GANNETT CO INC /DE/
Form 10-Q
August 07, 2013

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-6961

GANNETT CO., INC.
(Exact name of registrant as specified in its charter)

Delaware	16-0442930
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7950 Jones Branch Drive, McLean, Virginia	22107-0910
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (703) 854-6000.
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	ý	Accelerated Filer	¨
Non-Accelerated Filer	¨	Smaller Reporting Company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No ý
The total number of shares of the registrant’s Common Stock, $1 par value outstanding as of June 30, 2013 was 229,139,789.

PART I. FINANCIAL INFORMATION

Items 1 and 2. Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Overview

Gannett Co., Inc. (the Company or Gannett) is a leading international media and marketing solutions company, informing and engaging more than 100 million people on multiple platforms every month through its network of publishing, broadcasting, and digital properties. Its publishing operations include 82 daily newspapers and about 480 magazines and other non-dailies in the U.S., as well as 17 daily paid-for titles, and more than 200 weekly print products, magazines and trade publications in the U.K. Its broadcasting operations consist of 23 television stations in 19 U.S. markets (including 12 television stations in the top 25 markets), reaching 18% of U.S. television households, and its Captivate subsidiary, which operates video messaging screens in elevators of office buildings and select hotel lobbies across North America. The Company's Digital segment consists of stand-alone digital subsidiaries, including CareerBuilder, the global leader in human capital solutions, helping companies target, attract and retain talent. Its online job site, CareerBuilder.com, is the single largest within North America, based on listings, traffic and ad revenue. In addition, the Company provides digital applications to consumers and commercial customers across all of its segments, ranging from online news and entertainment to digital marketing solutions.

Recent Developments

On June 12, 2013, Gannett entered into a merger agreement for the acquisition of Belo Corp. (Belo) for aggregate cash consideration of approximately $1.5 billion, plus the assumption of $715 million of existing Belo debt (the Merger). Belo is the owner of 20 television stations (nine in the top 25 U.S. markets) that reach more than 14% of U.S. television households, including ABC, CBS, NBC, FOX, CW and MyNetwork TV (MNTV) affiliates and their associated websites. Belo also has three local and two regional news channels. Upon completion of the merger, Gannett will operate the fourth-largest English-language television station group in the United States, reaching nearly one-third of all U.S. households.

The Merger will nearly double Gannett's broadcast portfolio from 23 to 43 stations, including stations Gannett expects to service through shared services or similar arrangements. Upon completion of the Merger, Gannett will achieve greater geographic diversity, operating or servicing 21 stations in the top 25 U.S. markets. Gannett's broadcast group will become the #1 CBS affiliate group, the #4 ABC affiliate group and will expand its already #1 NBC affiliate group position. In connection with the Merger, Gannett and Belo have arranged that, simultaneously with the consummation of the Merger, there will be a restructuring of certain of Belo's media holdings pursuant to which their stations located in the Louisville, Kentucky; Phoenix, Arizona; Portland, Oregon; St. Louis, Missouri; and Tucson, Arizona television markets (the Assigned Stations) will be conveyed to third parties (the Restructuring and, together with the Merger, the Transaction). Gannett will enter into shared services and similar support arrangements with the third party owners of these stations.

Closing of the Transaction is expected to occur by the end of 2013 and is subject to regulatory approvals and customary closing conditions. The closing of the Merger is subject to a condition that the merger agreement be approved by the holders of Belo common shares representing at least two-thirds of the voting power of all outstanding common shares entitled to vote in accordance with the Delaware General Corporation Law. Belo's directors and executive officers, who collectively own approximately 42% of the voting power of Belo's outstanding shares, have entered into voting and support agreements to vote their shares in favor of the Merger. Closing of the Merger also is subject to the expiration or termination of any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the grant by the Federal Communications Commission (FCC) of its consent to the consummation of the Transaction, and other customary closing conditions. The Merger will be funded through a combination of available cash as well as debt financing to be undertaken by the Company. The merger agreement does not contain a financing condition.

