SCI subsidiary) defined or government mandated benefit plans. Approximately 3% of our employees in North America are represented by unions. Although labor disputes are experienced from time to time, relations with employees are generally considered favorable.

Regulation

Our operations are subject to regulations, supervision and licensing under numerous foreign, federal, state and local laws, ordinances and regulations, including extensive regulations concerning trust funds, preneed sales of funeral and cemetery products and services and various other aspects of our business. We comply in all material respects with the provisions of such laws, ordinances and regulations. Since 1984, we have operated in the United States under the Federal Trade Commission (FTC) comprehensive trade regulation rule for the funeral industry. The rule contains requirements for funeral industry practices, including extensive price and other affirmative disclosures and imposes mandatory itemization of funeral goods and services. From time to time in connection with our former strategy of growth through acquisitions, we entered into consent orders with the FTC that required us to dispose of certain operations in order to proceed with such acquisitions, or limited our ability to make acquisitions in specified areas. The trade regulation rule and the various consent orders have not had a material adverse effect on our operations.

As previously mentioned, we sold our funeral operations in France in March 2004. The French funeral services industry has undergone significant regulatory change in recent years. Historically, the French funeral services industry had been controlled, as provided by national legislation, either (i) directly by municipalities through municipality-operated funeral establishments (Municipal

Table of Contents

Monopoly), or (ii) indirectly by the remaining municipalities that have contracted for funeral service activities with third party providers, such as our French funeral operations (Exclusive Municipal Authority). Legislation was passed that has generally ended municipal control of the French funeral service business and has allowed free competition among funeral service providers. Under such legislation, the Exclusive Municipal Authority was abolished in January 1996, and the Municipal Monopoly was eliminated in January 1998. Cemeteries in France are currently controlled by municipalities and religious organizations. We previously sold cemetery merchandise such as markers and monuments to consumers for use in these cemeteries.

ITEM 2. *Properties.*

Our corporate headquarters are located at 1929 Allen Parkway, Houston, Texas 77019. A wholly-owned subsidiary of SCI owns an undivided one-half interest in the building and parking garage. The other undivided one-half interest is owned by an unrelated third party. We plan to acquire the other one-half interest in the building at the end of the lease in July 2005 for \$2 million. The property consists of approximately 127,000 square feet of office space and 185,000 square feet of parking space. We lease all of the office space in the building for \$59 thousand per month and pay all operating expenses. One half of the rent is paid to the wholly-owned subsidiary and the other half is paid to the owners of the remaining undivided one-half interest. We own and utilize two additional buildings located in Houston, Texas for corporate activities containing a total of approximately 207,000 square feet of office space.

At December 31, 2003, we owned approximately 68% of the real estate and buildings used by our 2,225 funeral service locations, cemeteries and 183 crematoria, and 32% of such facilities are leased. In addition, we leased two aircraft pursuant to cancelable operating leases. At December 31, 2003, we operated 10,032 vehicles, of which 29% were owned and 71% were leased. For additional information regarding leases, see the *Contractual, Commercial and Contingent Commitments* section in Financial Condition, Liquidity and Capital Resources in Item 7 and note twelve to the consolidated financial statements in Item 8 of this Form 10-K.

At December 31, 2003, our 417 cemeteries contained a total of approximately 28,254 acres, of which approximately 57% was developed.

The specialized nature of our businesses requires that our facilities be well-maintained and kept in good condition and we believe that these standards are being met.

ITEM 3. *Legal Proceedings.*

Information regarding legal proceedings is set forth in note twelve to the consolidated financial statements in Item 8 of this Form 10-K.

ITEM 4. *Submission of Matters to a Vote of Security Holders.*

None.

Table of Contents**EXECUTIVE OFFICERS OF THE COMPANY**

Pursuant to General Instruction G to Form 10-K, the information regarding executive officers of the Company called for by Item 401 of Regulation S-K is hereby included in Part I of this report.

The following table sets forth as of March 15, 2004 the name and age of each executive officer of the Company, the office held, and the date first elected an officer.

