GameStop Corp.
Form 10-Q
September 11, 2008

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

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED AUGUST 2, 2008

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 NO. 1-32637

GameStop Corp.
(Exact name of registrant as specified in its Charter)

Delaware	**20-2733559**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
625 Westport Parkway, Grapevine, Texas	**76051**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:
(817) 424-2000

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 þ No o

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Number of shares of $.001 par value Class A Common Stock outstanding as of August 28, 2008: 163,714,623

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PART I FINANCIAL INFORMATION

ITEM 1. *Financial Statements*

GAMESTOP CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

	August 2, 2008 (Unaudited)	August 4, 2007 (Unaudited)	February 2, 2008
	(In thousands, except per share data)		
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 539,898	$ 349,277	$ 857,414
Receivables, net	60,966	29,798	56,019
Merchandise inventories, net	970,057	713,836	801,025
Prepaid expenses and other current assets	68,470	51,951	52,778
Prepaid taxes	58,689	74,952	
Deferred taxes	26,893	35,979	27,481
Total current assets	1,724,973	1,255,793	1,794,717
Property and equipment:			
Land	12,033	11,298	11,870
Buildings and leasehold improvements	414,896	334,904	378,611
Fixtures and equipment	583,734	477,492	538,738
Total property and equipment	1,010,663	823,694	929,219
Less accumulated depreciation and amortization	485,665	349,927	417,550
Net property and equipment	524,998	473,767	511,669
Goodwill, net	1,447,572	1,402,845	1,402,440
Deferred financing fees	7,656	11,406	8,963
Deferred taxes	31,863	7,677	26,332
Other noncurrent assets	35,335	30,017	31,770
Total other assets	1,522,426	1,451,945	1,469,505
Total assets	$ 3,772,397	$ 3,181,505	$ 3,775,891
LIABILITIES AND STOCKHOLDERS EQUITY:			
Current liabilities:			

Accounts payable	$ 692,098	$ 517,233	$ 844,376
Accrued liabilities	389,009	339,940	409,878
Note payable, current portion		12,173	
Taxes payable			6,303
Total current liabilities	1,081,107	869,346	1,260,557
Senior notes payable, long-term portion, net	545,220	573,993	574,473
Senior floating rate notes payable, long-term portion		120,000	
Deferred rent and other long-term liabilities	82,299	72,492	78,415
Total long-term liabilities	627,519	766,485	652,888
Total liabilities	1,708,626	1,635,831	1,913,445
Commitments and contingencies (Note 10)			
Stockholders equity:			
Preferred stock authorized 5,000 shares; no shares issued or outstanding			
Class A common stock $.001 par value; authorized 300,000 shares; 163,653, 158,993 and 161,007 shares issued and outstanding, respectively	164	159	161
Additional paid-in-capital	1,288,727	1,145,706	1,208,474
Accumulated other comprehensive income	33,384	19,359	31,603
Retained earnings	741,496	380,450	622,208
Total stockholders equity	2,063,771	1,545,674	1,862,446
Total liabilities and stockholders equity	$ 3,772,397	$ 3,181,505	$ 3,775,891

See accompanying notes to condensed consolidated financial statements.

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GAMESTOP CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	13 Weeks Ended		26 Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
	(In thousands, except per share data) (Unaudited)			
Sales	$ 1,804,420	$ 1,338,193	$ 3,618,037	$ 2,617,176
Cost of sales	1,320,297	976,894	2,660,508	1,907,108
Gross profit	484,123	361,299	957,529	710,068
Selling, general and administrative expenses	347,745	278,434	676,412	535,550
Depreciation and amortization	36,309	32,118	71,145	63,153
Operating earnings	100,069	50,747	209,972	111,365
Interest income	(1,628)	(2,736)	(6,570)	(6,564)
Interest expense	10,839	16,082	24,269	34,026
Debt extinguishment expense		2,027	2,331	8,751
Earnings before income tax expense	90,858	35,374	189,942	75,152
Income tax expense	33,695	13,564	70,654	28,619
Net earnings	$ 57,163	$ 21,810	$ 119,288	$ 46,533
Net earnings per common share-basic	$ 0.35	$ 0.14	$ 0.73	$ 0.30
Weighted average shares of common stock-basic	163,390	158,438	162,607	155,938
Net earnings per common share-diluted	$ 0.34	$ 0.13	$ 0.71	$ 0.29
Weighted average shares of common stock-diluted	168,067	164,769	167,722	163,013

See accompanying notes to condensed consolidated financial statements.

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GAMESTOP CORP.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	Class A Common Stock Shares	Class A Common Stock Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
			(In thousands) (Unaudited)			
Balance at February 2, 2008	161,007	$ 161	$ 1,208,474	$ 31,603	$ 622,208	$ 1,862,446
Comprehensive income:						
Net earnings for the 26 weeks ended August 2, 2008					119,288	
Foreign currency translation				1,781		
Total comprehensive income						121,069
Stock-based compensation			20,068			20,068
Exercise of stock options and issuance of shares upon vesting of restricted stock grants (including tax benefit of $36,075)	2,646	3	60,185			60,188
Balance at August 2, 2008	163,653	$ 164	$ 1,288,727	$ 33,384	$ 741,496	$ 2,063,771

See accompanying notes to condensed consolidated financial statements.

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GAMESTOP CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	26 Weeks Ended	
	August 2, 2008	August 4, 2007
	(In thousands) (Unaudited)	
Cash flows from operating activities:		
Net earnings	$ 119,288	$ 46,533
Adjustments to reconcile net earnings to net cash flows used in operating activities:		
Depreciation and amortization (including amounts in cost of sales)	71,802	63,625
Amortization and retirement of deferred financing fees	1,304	3,228
Amortization and retirement of original issue discount on senior notes	747	682
Stock-based compensation expense	20,068	13,645
Deferred taxes	(3,235)	(1,282)
Excess tax benefits realized from exercise of stock-based awards	(33,010)	(62,555)
Loss on disposal of property and equipment	2,634	1,527
Increase in deferred rent and other long-term liabilities	3,794	6,312
Increase in liability to landlords for tenant allowances, net	2,358	1,689
Change in the value of foreign exchange contracts	(1,035)	320
Changes in operating assets and liabilities, net		
Receivables, net	(3,829)	5,647
Merchandise inventories	(152,817)	(19,720)
Prepaid expenses and other current assets	(13,235)	(9,024)
Prepaid taxes	(31,693)	6,129
Accounts payable and accrued liabilities	(193,340)	(253,394)
Net cash flows used in operating activities	(210,199)	(196,638)
Cash flows from investing activities:		
Purchase of property and equipment	(81,540)	(71,388)
Acquisitions, net of cash acquired	(50,299)	1,062
Net cash flows used in investing activities	(131,839)	(70,326)
Cash flows from financing activities:		
Repurchase of notes payable	(30,000)	(150,000)
Issuance of shares relating to stock options	26,738	46,782
Excess tax benefits realized from exercise of stock-based awards	33,010	62,555
Net increase (decrease) in other noncurrent assets and deferred financing fees	(5,219)	3,528
Net cash flows provided by (used in) financing activities	24,529	(37,135)
Exchange rate effect on cash and cash equivalents	(7)	973

Net decrease in cash and cash equivalents	(317,516)	(303,126)
Cash and cash equivalents at beginning of period	857,414	652,403
Cash and cash equivalents at end of period	$ 539,898	$ 349,277

See accompanying notes to condensed consolidated financial statements.

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)
(Unaudited)

1. Basis of Presentation

GameStop Corp. (together with its predecessor companies, GameStop, we, our, or the Company), a Delaware corporation, is the world s largest retailer of video games and entertainment software. The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. All dollar and share amounts in the consolidated financial statements and notes to the consolidated financial statements are stated in thousands of U.S. dollars unless otherwise indicated.