On July 29, 2013, the Company completed the private placement of $600 million in aggregate principal amount of its 5.125% senior unsecured notes due 2020 (the 2020 Notes). The 2020 Notes were priced at 98.566% of face value, resulting in a yield to maturity of 5.375%. Subject to certain exceptions, the 2020 Notes may not be redeemed by the Company prior to July 15, 2016. The 2020 Notes were issued in a private offering that is exempt from the registration

requirements of the Securities Act of 1933. The 2020 Notes are guaranteed on a senior basis by the subsidiaries of the Company that guarantee its revolving credit facilities and its notes maturing in 2014 and thereafter. The Company used the net proceeds to repay the outstanding amount of indebtedness incurred under its revolving credit facilities. Remaining proceeds will be used to repay its outstanding unsecured notes and/or for general corporate purposes.

On August 5, 2013, the Company entered into an agreement to replace, amend and restate its existing credit facilities with a credit facility expiring on August 5, 2018 (the "Amended and Restated Credit Agreement"). Total commitments under the new revolving credit agreement are $1.1 billion. Subject to total leverage ratio limits, the new revolving credit agreement eliminates the Company's restriction on incurring additional indebtedness. The maximum total leverage ratio permitted by the Company's new revolving credit agreement is 3.5x for the next 18 months, reducing to 3.25x from the 18th to the 30th month anniversary of the closing date, and then reducing to 3.0x thereafter, provided that if the Company completes its proposed acquisition of Belo, then each maximum total leverage ratio for the applicable period is increased by 0.5x. Commitment fees on the revolving credit agreement are equal to 0.375% - 0.50% of the undrawn commitments, depending upon the Company's leverage ratio, and are paid on the average undrawn balance under the revolving credit agreement for each quarter. Under the agreement, the Company may borrow at an applicable margin above the Eurodollar base rate (LIBOR loan) or the higher of the Prime Rate, the Federal Funds Effective Rate plus 0.50%, or the one month LIBOR rate plus 1.00% (ABR loan). The applicable margin is determined based on the Company's leverage ratio but will differ between LIBOR loans and ABR loans. For LIBOR based borrowing, the margin varies from 1.75% to 2.50%. For ABR based borrowing, the margin will vary from 0.75% to 1.50%. At its current leverage ratios, the Company's applicable margins will be 2.00% and 1.00%, respectively. The Company also borrowed $144.8 million under a new five-year term loan. The interest rate on the term loan is equal to the rate for revolving credit loans in the Amended and Restated Credit Agreement. Both the revolving credit loans and the term loan are guaranteed by the Company's wholly-owned material domestic subsidiaries.

Results from Operations

The Company generates revenue within its Publishing segment primarily through advertising and subscriptions to Gannett's print and digital publications. Its advertising departments sell retail, classified and national advertising across multiple platforms including print, web sites, mobile, tablet and other specialty publications. The principal sources of revenues within the Company's Broadcasting segment are advertising, fees paid for retransmission of the Company's television signals on satellite and cable networks, and payments for other services, such as the production of advertising content. Advertising includes local advertising focused on the immediate geographic area of the stations, national advertising, and advertising on the stations' web, tablet and mobile products. The largest subsidiary within Gannett's Digital segment is CareerBuilder, which generates revenues both through its own sales force by providing talent and compensation intelligence, human resource related consulting services and recruitment solutions and through sales of employment advertising placed with its affiliated media organizations.

The Company's operating expenses consist primarily of payroll and benefits. Other significant operating expenses include production (raw materials) and distribution costs within its Publishing segment, the costs of locally produced and purchased syndicated programming in the Broadcasting segment and sales and marketing costs within the Digital segment.

Consolidated Summary

A consolidated summary of the Company's results is presented below:

In thousands of dollars, except earnings per share amounts	Second Quarter				Year-to-Date			
	2013	2012	Change		2013	2012	Change	
Operating revenues	$1,302,699	$1,307,040	—	%	$2,540,434	$2,525,627	1	%
Operating expenses	1,099,817	1,090,522	1	%	2,186,495	2,173,451	1	%
Operating income	$202,882	$216,518	(6	%)	$353,939	$352,176	1	%
Non-operating expense	$36,541	$29,759	23	%	$65,735	$62,983	4	%
Net income attributable to Gannett Co., Inc.	$113,620	$119,889	(5	%)	$218,185	$188,112	16	%
Per share – basic	$0.50	$0.51	(2	%)	$0.95	$0.80	19	%
Per share – diluted	$0.48	$0.51	(6	%)	$0.93	$0.79	18	%