Officer Name	Age	Position	Year First Became Officer⁽¹⁾
R. L. Waltrip	73	Chairman of the Board and Chief Executive Officer	1962
B. D. Hunter	74	Vice Chairman of the Board	1986
Thomas L. Ryan	38	President and Chief Operating Officer	1999
Michael R. Webb	45	Executive Vice President	1998
Jeffrey E. Curtiss	55	Senior Vice President Chief Financial Officer and Treasurer	2000
Stephen M. Mack	52	Senior Vice President Middle Market Operations	1998
James M. Shelger	54	Senior Vice President General Counsel and Secretary	1987
J. Daniel Garrison	52	Vice President Operations Services	1998
W. Cardon Gerner	49	Vice President Accounting	1999
Eric D. Tanzberger	35	Vice President and Corporate Controller	2000
Stephen J. Uthoff	52	Vice President Chief Information Officer	2000
Sumner J. Waring, III	35	Vice President Major Market Operations	2002

(1) Indicates the year a person was first elected as an officer although there were subsequent periods when certain persons ceased being officers of the Company.

Unless otherwise indicated below, the persons listed above have been executive officers or employees for more than five years.

Mr. Waltrip is the founder, Chairman and Chief Executive Officer of the Company and a licensed funeral director. He grew up in his family's funeral business and assumed management of the firm in the 1950s after earning a Bachelor's degree in Business Administration from the University of Houston. He began buying additional funeral homes in the 1960s, achieving cost efficiencies by pooling their resources. At the end of 2003, the network he began had grown to include more than 2,800 funeral service locations, cemeteries and crematoria in eight countries. Mr. Waltrip took the Company public in 1969. He has provided leadership to the Company for over 40 years.

Mr. Hunter was appointed Vice Chairman of the Board in January 2000. For more than five years, prior to February 2002, Mr. Hunter had been the Chairman of Huntco, Inc., an intermediate steel processor, and was also its Chief Executive Officer prior to May 2000. In February 2002, Huntco, Inc., filed a petition for bankruptcy under Chapter 11 of the United States Bankruptcy Code during a severe downturn in the steel industry. Mr. Hunter has been a director since 1986 and also served as Vice Chairman of the Board from September 1986 to May 1989. He is a graduate of Truman State University, formerly known as Northeast Missouri State University, in Kirksville, Missouri.

Mr. Ryan joined the Company in June 1996 and served in a variety of financial management roles within the Company. In February 1999, Mr. Ryan was promoted to Vice President International Finance. In November 2000, he

was promoted to Chief Executive Officer of European Operations based in Paris, France. In July 2002, Mr. Ryan was appointed President and Chief Operating Officer. Prior to joining the Company, Mr. Ryan was a certified public accountant with Coopers & Lybrand L.L.P. for more than five years. Mr. Ryan holds a Bachelor of Business Administration degree from the University of Texas-Austin.

Mr. Webb joined the Company in 1991 when it acquired Arlington Corporation, a regional funeral and cemetery consolidator, where he was then Chief Financial Officer. Prior to joining Arlington Corporation, Mr. Webb held various executive financial and development roles at Days Inns of America and Telemundo Group, Inc. In 1993, Mr. Webb joined the Company's corporate development group, which he later led on a global basis before accepting operational responsibility for the Company's Australian and Hispanic businesses. Most recently, Mr. Webb has led the efforts to reduce overhead costs and improve business and financial processes. Mr. Webb was named Executive Vice President in July 2002. He is a graduate of the University of Georgia, where he earned a Bachelor of Business Administration degree.

Table of Contents

Mr. Curtiss joined the Company as Senior Vice President and Chief Financial Officer in January 2000. In August 2002, Mr. Curtiss' responsibilities changed to include the responsibilities of Treasurer of the Company. From January 1992 until July 1999, Mr. Curtiss served as Senior Vice President and Chief Financial Officer of Browning-Ferris Industries, a waste services company. Mr. Curtiss attended the University of Nebraska, Lincoln, where he earned Bachelor of Science in Business Administration and Doctor of Jurisprudence degrees. He also holds a Master of Legal Letters degree in taxation from Washington University in St. Louis, Missouri.