The unaudited consolidated financial statements included herein reflect all adjustments (consisting only of normal, recurring adjustments) which are, in the opinion of the Company s management, necessary for a fair presentation of the information for the periods presented. These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and do not include all disclosures required under GAAP for complete financial statements. These consolidated financial statements should be read in conjunction with the Company s annual report on Form 10-K for the 52 weeks ended February 2, 2008 (fiscal 2007). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. Changes in the estimates and assumptions used by management could have significant impact on the Company s financial results. Actual results could differ from those estimates.

Due to the seasonal nature of the business, the results of operations for the 26 weeks ended August 2, 2008 are not indicative of the results to be expected for the 52 weeks ending January 31, 2009 (fiscal 2008).

Certain reclassifications have been made to conform the prior period data to the current interim period presentation.

2. Change in Accounting Principles

Effective February 3, 2008, the Company implemented Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements. The Company elected to implement this Statement with the one-year deferral permitted by FASB Staff Position (FSP) 157-2 for nonfinancial assets and nonfinancial liabilities measured at fair value, except those that are recognized or disclosed on a recurring basis (at least annually). We do not expect any significant impact to our consolidated financial statements when we implement SFAS 157 for these assets and liabilities.

Due to our election under FSP 157-2, for fiscal 2008, SFAS 157 applies to our foreign exchange contracts, foreign currency options and cross-currency swaps (together, the Foreign Currency Contracts), Company-owned life insurance policies with a cash surrender value and certain nonqualified deferred compensation liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition. The implementation of

SFAS 157 did not result in a significant change in the method of calculating fair value of assets or liabilities. The primary impact from adoption was additional disclosures.

SFAS 157 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

We value our Foreign Currency Contracts, Company-owned life insurance policies with cash surrender values and certain nonqualified deferred compensation liabilities based on Level 2 inputs using quotations provided by major market news services, such as Bloomberg and The Wall Street Journal, and industry-standard models that consider various assumptions, including quoted forward prices, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic measures. When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

The following table provides the fair value of our financial assets and liabilities measured on a recurring basis and recorded on our condensed consolidated balance sheet as of August 2, 2008:

	August 2, 2008 Level 2 (In thousands)
Assets	
Foreign Currency Contracts	$ 2,951
Company-owned life insurance	3,220
Total assets	$ 6,171
Liabilities	
Foreign Currency Contracts	$ 11,165
Non-qualified deferred compensation	1,424
Total liabilities	$ 12,589

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). This Statement permits entities the option to measure many financial instruments and certain other items at fair value at specific election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 was effective for our Company on February 3, 2008. The adoption of SFAS 159 did not have a material impact on our consolidated financial statements.

3. Business Combinations and Goodwill

On April 5, 2008, the Company purchased all the outstanding stock of Free Record Shop Norway AS, a Norwegian private limited liability company (FRS), for $21,006, net of cash acquired. FRS operates 49 record stores in Norway and also operates office and warehouse facilities in Oslo, Norway. The Company is converting these stores into video game stores with an inventory assortment similar to its other stores in Norway. The acquisition was accounted for using the purchase method of accounting, with the excess of the purchase price over the net assets acquired, in the amount of $17,369, recorded as goodwill.

In 2003, the Company purchased a 51% controlling interest in GameStop Group Limited which operates stores in Ireland and the United Kingdom. Under the terms of the purchase agreement, the minority interest owners of the remaining 49% have the ability to require the Company to purchase their remaining shares in incremental percentages at a price to be determined based partially on the Company s price to earnings ratio and GameStop Group Limited s earnings. On May 21, 2008, the minority interest owners exercised their right to sell one-third of their shares, or approximately 16% of GameStop Group Limited, to the Company under the terms of the original purchase agreement for $27,383. The transaction was completed in June 2008 and recorded in accordance with the provisions of the Statement of Financial Accounting Standards No. 141, *Business Acquisitions*.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During July 2008, the Company purchased certain assets and website operations from The Gamesman Limited, a video game and entertainment software retailer, including eight stores in New Zealand for $1,910. The acquisition was accounted for using the purchase method of accounting, with the excess of the purchase price over the net assets acquired, in the amount of $605, recorded as goodwill.

The pro forma effect assuming the above acquisitions were made at the beginning of fiscal 2007 is not material to the Company s consolidated financial statements.

4. Accounting for Stock-Based Compensation

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. This valuation model requires the use of subjective assumptions, including expected option life, expected volatility and the expected employee forfeiture rate. The Company uses historical data to estimate the option life and the employee forfeiture rate, and uses historical volatility when estimating the stock price volatility. There were no options to purchase common stock granted during the 13 weeks ended August 2, 2008 and August 4, 2007. The options to purchase common stock granted during the 26 weeks ended August 2, 2008 and August 4, 2007 were 1,362 and 939, respectively, with a weighted-average fair value estimated at $15.45 and $10.16 per share, respectively, using the following assumptions:

	26 Weeks Ended	
	August 2, 2008	August 4, 2007
Volatility	38.2%	40.5%
Risk-free interest rate	2.4%	4.8%
Expected life (years)	3.5	4.0
Expected dividend yield	0%	0%

In the 13 weeks ended August 2, 2008 and August 4, 2007, the Company included compensation expense relating to stock option grants of $3,998 and $3,895, respectively, in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. In the 26 weeks ended August 2, 2008 and August 4, 2007, the Company included compensation expense relating to stock option grants of $8,818 and $8,071, respectively, in selling, general and administrative expenses. As of August 2, 2008, the unrecognized compensation expense related to the unvested portion of our stock options was $22,332 which is expected to be recognized over a weighted average period of 2.1 years. The total intrinsic value of options exercised during the 13 weeks ended August 2, 2008 and August 4, 2007 were $10,584 and $42,933, respectively. The total intrinsic value of options exercised during the 26 weeks ended August 2, 2008 and August 4, 2007 were $83,745 and $177,902, respectively.

There were no restricted stock shares granted during the 13 weeks ended August 2, 2008 and 7 shares of restricted stock were granted during the 13 weeks ended August 4, 2007 with a fair market value of $39.83 per share. During the 26 weeks ended August 2, 2008 and August 4, 2007, the Company granted 534 shares and 964 shares, respectively, of restricted stock. The shares had a fair market value of $49.95 and $26.78 per share, respectively, and vest in equal installments over three years. During the 13 weeks ended August 2, 2008 and August 4, 2007, the Company included compensation expense relating to the restricted share grants in the amount of $4,304 and $2,789, respectively, in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. During the 26 weeks ended August 2, 2008 and August 4, 2007, the Company included compensation expense relating to the restricted share grants in the amount of $11,251 and $5,574, respectively, in selling, general and administrative expenses. As of August 2, 2008, there was $29,640 of unrecognized compensation expense related to nonvested restricted stock awards that is expected to be recognized over a weighted average period of 2.1 years.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Computation of Net Earnings per Common Share

On February 7, 2007, all outstanding shares of Class B common stock were converted into shares of Class A common stock on a one-for-one basis (the Conversion). In addition, as of February 9, 2007, the Board of Directors of the Company authorized a two-for-one stock split, effected by a one-for-one stock dividend to stockholders of record at the close of business on February 20, 2007, paid on March 16, 2007 (the Stock Split). The effect of the Conversion and the Stock Split has been retroactively applied to all periods presented in the condensed consolidated financial statements and notes thereto. The Company now has only Class A common stock outstanding and computes earnings per share in accordance with Statement of Financial Accounting Standards No. 128, *Earnings per Share*. A reconciliation of shares used in calculating basic and diluted net earnings per common share follows:

	13 Weeks Ended		26 Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
	(In thousands, except per share data)			
Net earnings	$ 57,163	$ 21,810	$ 119,288	$ 46,533
Weighted average common shares outstanding	163,390	158,438	162,607	155,938
Dilutive effect of options and restricted shares on common stock	4,677	6,331	5,115	7,075
Common shares and dilutive potential common shares	168,067	164,769	167,722	163,013
Net earnings per common share:				
Basic	$ 0.35	$ 0.14	$ 0.73	$ 0.30
Diluted	$ 0.34	$ 0.13	$ 0.71	$ 0.29

The following table contains information on restricted shares and options to purchase shares of Class A common stock which were excluded from the computation of diluted earnings per share because they were anti-dilutive:

	Anti-Dilutive Shares	Range of Exercise Prices	Expiration Dates
	(In thousands, except per share data)		
13 Weeks Ended August 2, 2008	1,362	$ 49.95	2018
13 Weeks Ended August 4, 2007	3		2010

6. Debt

In October 2005, in connection with the Company s merger with Electronics Boutique Holdings Corp. (EB) (the merger), the Company entered into a five-year, $400,000 Credit Agreement (the Revolver), including a $50,000 letter of credit sub-limit, secured by the assets of the Company and its U.S. subsidiaries. The Revolver places certain restrictions on the Company and its subsidiaries, including limitations on asset sales, additional liens and the incurrence of additional indebtedness. In April 2007, the Company amended the Revolver to extend the maturity date from October 11, 2010 to April 25, 2012, reduce the LIBO interest rate margin, reduce and fix the rate of the unused commitment fee and modify or delete certain other covenants.