Gannett reported 2013 second quarter earnings per diluted share, on a GAAP (generally accepted accounting principles) basis of $0.48 compared to $0.51 for the second quarter of 2012. Earnings per diluted share on a

year-to-date GAAP basis were $0.93 in 2013 compared to $0.79 last year.
Operating income for the second quarter of 2013 decreased 6% compared to the second quarter last year, reflecting lower Publishing and Digital segment operating income, partially offset by an increase in Broadcasting segment operating income. Broadcasting segment operating income increased 4% to $98.1 million for the quarter due to an increase in core television revenue as well as substantially higher retransmission revenue. These Broadcasting segment revenue increases were partially

offset by lower political advertising revenues. Digital segment operating income was $35.3 million, as solid revenue growth at CareerBuilder was offset by higher expenses. Publishing segment operating income was $85.2 million for the quarter, down 18% from last year due to advertising softness as well as special items and the absence of furlough savings in the second quarter of 2012.

For the year-to-date period, operating income increased 1% compared to last year. Broadcasting segment results for the year-to-date period were up 9% reflecting significant increases in retransmission revenue. Digital results were up 12% principally reflecting higher revenues at CareerBuilder. Publishing segment results were down 13% due to slow economic growth and secular challenges that tempered advertising demand.

Net income attributable to Gannett for the second quarter of 2013 decreased 5%, compared to 2012. Net income attributable to Gannett consists of net income reduced by net income attributable to noncontrolling interests. Net income attributable to noncontrolling interests was $13.1 million in the second quarter of 2013 and $15.7 million in the same period in 2012. For the year-to-date period, net income attributable to Gannett was $218.2 million, versus $188.1 million last year, an increase of 16%. Earnings per diluted share were $0.93 for the year-to-date period compared to $0.79 last year. Net income attributable to Gannett and earnings per diluted share were up significantly in the first six months of 2013, primarily due to a lower effective income tax rate of 17.1% compared to 29.3% in the first six months of 2012. The 2013 rate was lower than the comparable 2012 rate due to special items contributing a net tax benefit of $27.8 million, including resolution of a multi-year federal exam and significant tax benefits resulting from state tax settlements.

The weighted average number of diluted shares outstanding for the second quarter of 2013 totaled 234,636,000 compared to 237,136,000 for the second quarter of 2012. For the first six months of 2013 and 2012, the weighted average number of diluted shares outstanding totaled 234,866,000 and 238,774,000 respectively. The decrease is primarily due to shares repurchased since the second quarter of 2012, partially offset by equity awards issued in connection with the Company’s share-based compensation programs. See Part II, Item 2 for information on share repurchases.

Results for the second quarter of 2013 include $21.7 million in costs associated with workforce restructuring ($13.1 million after-tax or $0.06 per share) and transformation costs of $14.0 million ($8.4 million after-tax or $0.04 per share) that together total $35.7 million ($21.5 million after-tax or $0.10 per share). Results for the second quarter of 2012 include $9.7 million in costs due to workforce restructuring ($5.8 million after-tax or $0.02 per share), transformation costs of $5.1 million ($3.1 million after-tax or $0.01 per share), and pension settlement charges of $5.4 million ($3.2 million after-tax or $0.01 per share). Altogether, these second quarter 2012 costs totaled $20.3 million ($12.2 million after-tax or $0.05 per share).

Year-to-date 2013 results include $27.1 million in costs associated with workforce restructuring ($16.4 million after-tax or $0.07 per share), transformation costs of $19.7 million ($11.9 million after-tax or $0.05 per share), other non-operating charges of $2.8 million ($2.5 million after-tax or $0.01 per share), and special tax benefits of $27.8 million or $0.12 per share. The total 2013 year-to-date net cost of these special items was $49.6 million ($3.0 million after-tax or $0.01 per share). Results for the first six months of 2012 include $26.0 million in costs due to workforce restructuring ($15.5 million after-tax or $0.07 per share), transformation costs of $9.9 million ($6.0 million after-tax or $0.03 per share) and pension settlement charges totaling $5.4 million ($3.2 million after-tax or $0.01 per share). Altogether, these 2012 year-to-date costs totaled $41.3 million ($24.7 million after-tax or $0.10 per share).