Mr. Mack joined the Company in 1973 as a resident director after graduating from Farmingdale State University of New York. He became Vice President of the Eastern Region in 1987 and Regional President in 1992. Mr. Mack was appointed Corporate Vice President in 1998 and then promoted to Senior Vice President in 2002. Mr. Mack was promoted to Senior Vice President Eastern Operations in August 2002 and assumed the office of Senior Vice President Middle Market Operations in November 2003.

Mr. Shelger joined the Company in 1981 when it acquired IFS Industries, a regional funeral and cemetery consolidator, where he was then General Counsel. Mr. Shelger subsequently served as counsel for the Cemetery Division until 1991, when he was appointed General Counsel. Mr. Shelger earned a Bachelor of Science degree in business administration from the University of Southern California in Los Angeles and a Juris Doctor from the California Western School of Law in San Diego.

Mr. Garrison joined the Company in 1978 and worked in a series of management positions until he was promoted to President of the Southeastern Region in 1992. In 1998, Mr. Garrison was promoted to Corporate Vice President in charge of operations outside North America. In 2000, Mr. Garrison was promoted to Vice President North American Cemetery Operations. He served in this position until assuming his current position as Vice President Operations Services in August 2002. Mr. Garrison is an Administrative Management graduate of Clemson University.

Mr. Gerner joined the Company in January 1999 in connection with the acquisition of Equity Corporation International (ECI) and in March 1999 was promoted to Vice President Corporate Controller. In August 2002, Mr. Gerner's responsibilities and position changed to Vice President Accounting. Before the acquisition, Mr. Gerner had been Senior Vice President and Chief Financial Officer of ECI since March 1995. Prior thereto, Mr. Gerner was a partner with Ernst & Young LLP. Mr. Gerner graduated with honors from the University of Texas-Austin, with a Bachelor of Business Administration in Accounting.

Mr. Tanzberger joined the Company in August 1996 as Manager of Budgets & Financial Analysis. Since then, Mr. Tanzberger has served as Vice President of Operations/Western Division, Director of Investor Relations and Assistant Corporate Controller. Mr. Tanzberger was promoted to Vice President Investor Relations and Assistant Corporate Controller in January 2000, and to Corporate Controller in August 2002. Prior to joining the Company, Mr. Tanzberger was Assistant Corporate Controller at Kirby Marine Transportation Corporation, an inland waterway barge and tanker company, from January through August 1996. Prior thereto, he was a certified public accountant with Coopers & Lybrand L.L.P. for more than five years. Mr. Tanzberger is a graduate of the University of Notre Dame, where he earned a Bachelor of Business Administration degree.

Mr. Uthoff joined the Company as Vice President Chief Information Officer in January 2000. From June 1994 through July 1999, Mr. Uthoff served as Vice President Planning & Analysis of Browning-Ferris Industries, a waste services company. Mr. Uthoff attended Oklahoma State University, where he earned a Bachelor of Science degree in Engineering and a Master of Science degree in Accounting.

Mr. Waring, a licensed funeral director, joined the Company as an Area Vice President in 1996 when the Company merged with his family's funeral business. Mr. Waring was appointed Regional President of the Northeast Region in 1999 and was promoted to Regional President of the Pacific Region in September 2001. Mr. Waring was promoted to

Vice President Western Operations in August 2002 and assumed the office of Vice President Major Market Operations in November 2003. Mr. Waring holds a Bachelor's degree in Business Administration from Stetson University in Deland, Florida, a degree in Mortuary Science from Mt. Ida College and a Masters of Business Administration degree from the University of Massachusetts Dartmouth.

Each officer of the Company is elected by the Board of Directors and holds his office until his successor is elected and qualified or until his earlier death, resignation or removal in the manner prescribed in the Bylaws of the Company. Each officer of a subsidiary of the Company is elected by the subsidiary's board of directors and holds his office until his successor is elected and qualified or until his earlier death, resignation or removal in the manner prescribed in the bylaws of the subsidiary.

Table of Contents**PART II****ITEM 5. Market for the Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

The Company's common stock has been traded on the New York Stock Exchange since May 14, 1974. On December 31, 2003, there were 6,609 holders of record of the Company's common stock.