The availability under the Revolver is limited to a borrowing base which allows the Company to borrow up to the lesser of (x) approximately 70% of eligible inventory and (y) 90% of the appraisal value of the inventory, in each case plus 85% of eligible credit card receivables, net of certain reserves. Letters of credit reduce the amount available to borrow by their face value. The Company s ability to pay cash dividends, redeem options and repurchase shares is generally prohibited, except that if availability under the Revolver is or will be after any such

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

payment equal to or greater than 25% of the borrowing base, the Company may repurchase its capital stock and pay cash dividends. In addition, in the event that credit extensions under the Revolver at any time exceed 80% of the lesser of the total commitment or the borrowing base, the Company will be subject to a fixed charge coverage ratio covenant of 1.5:1.0.

The interest rate on the Revolver is variable and, at the Company s option, is calculated by applying a margin of (1) 0.0% to 0.25% above the higher of the prime rate of the administrative agent or the federal funds effective rate plus 0.50% or (2) 1.00% to 1.50% above the LIBO rate. The applicable margin is determined quarterly as a function of the Company s consolidated leverage ratio. As of August 2, 2008, the applicable margin was 0.0% for prime rate loans and 1.00% for LIBO rate loans. In addition, the Company is required to pay a commitment fee of 0.25% for any unused portion of the total commitment under the Revolver. As of August 2, 2008, there were no borrowings outstanding under the Revolver and letters of credit outstanding totaled $7,271.

In September 2007, the Company s Luxembourg subsidiary entered into a discretionary, $20,000 Uncommitted Line of Credit (the Line of Credit) with Bank of America. There is no term associated with the Line of Credit and Bank of America may withdraw the facility at any time without notice. The Line of Credit will be made available to the Company s foreign subsidiaries for use primarily as a bank overdraft facility for short term liquidity needs and for the issuance of bank guarantees and letters of credit to support operations. As of August 2, 2008, there was $3,730 of cash overdrafts outstanding under the Line of Credit and bank guarantees outstanding totaled $4,874.

In September 2005, the Company, along with GameStop, Inc. as co-issuer (together with the Company, the Issuers), completed the offering of U.S. $300,000 aggregate principal amount of Senior Floating Rate Notes due 2011 (the Senior Floating Rate Notes) and U.S. $650,000 aggregate principal amount of Senior Notes due 2012 (the Senior Notes and, together with the Senior Floating Rate Notes, the Notes). The Notes were issued under an Indenture dated September 28, 2005 (the Indenture), by and among the Issuers, the subsidiary guarantors party thereto, and Citibank, N.A., as trustee (the Trustee). The net proceeds of the offering were used to pay the cash portion of the merger consideration paid to the stockholders of EB in connection with the merger.

The Senior Notes bear interest at 8.0% per annum, mature on October 1, 2012 and were priced at 98.688%, resulting in a discount at the time of issue of $8,528. The discount is being amortized using the effective interest method. As of August 2, 2008, the unamortized original issue discount was $4,780. The rate of interest on the Senior Floating Rate Notes prior to their redemption on October 1, 2007 was 9.2350% per annum. The Issuers pay interest on the Senior Notes semi-annually, in arrears, every April 1 and October 1, to holders of record on the immediately preceding March 15 and September 15, and at maturity.

The Indenture contains affirmative and negative covenants customary for such financings, including, among other things, limitations on (1) the incurrence of additional debt, (2) restricted payments, (3) liens, (4) sale and leaseback transactions and (5) asset sales. Events of default provided for in the Indenture include, among other things, failure to pay interest or principal on the Notes, other breaches of covenants in the Indenture, and certain events of bankruptcy and insolvency. As of August 2, 2008, the Company was in compliance with all covenants associated with the Revolver and the Indenture.

Under certain conditions, the Issuers may on any one or more occasions prior to maturity redeem up to 100% of the aggregate principal amount of Senior Notes issued under the Indenture at redemption prices at or in excess of 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date. The circumstances which would limit the percentage of the Notes which may be redeemed or which would require the Company to pay a premium in excess of 100% of the principal amount are defined in the Indenture. Upon a Change of Control (as defined in the Indenture), the Issuers are required to offer to purchase all of the Notes then outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. The Issuers may acquire Senior Notes by means other than redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisitions do not otherwise violate the terms of the Indenture.

GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In May 2006, the Company announced that its Board of Directors authorized the buyback of up to an aggregate of $100,000 of its Senior Floating Rate Notes and Senior Notes. As of February 3, 2007, the Company had repurchased the maximum authorized amount, having acquired $50,000 of its Senior Notes and $50,000 of its Senior Floating Rate Notes, and delivered the Notes to the Trustee for cancellation.

On February 9, 2007, the Company announced that its Board of Directors authorized the buyback of up to an aggregate of an additional $150,000 of its Senior Notes and Senior Floating Rate Notes. As of August 4, 2007, the Company had repurchased the maximum authorized amount, having acquired $20,000 of its Senior Notes and $130,000 of its Senior Floating Rate Notes, and delivered the Notes to the Trustee for cancellation. The associated loss on retirement of this debt was $2,027 and $8,751 for the 13 and 26 week periods ended August 4, 2007, respectively, which consists of the premium paid to retire the Notes and the recognition of the deferred financing fees and the original issue discount on the Notes.

On June 28, 2007, the Company announced that its Board of Directors authorized the redemption of the remaining $120,000 of Senior Floating Rate Notes outstanding. The Company redeemed the Senior Floating Rate Notes on October 1, 2007 at the redemption price specified by the Senior Floating Rate Notes of 102.0%, plus all accrued and unpaid interest through the redemption date. The Company incurred a one-time pre-tax charge of $3,840 associated with the redemption, which represents a $2,400 redemption premium and $1,440 to recognize unamortized deferred financing costs.

On February 7, 2008, the Company announced that its Board of Directors authorized the buyback of up to an aggregate of an additional $130,000 of its Senior Notes. The timing and amount of the repurchases will be determined by the Company s management based on their evaluation of market conditions and other factors. In addition, the repurchases may be suspended or discontinued at any time. As of August 2, 2008, the Company had repurchased $30,000 of its Senior Notes pursuant to this new authorization and delivered the Senior Notes to the Trustee for cancellation. The associated loss on retirement of debt is $2,331, which consists of the premium paid to retire the Senior Notes and the write-off of the deferred financing fees and the original issue discount on the Senior Notes.

During October 2007, the Company paid the final principal payment of $12,173 to Barnes & Noble, Inc. (Barnes & Noble) on the promissory note that was issued in connection with the repurchase of GameStop s common stock held by Barnes & Noble, satisfying the promissory note in full. The note was unsecured and bore interest at 5.5% per annum.