A separate discussion of results excluding the effect of special items (Non-GAAP basis) appears on page 9.

Operating Revenues

Operating revenues totaled $1.30 billion in the second quarter of 2013, relatively unchanged from $1.31 billion in the second quarter of 2012, as a significant increase in circulation revenue and higher revenue in the Broadcasting and Digital segments was offset by softer advertising demand in the Publishing segment. Operating revenues increased 1% to $2.54 billion for the first six months of 2013, from $2.53 billion in 2012. Publishing segment revenues were down 2% for the quarter and declined 1% for the year-to-date period, as the positive results of the All-Access Content Subscription Model were offset by a decline in advertising revenue. Broadcasting segment revenues increased 3% for the quarter, and 6% year-to-date, primarily due to increases in retransmission revenue and core advertising revenue which more than offset a reduction of $9.9 million in political revenue in the quarter and $13.4 million in political revenue year-to-date. Digital segment revenues were 3% higher for both the quarter and year-to-date periods,

reflecting solid revenue growth at CareerBuilder.

Second quarter 2013 company-wide digital revenues, which include Digital segment specific revenues as well as digital product and service revenues generated by the other business segments, were $374.3 million, 20% higher compared to the second quarter of 2012 and were nearly 30% of the Company’s total operating revenues. Year-to-date company-wide digital revenues were $725.2 million, 24% higher compared to the same period in 2012. Comparisons for both the quarter and year-to-date periods reflect revenue increases associated with the implementation of the All-Access Content Subscription Model last year as well as higher digital advertising and marketing solutions revenue. Through the end of the second quarter of 2012, 38

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local publishing markets had launched the All-Access Content Subscription Model. The Company completed the roll out of the All-Access Content Subscription Model in 78 local publishing markets by the end of 2012. As of June 30, 2013, the Company has 1.3 million customers, or nearly 50% of its subscriber base, that have activated their digital access.

Operating Expenses

Operating expenses increased less than 1% for both the quarter and year-to-date periods in 2013 as compared to the same periods last year. The expense increase was due to higher strategic initiative investments, higher Digital segment expenses related to revenue growth and the absence of furlough savings realized in the first six months of 2012. This increase was partially offset by the impact of cost control and efficiency efforts. A separate discussion of operating expenses excluding special items (non-GAAP basis) begins on page 9.

Non-Operating Income and Expense

The Company's interest expense for the second quarter of 2013 was $36.2 million, relatively unchanged from the same quarter last year. Total average outstanding debt was $1.48 billion for the second quarter of 2013 compared to $1.75 billion last year. The weighted average interest rate for total outstanding debt was 8.31% for the second quarter of 2013 compared to 7.41% last year, as the Company continues to pay down lower interest rate revolving credit debt. Interest expense for the first six months of 2013 was $71.6 million, down 5% from last year, reflecting primarily lower average debt levels. Total average outstanding debt was $1.49 billion for the first six months of 2013 compared to $1.76 billion last year. The weighted average interest rate for total outstanding debt was 8.27% for the first six months of 2013 compared to 7.72% last year.

Other non-operating items were $9.8 million for the second quarter of 2013 compared to $2.3 million for the same period last year. Other non-operating items totaled $11.4 million for the first six months of 2013 compared to $0.2 million for the same period last year. The increases for both the quarter and year-to-date periods were due to transformation costs in 2013 totaling $9.5 million in the second quarter and $10.4 million year-to-date.

Provision for Income Taxes

The Company's effective income tax rate was 25.8% for the second quarter of 2013, compared to 29.9% for the second quarter of 2012. The tax rate for the second quarter in 2013 was lower than the comparable rate in 2012 due to a net tax benefit of $15.0 million from releases of reserves on prior year tax positions related to a state tax litigation resolution and lapse of statutes of limitations. The Company's effective income tax rate was 17.1% for the first six months of 2013, compared to 29.3% for the same period last year. The rate for the first six months of 2013 was lower than the comparable rate in 2012 due to special items contributing a net tax benefit of $27.8 million related to a multi-year federal exam resolution that resulted in the reduction of prior year uncertain tax benefits and a significant tax benefit resulting from state tax settlements. A separate discussion of effective income tax rates excluding special items (non-GAAP basis) appears on page 13.