In October 1999, the Company suspended payment of regular quarterly cash dividends on its outstanding common stock in order to focus on improving cash flow and reducing existing debt. Under the Company's bank credit agreement, the Company is restricted from paying dividends and making other distributions.

The table below shows the Company's quarterly high and low common stock prices for the two years ended December 31, 2003:

	2003		2002	
	High	Low	High	Low
First quarter.	\$ 3.82	\$ 2.78	\$ 5.50	\$ 4.55
Second quarter	4.24	2.67	5.15	3.60
Third quarter.	4.95	3.75	4.64	2.25
Fourth quarter	5.58	4.45	3.71	2.42

SRV is the New York Stock Exchange ticker symbol for the common stock of the Company. Options in the Company's common stock are traded on the Philadelphia Stock Exchange under the symbol SRV.

For equity compensation plan information, see Part III of this report on page 99.

ITEM 6. Selected Financial Data.

The following selected consolidated financial data for the years ended December 31, 1999 through December 31, 2003 is derived from our audited consolidated financial statements as restated. The operating data includes reclassifications to conform to current period presentations with no impact on net income. In the second quarter of 2004, we committed to a plan to divest our existing funeral and cemetery operations in Argentina and Uruguay. Therefore, these operations are classified as discontinued for all periods presented. In the first quarter of 2004, we changed our method of accounting for insurance funded preneed contracts as we have concluded that our insurance funded preneed funeral contracts are not assets and liabilities as defined by Statement of Financial Accounting Concepts No. 6, *Elements in Financial Statements*. Therefore, we have removed from our balance sheet amounts relating to insurance funded preneed funeral contracts for periods presented. The data set forth should be read in conjunction with our consolidated financial statements and accompanying notes to the consolidated financial statements included in this Form 10-K. The historical information is not necessarily indicative of the results to be expected in the future.

The financial statements for the fiscal years ended December 31, 2002, 2001 and 2000, the interim quarters of 2002, 2001, 2000 and the first three quarters of 2003 have been restated. All applicable amounts relating to these restatements have been reflected in the following selected financial data.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA****(Dollars in millions except per share amounts)**

	Year ended December 31,				
	2003	2002 (Restated)	2001 (Restated)	2000 (Restated)	1999
Selected Consolidated Statement of Operations Data:					
Revenue	\$ 2,328.4	\$ 2,312.4	\$ 2,489.0	\$ 2,569.5	\$ 2,979.0
Income (loss) from continuing operations before cumulative effects of accounting changes	\$ 82.6	\$ (82.2)	\$ (464.0)	\$ (388.4)	\$ (55.8)
Net income (loss)	\$ 85.1	\$ (232.5)	\$ (623.4)	\$ (1,294.1)	\$ (32.4)
Earnings per share:					
Income (loss) from continuing operations before cumulative effects of accounting changes					
Basic	\$ 0.28	\$ (0.28)	\$ (1.63)	\$ (1.43)	\$ (0.21)
Diluted	\$ 0.28	\$ (0.28)	\$ (1.63)	\$ (1.43)	\$ (0.21)
Net income (loss)					
Basic	\$ 0.28	\$ (0.79)	\$ (2.19)	\$ (4.75)	\$ (0.12)
Diluted	\$ 0.28	\$ (0.79)	\$ (2.19)	\$ (4.75)	\$ (0.12)
Dividends per share					\$ 0.27

Selected Consolidated Balance Sheet Data:

Total assets	\$ 7,725.2	\$ 7,798.2	\$ 9,025.0	\$ 10,525.0	\$ 10,779.7
Long-term debt, less current maturities	\$ 1,519.2	\$ 1,874.1	\$ 2,301.4	\$ 3,078.7	\$ 3,622.2
Stockholders' equity	\$ 1,527.0	\$ 1,326.7	\$ 1,456.4	\$ 2,025.0	\$ 3,495.3

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**(Dollars in millions, except average sales prices and per share data)****Restatement of Historical Financial Statements**

We restated our previously issued financial statements for the fiscal years ended December 31, 2002, 2001 and 2000, the interim quarters of 2002, 2001 and 2000, and the first three quarters of 2003, primarily related to adjustments to Deferred preneed cemetery contract revenues. All applicable amounts relating to these restatements have been reflected in the consolidated financial statements and notes to the consolidated financial statements.