7. Comprehensive Income

Comprehensive income is net earnings, plus certain other items that are recorded directly to stockholders equity and consists of the following:

	13 Weeks Ended		26 Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
	(In thousands)			

Net earnings	$ 57,163	$ 21,810	$ 119,288	$ 46,533
Other comprehensive income:				
Foreign currency translation adjustments	(1,453)	5,844	1,781	16,132
Total comprehensive income	$ 55,710	$ 27,654	$ 121,069	$ 62,665

8. Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examination by tax authorities

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for years before and including the fiscal year ended January 31, 2004. The Internal Revenue Service (IRS) commenced an examination of the Company s U.S. income tax returns for the fiscal years ended January 29, 2005 and January 28, 2006 in the first quarter of fiscal 2007 that is anticipated to be completed in 2008. The Company does not anticipate any adjustments that would result in a material impact on its condensed consolidated financial statements.

For the 13 weeks ended August 2, 2008 and August 4, 2007, the Company recognized an increase of $3 and a decrease of $1,649 in the liability for unrecognized tax benefits, respectively, and an increase of $433 and $377 for interest and penalties, respectively. For the 26 weeks ended August 2, 2008 and August 4, 2007, the Company recognized a decrease of $657 and $1,388 in the liability for unrecognized tax benefits, respectively, and an increase of $757 and $819 for interest and penalties, respectively. As of August 2, 2008, the gross amount of unrecognized tax benefits, interest and penalties was $24,325. The total amount of unrecognized tax benefit that, if recognized, would affect the effective tax rate was $19,895 as of August 2, 2008. The Company had $4,430 in interest and penalties related to unrecognized tax benefits accrued as of August 2, 2008.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain of our unrecognized tax positions could significantly increase or decrease within the next 12 months as a result of settling ongoing audits. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

The tax provisions for the 13 weeks and 26 weeks ended August 2, 2008 and August 4, 2007 are based upon management s estimate of the Company s annualized effective tax rate.

9. Certain Relationships and Related Transactions

The Company operates departments within nine bookstores operated by Barnes & Noble, a stockholder of the Company until November 2004 and an affiliate through a common stockholder who is the chairman of the Board of Directors of Barnes & Noble and a member of the Company s Board of Directors. The Company pays a license fee to Barnes & Noble on the gross sales of such departments. Management deems the license fee to be reasonable and based upon terms equivalent to those that would prevail in an arm s length transaction. During the 13 weeks ended August 2, 2008 and August 4, 2007, these charges amounted to $290 and $255, respectively. During the 26 weeks ended August 2, 2008 and August 4, 2007, these charges amounted to $584 and $487, respectively.

Until June 2005, GameStop participated in Barnes & Noble s workers compensation, property and general liability insurance programs. The costs incurred by Barnes & Noble under these programs were allocated to GameStop based upon total payroll expense, property and equipment, and insurance claim history of GameStop. Management deemed the allocation methodology to be reasonable. Although the Company secured its own insurance coverage, costs will likely continue to be incurred by Barnes & Noble on insurance claims which were incurred under its programs prior to June 2005 and any such costs applicable to insurance claims against the Company will be allocated to the Company. During the 13 weeks ended August 2, 2008 and August 4, 2007, these allocated charges amounted to $31 and $69, respectively. During the 26 weeks ended August 2, 2008 and August 4, 2007, these allocated charges amounted to $104 and $135, respectively.

In October 2004, the Company s Board of Directors authorized a repurchase of the common stock held by Barnes & Noble. The Company repurchased 12,214 shares of its common stock at a price equal to $9.13 per share for aggregate consideration before expenses of $111,520. The Company paid $37,500 in cash and issued a promissory note in the principal amount of $74,020, which was payable in installments and bore interest at 5.5% per annum, payable when principal installments were due. The Company s final scheduled principal payment of $12,173 was paid in October 2007. Interest expense on the promissory note for the 13 weeks and 26 weeks ended August 4, 2007 totaled $169 and $338, respectively.

In May 2005, the Company entered into an arrangement with Barnes & Noble under which www.gamestop.com became the exclusive specialty video game retailer listed on www.bn.com, Barnes & Noble s e-commerce site. Under the terms of this agreement, the Company pays a fee to Barnes & Noble for sales of video

GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

game or PC entertainment products sold through www.bn.com. The fee to Barnes & Noble was $72 and $45 for the 13 weeks ended August 2, 2008 and August 4, 2007, respectively, and $143 and $99 for the 26 weeks ended August 2, 2008 and August 4, 2007, respectively.

10. Commitments and Contingencies

On February 14, 2005, and as amended, Steve Strickland, as personal representative of the Estate of Arnold Strickland, deceased, Henry Mealer, as personal representative of the Estate of Ace Mealer, deceased, and Willie Crump, as personal representative of the Estate of James Crump, deceased, filed a wrongful death lawsuit against GameStop, Sony, Take-Two Interactive, Rock Star Games and Wal-Mart (collectively, the Defendants) and Devin Moore, alleging that Defendants actions in designing, manufacturing, marketing and supplying Defendant Moore with violent video games were negligent and contributed to Defendant Moore killing Arnold Strickland, Ace Mealer and James Crump. Moore was found guilty of capital murder in a criminal trial and was sentenced to death in August 2005.

Plaintiffs new Alabama counsel has named a new expert, a psychiatrist who testified at the criminal trial on behalf of the criminal defendant, who will opine (if allowed) that violent video games were a substantial factor in causing the murders. This same testimony from this same expert was excluded in the criminal trial from the same judge hearing this case. The motion to bar this testimony in this case is set for October 30, 2008. The ruling on this motion will have an effect on whether the case is able to proceed. There is no current trial date. The Company does not believe there is sufficient information to estimate the amount of the possible loss, if any, resulting from the lawsuit.

In the ordinary course of the Company s business, the Company is, from time to time, subject to various other legal proceedings. Management does not believe that any such other legal proceedings, individually or in the aggregate, will have a material adverse effect on the Company s financial condition or results of operations.

11. Significant Product Information

The Company is principally engaged in the sale of new and used video game systems and software, personal computer entertainment software and related accessories. The following table sets forth sales (in millions) by significant product category for the periods indicated:

	13 Weeks Ended				26 Weeks Ended			
	August 2, 2008		August 4, 2007		August 2, 2008		August 4, 2007	
	Sales	Percent of Total	Sales	Percent of Total	Sales	Percent of Total	Sales	Percent of Total
	(Unaudited)							
Sales:								
New video game	$ 379.7	21.0%	$ 293.8	22.0%	$ 718.7	19.9%	$ 575.2	22.0%

hardware								
New video game software	705.0	39.1%	494.2	36.9%	1,497.8	41.4%	954.8	36.5%
Used video game products	471.5	26.1%	357.3	26.7%	887.2	24.5%	683.7	26.1%
Other	248.2	13.8%	192.9	14.4%	514.3	14.2%	403.5	15.4%
Total	$ 1,804.4	100.0%	$ 1,338.2	100.0%	$ 3,618.0	100.0%	$ 2,617.2	100.0%

Other products include PC entertainment and other software and accessories, magazines and character-related merchandise.

GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth gross profit (in millions) and gross profit percentages by significant product category for the periods indicated:

	13 Weeks Ended				26 Weeks Ended			
	August 2, 2008		August 4, 2007		August 2, 2008		August 4, 2007	
	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent
	(Unaudited)							
Gross Profit:								
New video game hardware	$ 22.6	6.0%	$ 21.5	7.3%	$ 43.0	6.0%	$ 43.1	7.5%
New video game software	145.3	20.6%	100.2	20.3%	301.9	20.2%	192.0	20.1%
Used video game products	234.1	49.7%	173.2	48.5%	438.2	49.4%	337.5	49.4%
Other	82.1	33.1%	66.4	34.4%	174.4	33.9%	137.5	34.1%
Total	$ 484.1	26.8%	$ 361.3	27.0%	$ 957.5	26.5%	$ 710.1	27.1%

12. Segment Information

The Company operates its business in the following segments: United States, Canada, Australia and Europe. Segment results for the United States include retail operations in 50 states, the District of Columbia, Puerto Rico and Guam, electronic commerce websites under the names www.gamestop.com and www.ebgames.com and *Game Informer* magazine. Segment results for Canada include retail operations in Canada and segment results for Australia include retail operations in Australia and New Zealand. Segment results for Europe include retail operations in 12 European countries.

GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company measures segment profit using operating earnings which is defined as income from continuing operations before intercompany royalty fees, net interest expense and income taxes. The basis of segmentation and the measurement of segment profit or loss have not changed since the end of fiscal 2007 and there has been no material change in total assets by segment since February 2, 2008. Transactions between reportable segments consist primarily of royalties, management fees, intersegment loans and related interest. Information on segments appears in the following tables.

	13 Weeks Ended		26 Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
	(In thousands) (Unaudited)			
Sales by operating segment were as follows:				
United States	$ 1,316,912	$ 1,026,646	$ 2,694,043	$ 2,030,735
Canada	114,725	84,613	243,628	164,690
Australia	147,977	93,840	251,408	166,099
Europe	224,806	133,094	428,958	255,652
Total	$ 1,804,420	$ 1,338,193	$ 3,618,037	$ 2,617,176
Segment operating earnings (loss) were as follows:				
United States	$ 82,411	$ 38,077	$ 175,168	$ 91,684
Canada	5,670	5,523	11,472	9,175
Australia	13,733	8,007	21,547	12,477
Europe	(1,745)	(860)	1,785	(1,971)
Total	$ 100,069	$ 50,747	$ 209,972	$ 111,365

13. Supplemental Cash Flow Information

	26 Weeks Ended	
	August 2, 2008	August 4, 2007
	(In thousands) (Unaudited)	
Cash paid during the period for:		
Interest	$ 25,216	$ 31,497

Income taxes	$ 103,571	$ 27,863

14. Consolidating Financial Statements

In order to finance the merger, as described in Note 6, on September 28, 2005, the Company, along with GameStop, Inc. as co-issuer, completed the offering of the Notes. As of February 2, 2008, the Senior Floating Rate Notes have been completely redeemed. The direct and indirect U.S. wholly-owned subsidiaries of the Company, excluding GameStop, Inc., as co-issuer, have guaranteed the Senior Notes on a senior unsecured basis with unconditional guarantees.

The following condensed consolidating financial statements present the financial position as of August 2, 2008, August 4, 2007 and February 2, 2008 and results of operations for the 13 and 26 weeks ended August 2, 2008 and August 4, 2007 and cash flows for the 26 weeks ended August 2, 2008 and August 4, 2007 of the Company s guarantor and non-guarantor subsidiaries.

GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.
Condensed Consolidating Balance Sheet

	Issuers and Guarantor Subsidiaries August 2, 2008	Non-Guarantor Subsidiaries August 2, 2008	Eliminations	Consolidated August 2, 2008
	(Amounts in thousands, except per share amounts) (Unaudited)			
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 461,690	$ 78,208	$	$ 539,898
Receivables, net	260,476	25,345	(224,855)	60,966
Merchandise inventories, net	611,605	358,452		970,057
Prepaid expenses and other current assets	43,250	25,220		68,470
Prepaid taxes	62,886	(4,197)		58,689
Deferred taxes	23,680	3,213		26,893
Total current assets	1,463,587	486,241	(224,855)	1,724,973
Property and equipment:				
Land	2,670	9,363		12,033
Buildings and leasehold improvements	262,740	152,156		414,896
Fixtures and equipment	459,365	124,369		583,734
Total property and equipment	724,775	285,888		1,010,663
Less accumulated depreciation and amortization	379,721	105,944		485,665
Net property and equipment	345,054	179,944		524,998
Investment	589,832		(589,832)	
Goodwill, net	1,096,622	350,950		1,447,572
Deferred financing fees	7,636	20		7,656
Deferred taxes	7,378	24,485		31,863
Other noncurrent assets	15,340	19,995		35,335
Total other assets	1,716,808	395,450	(589,832)	1,522,426
Total assets	$ 3,525,449	$ 1,061,635	$ (814,687)	$ 3,772,397

LIABILITIES AND STOCKHOLDERS EQUITY:				
Current liabilities:				
Accounts payable	$ 549,020	$ 143,078	$	$ 692,098
Accrued liabilities	296,736	317,128	(224,855)	389,009
Total current liabilities	845,756	460,206	(224,855)	1,081,107
Senior notes payable, long-term portion, net	545,220			545,220
Deferred rent and other long-term liabilities	70,702	11,597		82,299
Total long-term liabilities	615,922	11,597		627,519
Total liabilities	1,461,678	471,803	(224,855)	1,708,626
Stockholders equity:				
Preferred stock authorized 5,000 shares; no shares issued or outstanding				
Class A common stock $.001 par value; authorized 300,000 shares; 163,653 shares issued and outstanding	164			164
Additional paid-in-capital	1,288,727	420,191	(420,191)	1,288,727
Accumulated other comprehensive income	33,384	10,349	(10,349)	33,384
Retained earnings	741,496	159,292	(159,292)	741,496
Total stockholders equity	2,063,771	589,832	(589,832)	2,063,771
Total liabilities and stockholders equity	$ 3,525,449	$ 1,061,635	$ (814,687)	$ 3,772,397

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.
Condensed Consolidating Balance Sheet

	Issuers and Guarantor Subsidiaries August 4, 2007	Non-Guarantor Subsidiaries August 4, 2007	Eliminations	Consolidated August 4, 2007
	(Amounts in thousands, except per share amounts) (Unaudited)			
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 296,131	$ 53,146	$	$ 349,277
Receivables, net	150,193	9,580	(129,975)	29,798
Merchandise inventories, net	491,422	222,414		713,836
Prepaid expenses and other current assets	34,208	17,743		51,951
Prepaid taxes	68,416	6,536		74,952
Deferred taxes	34,065	1,914		35,979
Total current assets	1,074,435	311,333	(129,975)	1,255,793
Property and equipment:				
Land	2,670	8,628		11,298
Buildings and leasehold improvements	226,956	107,948		334,904
Fixtures and equipment	385,307	92,185		477,492
Total property and equipment	614,933	208,761		823,694
Less accumulated depreciation and amortization	283,535	66,392		349,927
Net property and equipment	331,398	142,369		473,767
Investment	488,069		(488,069)	
Goodwill, net	1,097,027	305,818		1,402,845
Deferred financing fees	11,387	19		11,406
Deferred taxes	(5,788)	13,465		7,677
Other noncurrent assets	17,285	12,732		30,017
Total other assets	1,607,980	332,034	(488,069)	1,451,945
Total assets	$ 3,013,813	$ 785,736	$ (618,044)	$ 3,181,505

LIABILITIES AND STOCKHOLDERS EQUITY:

Current liabilities:				
Accounts payable	$ 416,476	$ 100,757	$	$ 517,233
Accrued liabilities	280,738	189,177	(129,975)	339,940
Note payable, current portion	12,173			12,173
Total current liabilities	709,387	289,934	(129,975)	869,346
Senior notes payable, long-term portion, net	573,993			573,993
Senior floating rate notes payable, long-term portion	120,000			120,000
Deferred rent and other long-term liabilities	64,759	7,733		72,492
Total long-term liabilities	758,752	7,733		766,485
Total liabilities	1,468,139	297,667	(129,975)	1,635,831
Stockholders equity:				
Preferred stock authorized 5,000 shares; no shares issued or outstanding				
Class A common stock $.001 par value; authorized 300,000 shares; 158,993 shares issued and outstanding	159			159
Additional paid-in-capital	1,145,706	391,670	(391,670)	1,145,706
Accumulated other comprehensive income	19,359	5,229	(5,229)	19,359
Retained earnings	380,450	91,170	(91,170)	380,450
Total stockholders equity	1,545,674	488,069	(488,069)	1,545,674
Total liabilities and stockholders equity	$ 3,013,813	$ 785,736	$ (618,044)	$ 3,181,505

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.
Condensed Consolidating Balance Sheet