Segment Results

The following is a discussion of the Company's reported operating segment results for the second quarter and first six months of 2013. Unless otherwise noted, all comparisons are to the comparable prior year period.

Publishing Segment Results

Publishing segment revenues were generated principally from advertising and circulation sales, which accounted for 62% and 31%, respectively, of total Publishing segment revenues for the second quarter and 61% and 32% for the year-to-date period. Advertising revenues include amounts generated from print advertising as well as digital advertising on publishing-related internet web sites, mobile and tablet applications. "All other" Publishing segment revenues are mainly from commercial printing operations. The table below presents the main components of Publishing segment revenues:

Publishing Segment Revenues (in thousands of dollars)	Second Quarter				Year-to-Date			
	2013	2012	Change		2013	2012	Change	
Advertising	$562,476	$594,262	(5	%)	$1,088,975	$1,145,700	(5	%)
Circulation	279,655	263,938	6	%	565,627	527,274	7	%
All other	62,100	62,133	—	%	120,862	121,421	—	%

Total Publishing segment revenues	$904,231	$920,333	(2%)	$1,775,464	$1,794,395	(1%)

5

Publishing segment revenues were down 2% in the second quarter of 2013 and 1% for the year-to-date period, as a substantial increase in circulation revenue was more than offset by lower advertising revenue. On a constant currency basis, Publishing segment revenues decreased 1% from the second quarter of 2012 and just under 1% for the year-to-date period.

The table below presents the principal categories of advertising revenues for the Publishing segment:

Publishing Segment Advertising Revenues (in thousands of dollars)	Second Quarter			Year-to-Date		
	2013	2012	Change	2013	2012	Change
Retail	$ 292,418	$ 310,500	(6 %)	$ 562,036		
*Fidelity Diversified International Fund (140,416 and 127,124 shares, respectively)	3,931,654	2,734,445				
*Fidelity Equity Income Fund (103,305 shares)		3,189,018				
*Fidelity Mid-Cap Fund (141,557 shares)		2,209,705				

* Party-in-interest

\+ Fair value of the Plan s investment in the Fidelity Managed Income Portfolio Fund was $9,702,887 and $11,115,633 as of December 31, 2009 and December 31, 2008, respectively.

Table of Contents

Fair Value Measurements

Effective January 1, 2008, the Plan adopted the updated provisions of the *Fair Value Measurements* topic of the FASB ASC, which establish a fair value hierarchy for disclosure of fair value measurements as follows:

Level 1 quoted prices in active markets for identical assets or liabilities

Level 2 quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The following table summarizes investment assets measured at fair value:

	Fair Value Measurements At December 31, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Mutual Funds	$ 21,523,268	$	$	$ 21,523,268
Money Market Fund	235			235
Common/Collective Funds		18,895,652		18,895,652
Loans to Participants		1,143,316		1,143,316
The Children s Place Common Stock	568,590			568,590
Total	$ 22,092,093	$ 20,038,968	$	$ 42,131,061

	Fair Value Measurements At December 31, 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Mutual Funds	$ 20,993,249	$	$	$ 20,993,249
Common/Collective Funds		11,115,633		11,115,633
Loans to Participants		1,000,463		1,000,463
The Children s Place Common Stock	463,843			463,843
Total	$ 21,457,092	$ 12,116,096	$	$ 33,573,188

During the years ended December 31, 2009 and 2008, 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:

	2009	**2008**
Mutual Funds	$ 4,980,869	(14,249,659)
Common/Collective Funds	700,422	
The Children s Place Common Stock	211,208	(54,145)
Net appreciation (depreciation) in fair value of investments	$ 5,892,499	$ (14,303,804)

6. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by the Charles Schwab Trust Corporation, 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.

Table of Contents

At December 31, 2009 and 2008, the Plan held 17,230 shares and 21,395 shares, respectively, of common stock of The Children s Place Retail Stores, Inc., the sponsoring employer, with a cost basis of approximately $484,000 and $584,000, respectively.

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 IRC and the rules and prohibited transactions of ERISA.

Participant loans also qualify as exempt party-in-interest transactions.