Prior to the implementation of Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* (SAB 101), the Company recorded revenues for cemetery merchandise or services at the time the contract was signed by the customer. The estimated costs to deliver merchandise and perform services were charged to expense at the time the contract was signed and a corresponding liability was recorded on the Company's consolidated balance sheet. This liability was periodically adjusted to reflect changes in the estimated costs of merchandise and services. When the Company delivered merchandise or performed services under a customer's cemetery contract, our policy required cemetery personnel to record such delivery or performance into the accounting system. This entry reduced the

corresponding liability as the obligation was satisfied.

Effective January 1, 2000, we adopted SAB 101. We determined that the accounting policy for recognition of preneed cemetery merchandise or service revenue should be changed from the time of sale to the time of delivery or performance. Undelivered merchandise and services would be recorded as deferred revenue at the contract sale price and revenue from such merchandise and services would be recognized when delivered or performed.

In the latter part of 2001, we identified preneed cemetery merchandise and services that had been previously delivered, but the delivery had not been input into our accounting system in a timely manner. When identified, these items were recognized as revenues and disclosed as changes in estimates in the period identified. Deliveries made in a period other than when they were ultimately recognized as a change in estimate are referred to as out-of-period deliveries .

Table of Contents

During 2000 through September 2003, we identified approximately \$109.4 million of preneed cemetery contract items that were out-of-period deliveries, which means that these items had been delivered or performed, but the revenue had not been recognized in the appropriate period of delivery. These items were originally recognized as revenues and disclosed as changes in estimates in the periods from 2000 through 2003. Offsetting the \$109.4 million, we recorded \$43.6 million of cemetery revenue from 2000 through September 2003, which represents the effects of subsequent years being restated into the appropriate earlier period as detailed in the table below.

(Dollars in millions)	2000	2001	2002	First Three Quarters of 2003	Total
Reductions in cemetery revenues for out-of-period deliveries	\$ (12.8)	\$ (68.5)	\$ (23.4)	\$ (4.7)	\$ (109.4)
Effects of subsequent years being restated into the appropriate period	\$ 27.7	\$ 11.0	\$ 4.9	\$	\$ 43.6
Net restatement of cemetery revenues for out-of-period deliveries	\$ 14.9	\$ (57.5)	\$ (18.5)	\$ (4.7)	\$ (65.8)

Additionally, during the fourth quarter of 2003, we recorded adjustments to prior periods totaling \$40.7 million to report additional cemetery merchandise and service revenue in the period that such items were delivered or performed. The difference between the \$40.7 million and the \$109.4 million described above is that the cemetery contract items within the \$109.4 million were previously identified by the Company and were recognized as revenue and disclosed as a change in estimate in the period identified. The cemetery contract items within the \$40.7 million were not previously identified or recognized as revenue by the Company prior to the fourth quarter of 2003. The distribution of the \$40.7 million was restated as follows:

(Dollars in millions)	2000	2001	2002	2003	Total
Increased revenues for items for which delivery or performance occurred, but no revenue was recognized	\$ 4.9	\$ 8.3	\$ 8.7	\$ 8.7	\$ 30.6
Cumulative effect (pretax)	\$ 10.1	\$	\$	\$	\$ 10.1
Total revenues for items for which delivery or performance occurred, but no revenue was recognized.	\$ 15.0	\$ 8.3	\$ 8.7	\$ 8.7	\$ 40.7

We also reviewed our accounting policy for amortizing preneed funeral deferred selling costs and have changed the methodology for amortizing these costs from a straight line basis to a method more in proportion to when the associated revenues are recognized. We included this change in amortization in our restated results.