	Issuers and Guarantor Subsidiaries February 2, 2008	Non-Guarantor Subsidiaries February 2, 2008	Eliminations	Consolidated February 2, 2008
	(Amounts in thousands, except per share amounts)			
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 671,333	$ 186,081	$	$ 857,414
Receivables, net	198,923	22,616	(165,520)	56,019
Merchandise inventories, net	501,861	299,164		801,025
Prepaid expenses and other current assets	37,119	15,659		52,778
Deferred taxes	24,153	3,328		27,481
Total current assets	1,433,389	526,848	(165,520)	1,794,717
Property and equipment:				
Land	2,670	9,200		11,870
Buildings and leasehold improvements	246,907	131,704		378,611
Fixtures and equipment	427,623	111,115		538,738
Total property and equipment	677,200	252,019		929,219
Less accumulated depreciation and amortization	331,176	86,374		417,550
Net property and equipment	346,024	165,645		511,669
Investment	543,088		(543,088)	
Goodwill, net	1,096,622	305,818		1,402,440
Deferred financing fees	8,943	20		8,963
Deferred taxes	7,378	18,954		26,332
Other noncurrent assets	15,155	16,615		31,770
Total other assets	1,671,186	341,407	(543,088)	1,469,505
Total assets	$ 3,450,599	$ 1,033,900	$ (708,608)	$ 3,775,891

LIABILITIES AND STOCKHOLDERS EQUITY:

Current liabilities:				
Accounts payable	$ 635,722	$ 208,654	$	$ 844,376
Accrued liabilities	318,314	257,084	(165,520)	409,878
Taxes payable	(8,842)	15,145		6,303
Total current liabilities	945,194	480,883	(165,520)	1,260,557
Senior notes payable, long-term portion, net	574,473			574,473
Deferred rent and other long-term liabilities	68,486	9,929		78,415
Total long-term liabilities	642,959	9,929		652,888
Total liabilities	1,588,153	490,812	(165,520)	1,913,445
Stockholders equity:				
Preferred stock authorized 5,000 shares; no shares issued or outstanding		57,407	(57,407)	
Class A common stock $.001 par value; authorized 300,000 shares; 161,007 shares issued and outstanding	161	31,484	(31,484)	161
Additional paid-in-capital	1,208,474	296,860	(296,860)	1,208,474
Accumulated other comprehensive income (loss)	31,603	11,262	(11,262)	31,603
Retained earnings	622,208	146,075	(146,075)	622,208
Total stockholders equity	1,862,446	543,088	(543,088)	1,862,446
Total liabilities and stockholders equity	$ 3,450,599	$ 1,033,900	$ (708,608)	$ 3,775,891

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.
Condensed Consolidating Statement of Operations

For the 13 Weeks Ended August 2, 2008	Issuers and Guarantor Subsidiaries August 2, 2008	Non-Guarantor Subsidiaries August 2, 2008	Eliminations	Consolidated August 2, 2008
	(Amounts in thousands) (Unaudited)			
Sales	$ 1,316,912	$ 487,508	$	$ 1,804,420
Cost of sales	953,602	366,695		1,320,297
Gross profit	363,310	120,813		484,123
Selling, general and administrative expenses	254,517	93,228		347,745
Depreciation and amortization	26,382	9,927		36,309
Operating earnings	82,411	17,658		100,069
Interest income	(6,750)	(6,477)	11,599	(1,628)
Interest expense	12,387	10,051	(11,599)	10,839
Earnings before income tax expense	76,774	14,084		90,858
Income tax expense	28,449	5,246		33,695
Net earnings	$ 48,325	$ 8,838	$	$ 57,163

GameStop Corp.
Condensed Consolidating Statement of Operations

For the 13 Weeks Ended August 4, 2007	Issuers and Guarantor Subsidiaries August 4, 2007	Non-Guarantor Subsidiaries August 4, 2007	Eliminations	Consolidated August 4, 2007
	(Amounts in thousands) (Unaudited)			
Sales	$ 1,026,646	$ 311,547	$	$ 1,338,193
Cost of sales	743,847	233,047		976,894

Gross profit		282,799		78,500			361,299
Selling, general and administrative expenses		220,037		58,397			278,434
Depreciation and amortization		24,685		7,433			32,118
Operating earnings		38,077		12,670			50,747
Interest income		(4,750)		(4,174)	6,188		(2,736)
Interest expense		15,921		6,349	(6,188)		16,082
Debt extinguishment expense		2,027					2,027
Earnings before income tax expense		24,879		10,495			35,374
Income tax expense		9,937		3,627			13,564
Net earnings	$	14,942	$	6,868	$	$	21,810

GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.
Condensed Consolidating Statement of Operations

For the 26 Weeks Ended August 2, 2008	Issuers and Guarantor Subsidiaries August 2, 2008	Non-Guarantor Subsidiaries August 2, 2008	Eliminations	Consolidated August 2, 2008
	(Amounts in thousands) (Unaudited)			
Sales	$ 2,694,043	$ 923,994	$	$ 3,618,037
Cost of sales	1,966,803	693,705		2,660,508
Gross profit	727,240	230,289		957,529
Selling, general and administrative expenses	500,105	176,307		676,412
Depreciation and amortization	51,967	19,178		71,145
Operating earnings	175,168	34,804		209,972
Interest income	(12,874)	(13,522)	19,826	(6,570)
Interest expense	24,681	19,414	(19,826)	24,269
Debt extinguishment expense	2,331			2,331
Earnings before income tax expense	161,030	28,912		189,942
Income tax expense	59,321	11,333		70,654
Net earnings	$ 101,709	$ 17,579	$	$ 119,288

GameStop Corp.
Condensed Consolidating Statement of Operations

For the 26 Weeks Ended August 4, 2007	Issuers and Guarantor Subsidiaries August 4, 2007	Non-Guarantor Subsidiaries August 4, 2007	Eliminations	Consolidated August 4, 2007
	(Amounts in thousands) (Unaudited)			
Sales	$ 2,030,735	$ 586,441	$	$ 2,617,176
Cost of sales	1,467,375	439,733		1,907,108

Gross profit		563,360		146,708				710,068
Selling, general and administrative expenses		422,717		112,833				535,550
Depreciation and amortization		48,959		14,194				63,153
Operating earnings		91,684		19,681				111,365
Interest income		(10,113)		(8,019)		11,568		(6,564)
Interest expense		33,831		11,763		(11,568)		34,026
Debt extinguishment expense		8,751						8,751
Earnings before income tax expense		59,215		15,937				75,152
Income tax expense		22,924		5,695				28,619
Net earnings	$	36,291	$	10,242	$		$	46,533

GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.
Condensed Consolidating Statement of Cash Flows

For the 26 Weeks Ended August 2, 2008	Issuers and Guarantor Subsidiaries August 2, 2008	Non-Guarantor Subsidiaries August 2, 2008	Eliminations	Consolidated August 2, 2008
	(Amounts in thousands) (Unaudited)			
Cash flows from operating activities:				
Net earnings	$ 101,709	$ 17,579	$	$ 119,288
Adjustments to reconcile net earnings to net cash flows used in operating activities:				
Depreciation and amortization (including amounts in cost of sales)	52,591	19,211		71,802
Amortization and retirement of deferred financing fees	1,304			1,304
Amortization and retirement of original issue discount on senior notes	747			747
Stock-based compensation expense	20,068			20,068
Deferred taxes	473	(3,708)		(3,235)
Excess tax benefits realized from exercise of stock-based awards	(33,010)			(33,010)
Loss on disposal of property and equipment	1,039	1,595		2,634
Increase in deferred rent and other long-term liabilities	2,567	1,227		3,794
Increase in liability to landlords for tenant allowances, net	2,100	258		2,358
Change in the value of foreign exchange contracts	(278)	(757)		(1,035)
Changes in operating assets and liabilities, net				
Receivables, net	(2,219)	(1,610)		(3,829)
Merchandise inventories	(109,745)	(43,072)		(152,817)
Prepaid expenses and other current assets	(5,646)	(7,589)		(13,235)
Prepaid taxes	(20,595)	(11,098)		(31,693)
Accounts payable and accrued liabilities	(196,120)	2,780		(193,340)
Net cash flows used in operating activities	(185,015)	(25,184)		(210,199)
Cash flows from investing activities:				
Purchase of property and equipment	(51,946)	(29,594)		(81,540)