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/or 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

Prior to June 1, 2009, the Plan used a basic plan document provided by the Fidelity Management Trust Company. As of June 1, 2009, the Plan adopted a prototype standardized profit sharing plan of the Charles Schwab Trust Corporation (the Schwab Prototype). On May 23, 2008, the IRS issued a determination letter stating that the Schwab Prototype was acceptable under Section 401(a) of the IRC for use by employers for the benefit of their employees. The Plan has not applied for a determination letter from the IRS in its own name. 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 fully benefit-responsive investment contracts at fair value per Form 5500 instructions; thus the fair value per Form 5500 is reconciled herein to the contract value shown in the Statements 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, 2008, 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 at a plan-level in the recordkeeping of the purchase and sale of fractional shares of The Children s Place Common Stock. As of June 1, 2009, The Children s Place Common Stock Fund was closed to new investments.

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500 as of December 31, 2009 and 2008:

Table of Contents

		2009		2008
Net assets available per the financial statements	$	42,302,420	$	34,172,788
Less: Participant loan amounts deemed distributed for tax purposes				(37,670)
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts		(171,359)		(599,600)
Net assets available for benefits per Form 5500	$	42,131,061	$	33,535,518

The following is a reconciliation of benefits paid to participants per the financial statements to Form 5500 for the year ended December 31, 2009:

		2009
Benefits paid to participants per the financial statements	$	5,783,094
Less: previously defaulted loans		(55,930)
Benefits paid to participants per Form 5500	$	5,727,164

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Table of Contents

The Children s Place 401 (k) Savings Plan
Form 5500, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year)
As of December 31, 2009

EIN: 31-1241495
Plan No. 001

	Identity of Issue, Borrower, Lessor or Similary Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par of Maturity Date	Cost		Current Value
*	Loans to Participants	Loan Fund - Participant Loans; interest rates ranging from 4.25% to 9.25%, maturity dates from 2010 to 2018	**	$	1,143,316
*	Schwab Retirement Advtg Money Fund	Money Market Fund	**		235
*	The Children s Place Common Stock Fund	Common Stock	**		568,590
*	Schwab Stable Value Fd Adv	Common/Collective Fund	**		1,323,266***
*	Fidelity Managed Income Portfolio	Common/Collective Fund	**		9,702,887***
*	Schwab Managed Retirement 2010	Common/Collective Fund	**		291,326
*	Schwab Managed Retirement 2015	Common/Collective Fund	**		793,574
*	Schwab Managed Retirement 2020	Common/Collective Fund	**		1,486,613
*	Schwab Managed Retirement 2025	Common/Collective Fund	**		752,631
*	Schwab Managed Retirement 2030	Common/Collective Fund	**		1,238,260
*	Schwab Managed Retirement 2035	Common/Collective Fund	**		1,029,461
*	Schwab Managed Retirement 2040	Common/Collective Fund	**		1,220,918
*	Schwab Managed Retirement 2045	Common/Collective Fund	**		208,351
*	Schwab Managed Retirement 2050	Common/Collective Fund	**		188,821
*	Schwab Managed Retirement Inc.	Common/Collective Fund	**		659,544
	Allianz NFJ Div Value Admin	Mutual Fund	**		3,662,594
	Columbia Mid Cap Value Z	Mutual Fund	**		1,298,283
*	Fidelity Diversified International Fund	Mutual Fund	**		3,931,654
	Growth Fund of America R4	Mutual Fund	**		2,476,708
	Munder Midcap Core Growth A	Mutual Fund	**		2,948,239
	Northern Small Cap Value	Mutual Fund	**		959,571
	Pimco Total Return D	Mutual Fund	**		2,622,116
*	Schwab S&P 500 Index Fund	Mutual Fund	**		1,376,102
	Selected American Fund	Mutual Fund	**		1,090,878
	Wells Fargo Advantage Smcp Gr	Mutual Fund	**		1,157,123
	Total Investments			$	42,131,061

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* Party in interest.
** Cost information is not required for participant directed investments, and is therefore not included
*** Reported at fair value. Contract values for the Plan s investment in the Schwab Stable Value Fd Adv and Fidelity Managed Income Portfolio are $1,314,198 and $9,883,314, respectively.

See accompanying Report of Independent Registered Public Accounting Firm

Table of Contents

SIGNATURE

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 Susan Riley Executive Vice President Finance & Administration	Date: June 18, 2010