Table of Contents

The effect of the restatement of our previously reported consolidated statement of operations and consolidated balance sheet for the periods described above is as follows:

	Year ended December 31, 2002		Year ended December 31, 2001		Year ended December 31 2000	
	As reported	As Restated	As Reported	As Restated	As Reported	As Restated
Selected consolidated statement of operations data:						
Revenues	\$ 2,322.2	\$ 2,312.4	\$ 2,538.1	\$ 2,489.0	\$ 2,549.8	\$ 2,569.5
Costs and expenses	\$ (1,959.3)	\$ (1,950.4)	\$ (2,173.5)	\$ (2,166.2)	\$ (2,216.4)	\$ (2,226.5)
Gross profits	\$ 362.9	\$ 362.0	\$ 364.6	\$ 322.8	\$ 333.4	\$ 343.0
Operating income (loss)	\$ 16.8	\$ 15.8	\$ (189.0)	\$ (230.9)	\$ (247.2)	\$ (237.5)
Loss from continuing operations before income taxes and cumulative effects of accounting changes	\$ (118.9)	\$ (119.9)	\$ (376.7)	\$ (418.6)	\$ (475.6)	\$ (465.9)
Benefit (provision) for income taxes	\$ 37.3	\$ 37.7	\$ (61.6)	\$ (45.3)	\$ 81.3	\$ 77.6
Cumulative effects of accounting changes (net of income taxes)	\$ (135.6)	\$ (135.6)	\$ (7.6)	\$ (7.6)	\$ (913.6)	\$ (870.4)
Net loss	\$ (231.9)	\$ (232.5)	\$ (597.8)	\$ (623.4)	\$ (1,343.3)	\$ (1,294.1)
Basic and diluted earnings per share:						
Loss from continuing operations before cumulative effects of accounting changes	\$ (.28)	\$ (.28)	\$ (1.54)	\$ (1.63)	\$ (1.45)	\$ (1.43)
Net loss	\$ (.79)	\$ (.79)	\$ (2.10)	\$ (2.19)	\$ (4.93)	\$ (4.75)

(Dollars in thousands, except per share data)

	As of December 31, 2002	
	As Reported	As Restated
Selected consolidated balance sheet data:		
Inventories	\$ 135,263	\$ 136,666
Total current assets	\$ 612,874	\$ 614,277
Deferred charges and other assets	\$ 719,180	\$ 712,030
Total assets	\$ 8,253,993	\$ 7,798,246
Deferred cemetery contract revenues, net	\$ 1,672,661	\$ 1,629,540
Deferred income taxes	\$ 420,658	\$ 435,148
Accumulated deficit	\$ (1,046,029)	\$ (1,023,145)
Total stockholders equity	\$ 1,303,771	\$ 1,326,655
Total liabilities and stockholders equity	\$ 8,253,993	\$ 7,798,246

See note twenty-one to the consolidated financial statements for the effect of the restatement upon quarterly unaudited financial data.

We have changed our method of accounting for insurance funded preneed contracts as we have concluded that our insurance funded preneed funeral contracts are not assets and liabilities as defined by Statement of Financial Accounting Concepts No. 6, *Elements in Financial Statements*. Therefore, we have removed from our consolidated balance sheet amounts relating to insurance funded preneed funeral contracts previously recorded in *Preneed funeral receivables and trust investments and Deferred preneed funeral revenues*, which at December 31, 2003 and 2002, were \$3,505,094 and \$2,948,100, respectively. The removal of these amounts did not have an impact on our consolidated stockholders' equity, results of operations or cash flows.

Overview

Service Corporation International (SCI), headquartered in Houston, Texas, is the world's largest funeral and cemetery company. At December 31, 2003, we operated 2,225 funeral service locations, 417 cemeteries, and 183 crematoria in eight countries. North America operations represented 56% of funeral service locations, 97% of cemeteries and 77% of crematoria owned at December 31, 2003, and approximately 73% of consolidated revenues and 79% of consolidated gross profits.

North America Operations

To meet the needs of different markets, the funeral and cemetery operations in North America are organized into 32 major markets and 44 middle markets. Each market is led by a market director with responsibility for both funeral and cemetery operations as well as preneed sales in their particular market. Within each market, the businesses realize efficiencies by sharing common resources such as personnel, preparation services, and vehicles. To assist market directors with financial and administrative needs as well as human resource issues, there are three market support centers in North America. These support centers, commonly referred to as "hubs" are located in Houston, New York and Los Angeles. The market support centers help to facilitate the execution of corporate strategies, coordinate the communication between corporate office and the field, and act as liaisons for implementation of policies and procedures.