Acquisitions, net of cash acquired		(50,299)		(50,299)
Net cash flows used in investing activities	(51,946)	(79,893)		(131,839)
Cash flows from financing activities:				
Repurchase of notes payable	(30,000)			(30,000)
Issuance of shares relating to stock options	26,738			26,738
Excess tax benefits realized from exercise of stock-based awards	33,010			33,010
Net increase in other noncurrent assets and deferred financing fees	(2,430)	(2,789)		(5,219)
Net cash flows provided by (used in) financing activities	27,318	(2,789)		24,529
Exchange rate effect on cash and cash equivalents		(7)		(7)
Net decrease in cash and cash equivalents	(209,643)	(107,873)		(317,516)
Cash and cash equivalents at beginning of period	671,333	186,081		857,414
Cash and cash equivalents at end of period	$ 461,690	$ 78,208	$	$ 539,898

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.
Condensed Consolidating Statement of Cash Flows

For the 26 Weeks Ended August 4, 2007	Issuers and Guarantor Subsidiaries August 4, 2007	Non-Guarantor Subsidiaries August 4, 2007	Eliminations	Consolidated August 4, 2007
	(Amounts in thousands) (Unaudited)			
Cash flows from operating activities:				
Net earnings	$ 36,291	$ 10,242	$	$ 46,533
Adjustments to reconcile net earnings to net cash flows provided by (used in) operating activities:				
Depreciation and amortization (including amounts in cost of sales)	49,427	14,198		63,625
Amortization and retirement of deferred financing fees	3,228			3,228
Amortization and retirement of original issue discount on senior notes	682			682
Stock-based compensation expense	13,645			13,645
Deferred taxes	(748)	(534)		(1,282)
Excess tax benefits realized from exercise of stock-based awards	(62,555)			(62,555)
Loss on disposal of property and equipment	808	719		1,527
Increase in deferred rent and other long-term liabilities	2,397	3,915		6,312
Increase in liability to landlords for tenant allowances, net	1,496	193		1,689
Change in the value of foreign exchange contracts	2,940	(2,620)		320
Changes in operating assets and liabilities, net				
Receivables, net	5,040	607		5,647
Merchandise inventories	3,715	(23,435)		(19,720)
Prepaid expenses and other current assets	(3,371)	(5,653)		(9,024)
Prepaid taxes	13,843	(7,714)		6,129
Accounts payable and accrued liabilities	(267,164)	13,770		(253,394)
Net cash flows provided by (used in) operating activities	(200,326)	3,688		(196,638)
Cash flows from investing activities:				

Purchase of property and equipment	(55,740)	(15,648)		(71,388)
Acquisitions, net of cash acquired	1,062			1,062
Net cash flows used in investing activities	(54,678)	(15,648)		(70,326)
Cash flows from financing activities:				
Repurchase of notes payable	(150,000)			(150,000)
Issuance of shares relating to stock options	46,782			46,782
Excess tax benefits realized from exercise of stock-based awards	62,555			62,555
Net decrease (increase) in other noncurrent assets and deferred financing fees	9,284	(5,756)		3,528
Net cash flows used in financing activities	(31,379)	(5,756)		(37,135)
Exchange rate effect on cash and cash equivalents		973		973
Net decrease in cash and cash equivalents	(286,383)	(16,743)		(303,126)
Cash and cash equivalents at beginning of period	582,514	69,889		652,403
Cash and cash equivalents at end of period	$ 296,131	$ 53,146	$	$ 349,277

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ITEM 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the information contained in our consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management s plans and objectives, and any statements concerning assumptions related to the foregoing contained in Management s Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements. Certain factors, which may cause actual results to vary materially from these forward-looking statements, accompany such statements or appear in GameStop s Annual Report on Form 10-K for the fiscal year ended February 2, 2008 filed with the Securities and Exchange Commission (the SEC) on April 2, 2008 (the Form 10-K), including the factors disclosed under Item 1A. Risk Factors.

General

GameStop Corp. (together with its predecessor companies, GameStop, we, our, or the Company) is the world s lar retailer of video game products and PC entertainment software. We sell new and used video game hardware, video game software and accessories, as well as PC entertainment software and related accessories and other merchandise. As of August 2, 2008, we operated 5,557 stores in the United States, Australia, Canada and Europe, primarily under the names GameStop and EB Games. We also operate electronic commerce websites under the names www.gamestop.com and www.ebgames.com and publish *Game Informer*, the industry s largest multi-platform video game magazine in the United States based on circulation.

Our fiscal year is composed of 52 or 53 weeks ending on the Saturday closest to January 31. The fiscal years ending January 31, 2009 (fiscal 2008) and ended February 2, 2008 (fiscal 2007) consist of 52 weeks.

Growth in the video game industry is driven by the introduction of new technology. In 2005 in the North American markets, Sony introduced the PlayStation Portable (the PSP) in March and Microsoft introduced the Xbox 360 in November. In November 2006, Nintendo introduced the Wii hardware platform worldwide and Sony introduced the PlayStation 3 hardware platform in the North American markets. Sony introduced the PlayStation 3 platform in the Australian and European markets in March 2007. Typically, following the introduction of new video game platforms, sales of new video game hardware increase as a percentage of total sales in the first full year following introduction. As video game platforms mature, the sales mix attributable to complementary video game software and accessories, which generate higher gross margins, generally increases in the subsequent years. The net effect is generally a decline in gross margins in the first full year following new platform releases and an increase in gross margins in the years subsequent to the first full year following the launch period. Unit sales of maturing video game platforms are typically also driven by manufacturer-funded retail price reductions, further driving sales of related software and accessories. We expect that the installed base of the hardware platforms listed above and sales of related software and accessories will increase in the future. The Company s gross margin in the 13 and 26 weeks ended August 2, 2008 and August 4, 2007 was impacted by the recent launches of these new products and manufacturer-funded retail price reductions on certain of these products.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and do not include all disclosures required under GAAP for complete financial statements. Preparation of these statements requires management to make judgments and estimates. Some accounting policies have a significant impact on amounts reported in these financial statements. For a summary of significant accounting policies and the means by which we develop estimates thereon, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2007 Annual Report on Form 10-K.

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Consolidated Results of Operations

The following table sets forth certain statement of operations items as a percentage of sales for the periods indicated:

	13 Weeks Ended		26 Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
Statement of Operations Data:				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	73.2	73.0	73.5	72.9
Gross profit	26.8	27.0	26.5	27.1
Selling, general and administrative expenses	19.3	20.8	18.7	20.4
Depreciation and amortization	2.0	2.4	2.0	2.4
Operating earnings	5.5	3.8	5.8	4.3
Interest expense, net	0.5	1.0	0.5	1.1
Debt extinguishment expense		0.2	0.1	0.3
Earnings before income tax expense	5.0	2.6	5.2	2.9
Income tax expense	1.8	1.0	1.9	1.1
Net earnings	3.2%	1.6%	3.3%	1.8%

The Company includes purchasing, receiving and distribution costs in selling, general and administrative expenses, rather than cost of goods sold, in the statement of operations. For the 13 weeks ended August 2, 2008 and August 4, 2007, these purchasing, receiving and distribution costs amounted to $13.8 million and $10.4 million, respectively. For the 26 weeks ended August 2, 2008 and August 4, 2007, these purchasing, receiving and distribution costs amounted to $25.9 million and $19.4 million, respectively. The Company includes processing fees associated with purchases made by check and credit cards in cost of sales, rather than selling, general and administrative expenses, in the statement of operations. For the 13 weeks ended August 2, 2008 and August 4, 2007, these processing fees amounted to $13.6 million and $10.2 million, respectively. For the 26 weeks ended August 2, 2008 and August 4, 2007, these processing fees amounted to $26.5 million and $19.2 million, respectively. As a result of these classifications, our gross margins are not comparable to those retailers that include purchasing, receiving and distribution costs in cost of sales and include processing fees associated with purchases made by check and credit cards in selling, general and administrative expenses. The reclassifications had no material net effect on the 13 weeks and 26 weeks ended August 2, 2008 and August 4, 2007.