Table of Contents

International Operations

On March 11, 2004, we sold our funeral operations in France and then purchased a 25% equity interest in the acquiring company. We also have a minority interest equity investment in the United Kingdom. Remaining international operations outside of North America consist of funeral businesses in Singapore and primarily cemetery businesses in Argentina, Chile and Uruguay. It is our intention to exit these remaining international businesses when market values and economic conditions are conducive to a sale or joint venture. At this time, we believe our focus is best spent in North America where significant opportunities for growth exist. Subsequent to December 31, 2003, management committed to a plan to sell its Argentina and Uruguay operations. For additional information, see note nineteen to the consolidated financialix) any early retirement program, group termination, group layoff, facility closing, or similar program; or (x) any transfer of assets from a portfolio directly to a competing option. The Plan Administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

A wrap issuer may terminate a wrap contract for cause at any time.

The average yield the Portfolio earned was approximately 3.89% and 3.63% at December 31, 2006 and 2005, respectively. The average yield credited to participants was approximately 4.27% and 3.65% at December 31, 2006 and 2005, respectively.

-9-

5. INVESTMENTS

The Plan's investments that represented 5% or more of the Plan's net assets available for benefits as of December 31, 2006 and 2005, are as follows:

	2006	2005
**Fidelity Equity Income Fund (105,763 shares and 98,036 shares, respectively)	\$ 6,192,417	\$ 5,174,353
**Fidelity Diversified International Fund (97,088 shares and 76,190 shares, respectively)	3,587,413	2,479,223
**Fidelity Mid-Cap Stock Fund (121,873 shares and 100,365 shares, respectively)	3,551,372	2,666,695
**†Fidelity Managed Income Portfolio Fund, at contract value (9,669,997 shares and 8,588,420 shares, respectively)	9,669,997	8,588,420
**The Children's Place Common Stock (32,246 shares and 35,079 shares, respectively)	2,048,277	1,733,594
All other investments	16,446,830	11,023,929
TOTAL INVESTMENTS	\$ 41,496,306	\$ 31,666,215

**Party-in-interest

† Fair value of the Fidelity Managed Income Portfolio as of December 31, 2006 and 2005 was \$9,573,774 and \$8,492,197, respectively.

During the year ended December 31, 2006, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

Mutual Funds	\$ 1,829,845
The Children's Place Common Stock	491,673
Net appreciation in fair value of investments	\$ 2,321,518

6. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Fidelity Management and Trust Company. Fidelity Management and Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan for investment management services were included as a reduction of the return earned on each fund.

At December 31, 2006 and 2005, the Plan held 32,246 and 35,079 shares, respectively, of common stock of The Children's Place Retail Stores, Inc., the sponsoring employer, with a cost basis of \$928,599 and \$885,367,

respectively.

-10-

Certain employees and officers of the Company, who may also be participants in the Plan, perform administrative services to the Plan at no cost to the Plan. These party-in-interest transactions are not deemed prohibited because they are covered by statutory and administrative exemptions from the Code and the rules and prohibited transactions of ERISA.

7. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event that the Plan is terminated, participants would become 100% vested in their accounts.

8. FEDERAL INCOME TAX STATUS

The Plan itself has not received a determination letter from the IRS. The Plan’s management believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income tax has been included in the Plan’s financial statements.

9. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

Form 5500 reports the Portfolio at fair value per the Form 5500 instructions; thus the fair value per the Form is reconciled herein to the contract value shown in the Statement of Net Assets Available for Benefits.

Loans to participants per the statements of net assets available for benefits differs from loans to participants per the Form 5500 as of December 31, 2006 and 2005, because certain conditions apply which cause certain loans to be reported as a deemed distribution for tax purposes. The loans are properly reported as a Plan asset for financial statement purposes as determined by the written terms of the Plan document, related Plan policies and procedures and the loan document. The distributions per the statement of changes in net assets available for benefits differs from the distributions per Form 5500 because these loans were deemed distributed for tax purposes during the current year.

Additionally, the stock purchase account is a money market account that is used as a plan-level account in the recordkeeping of the purchase and sale of fractional shares of The Children’s Place Common Stock.

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500 as of December 31, 2006 and 2005:

	2006	2005
Net assets available per the financial statements	\$ 41,496,306	\$ 31,851,982
Less: Participant loan amounts deemed distributed for tax purposes	(8,559)	(11,592)
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(96,407)	-
Net assets available for benefits per Form 5500	\$ 41,391,340	\$ 31,840,390

The total interest required to be reported on Form 5500 includes interest bearing cash in The Children's Place Stock Purchase Account and excludes loans that have been deemed distributed and have had no post-default payment activity. The following is a reconciliation of interest per the financial statements to Form 5500 for the year ended December 31, 2006:

	2006
Interest per the financial statements	\$ 54,123
Less: Interest on deemed distributed loans with no post- default payments	(570)
Total interest per Form 5500	\$ 53,553

The following is a reconciliation of benefits paid to participants per the financial statements to Form 5500 for the year ended December 31, 2006:

	2006
Benefits paid to participants per the financial statements	\$ 4,723,195
Less: Prior year participant loans deemed distributed for tax purposes	(11,592)
Add: Current year participant loans deemed distributed for tax purposes	8,559
Less: Interest on deemed loans with no default payments	(570)
Less: Prior year Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(96,223)
Add: Current year Adjustment from fair value to contract value for fully benefit-responsive investment contracts	96,407
Benefit payments to participants per Form 5500	\$ 4,719,776

**THE CHILDREN'S PLACE 401(k) SAVINGS PLAN
FORM 5500, SCHEDULE H, PART IV, LINE 4i -
SCHEDULE OF ASSETS (HELD AT END OF YEAR)**

**EIN:
31-1241495
PLAN No.
001**

AS OF DECEMBER 31, 2006

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
*	Fidelity Equity Income Fund	Mutual Fund	**	\$6,192,417
*	Fidelity Investment Grade Bond Fund	Mutual Fund	**	1,881,288
*	Fidelity Blue Chip Growth Fund	Mutual Fund	**	1,893,331
*	Fidelity Low Priced Stock Fund	Mutual Fund	**	1,501,690
*	Fidelity Diversified International Fund	Mutual Fund	**	3,587,413
*	Fidelity Dividend Growth Fund	Mutual Fund	**	1,144,496
*	Fidelity Small Cap Independent Fund	Mutual Fund	**	1,056,672
*	Fidelity Mid-Cap Stock Fund	Mutual Fund	**	3,551,372
*	Fidelity Freedom Income Fund	Mutual Fund	**	141,076
*	Fidelity Freedom 2000 Fund	Mutual Fund	**	138,297
*	Fidelity Freedom 2010 Fund	Mutual Fund	**	602,266
*	Fidelity Freedom 2020 Fund	Mutual Fund	**	1,199,223
*	Fidelity Freedom 2030 Fund	Mutual Fund	**	1,181,300
*	Fidelity Freedom 2040 Fund	Mutual Fund	**	696,418
*	Fidelity Freedom 2005 Fund	Mutual Fund	**	64,449
*	Fidelity Freedom 2015 Fund	Mutual Fund	**	808,645
*	Fidelity Freedom 2025 Fund	Mutual Fund	**	614,970
*	Fidelity Freedom 2035 Fund	Mutual Fund	**	578,788
*	Fidelity Managed Income Portfolio	Common/Collective Fund	**	9,573,774
	Spartan US Equity Index Fund	Mutual Fund	**	917,004
	AMR Small Cap Value Fund	Mutual Fund	**	865,824
*	The Children's Place Common Stock	Common Stock	**	2,048,277
*	The Children's Place Stock Purchase Acct.	Interest Bearing Cash	**	225
*	Loans to Participants	Loan Fund - Participant Loans at interest rates ranging from 5% to 10% maturity dates from 2007 to 2016	**	1,152,125
TOTAL INVESTMENTS				\$41,391,340

*Party in interest

**Cost information is not required for participant directed investments, and is therefore not included.

-13-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed by the undersigned, hereunto duly authorized.

The Children's Place 401(k) Savings Plan

By: /s/ Susan Riley
Executive Vice President, Finance & Administration