The following table sets forth sales (in millions) by significant product category for the periods indicated:

	13 Weeks Ended				26 Weeks Ended			
	August 2, 2008		August 4, 2007		August 2, 2008		August 4, 2007	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent

		of Total		of Total (Unaudited)		of Total		of Total
Sales:								
New video game hardware	$ 379.7	21.0%	$ 293.8	22.0%	$ 718.7	19.9%	$ 575.2	22.0%
New video game software	705.0	39.1%	494.2	36.9%	1,497.8	41.4%	954.8	36.5%
Used video game products	471.5	26.1%	357.3	26.7%	887.2	24.5%	683.7	26.1%
Other	248.2	13.8%	192.9	14.4%	514.3	14.2%	403.5	15.4%
Total	$ 1,804.4	100.0%	$ 1,338.2	100.0%	$ 3,618.0	100.0%	$ 2,617.2	100.0%

Other products include PC entertainment and other software and accessories, magazines and character-related merchandise.

The following table sets forth gross profit (in millions) and gross profit percentages by significant product category for the periods indicated:

	13 Weeks Ended				26 Weeks Ended			
	August 2, 2008		August 4, 2007		August 2, 2008		August 4, 2007	
	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent
	(Unaudited)							
Gross Profit:								
New video game hardware	$ 22.6	6.0%	$ 21.5	7.3%	$ 43.0	6.0%	$ 43.1	7.5%
New video game software	145.3	20.6%	100.2	20.3%	301.9	20.2%	192.0	20.1%
Used video game products	234.1	49.7%	173.2	48.5%	438.2	49.4%	337.5	49.4%
Other	82.1	33.1%	66.4	34.4%	174.4	33.9%	137.5	34.1%
Total	$ 484.1	26.8%	$ 361.3	27.0%	$ 957.5	26.5%	$ 710.1	27.1%

13 weeks ended August 2, 2008 compared with the 13 weeks ended August 4, 2007

Sales increased by $466.2 million, or 34.8%, from $1,338.2 million in the 13 weeks ended August 4, 2007 to $1,804.4 million in the 13 weeks ended August 2, 2008. The increase in sales was attributable to the comparable store sales increase of 20.0% for the second quarter of fiscal 2008, the addition of non-comparable store sales from the 835 stores opened since May 5, 2007 of approximately $268.8 million and increases related to changes in foreign exchange rates of $36.0 million. Stores are included in our comparable store sales base beginning in the thirteenth month of operation and exclude the effect of changes in foreign exchange rates. The comparable store sales increase was driven by strong sales of new video game software which is typical as the installed base of the new hardware platforms increases in the years following their launch. The new software sales increase was spread across all platforms and included several strong video game titles, such as Wii Fit, Metal Gear Solid 4, and Grand Theft Auto IV.

New video game hardware sales increased $85.9 million, or 29.2%, from $293.8 million in the 13 weeks ended August 4, 2007 to $379.7 million in the 13 weeks ended August 2, 2008, primarily due to continued expansion of the installed base of the new hardware platforms and the increase in store count since the end of the second quarter of fiscal 2007. New video game software sales increased $210.8 million, or 42.7%, from $494.2 million in the 13 weeks ended August 4, 2007 to $705.0 million in the 13 weeks ended August 2, 2008, primarily due to the strong sales of new video game titles and the increased sales related to the new hardware platforms discussed above, as well as the new stores added since last year. Used video game product sales also grew due to an increase in store count and an increase in the availability of hardware and software associated with the new hardware platforms as those platforms age and expand. Used video game product sales increased $114.2 million, or 32.0%, from $357.3 million in the 13 weeks ended August 4, 2007 to $471.5 million in the 13 weeks ended August 2, 2008. Sales of other product categories grew 28.7%, or $55.3 million, from the 13 weeks ended August 4, 2007 to the 13 weeks ended August 2, 2008, due to the increase in store count and the increase in new hardware platform accessories sales.

As a percentage of sales, new video game hardware, used video game products and the other product category decreased in the 13 weeks ended August 2, 2008 compared to the 13 weeks ended August 4, 2007. This was due to the strong sales of new video game software driven by the continued expansion of the installed base of the new video game consoles mentioned earlier and a strong lineup of video game titles released in the quarter.

Cost of sales increased by $343.4 million, or 35.2%, from $976.9 million in the 13 weeks ended August 4, 2007 to $1,320.3 million in the 13 weeks ended August 2, 2008 as a result of the increase in sales and the changes in gross profit discussed below.

Gross profit increased by $122.8 million, or 34.0%, from $361.3 million in the 13 weeks ended August 4, 2007 to $484.1 million in the 13 weeks ended August 2, 2008. Gross profit as a percentage of sales decreased slightly from 27.0% in the 13 weeks ended August 4, 2007 to 26.8% in the 13 weeks ended August 2, 2008. Gross profit as a percentage of sales on new video game hardware decreased from 7.3% in the prior year quarter to 6.0% of sales this quarter due to a change in the mix of hardware units sold and a reduction in warranty attachment sales during the second quarter of fiscal 2008. Gross profit as a percentage of sales on used video game products increased from 48.5% in the 13 weeks ended August 4, 2007 to 49.7% in the 13 weeks ended August 2, 2008 due to fewer promotional activities during the second quarter of fiscal 2008.

Selling, general and administrative expenses increased by $69.3 million, or 24.9%, from $278.4 million in the 13 weeks ended August 4, 2007 to $347.7 million in the 13 weeks ended August 2, 2008. This increase was primarily attributable to the increase in the number of stores in operation and the related increases in store, distribution and corporate office operating expenses. Selling, general and administrative expenses as a percentage of sales decreased from 20.8% in the 13 weeks ended August 4, 2007 to 19.3% in the 13 weeks ended August 2, 2008. The decrease in selling, general and administrative expenses as a percentage of sales was primarily due to leveraging as a result of the higher sales discussed above. Included in selling, general and administrative expenses is $8.3 million and $6.7 million in stock-based compensation expense for the 13 weeks ended August 2, 2008 and August 4, 2007, respectively.

Depreciation and amortization expense increased $4.2 million from $32.1 million for the 13 weeks ended August 4, 2007 to $36.3 million in the 13 weeks ended August 2, 2008. This increase was primarily due to capital expenditures associated with the opening of 125 new stores during the second quarter of fiscal 2008 and investments in management information systems.

Interest income resulting from the investment of excess cash balances decreased from $2.7 million in the 13 weeks ended August 4, 2007 to $1.6 million in the 13 weeks ended August 2, 2008. Interest expense decreased from $16.1 million in the 13 weeks ended August 4, 2007 to $10.8 million in the 13 weeks ended August 2, 2008 primarily due to the retirement of $30 million of the Company s senior notes and $120 million of the Company s senior floating rate notes since August 4, 2007. Debt extinguishment expense of $2.0 million was recognized in the 13 weeks ended August 4, 2007 as a result of premiums paid related to debt retirement and the write-off of deferred financing fees and unamortized original issue discount.

Income tax expense for the 13 weeks ended August 4, 2007 and the 13 weeks ended August 2, 2008 was based upon management s estimate of the Company s annualized effective tax rate. Income tax expense was $13.6 million for the 13 weeks ended August 4, 2007 compared to $33.7 million for the 13 weeks ended August 2, 2008.

The factors described above led to an increase in operating earnings of $49.4 million, or 97.4%, from $50.7 million in the 13 weeks ended August 4, 2007 to $100.1 million in the 13 weeks ended August 2, 2008, and an increase in net earnings of $35.4 million, or 162.4%, from $21.8 million in the 13 weeks ended August 4, 2007 to $57.2 million in the 13 weeks ended August 2, 2008.

26 weeks ended August 2, 2008 compared with the 26 weeks ended August 4, 2007

Sales increased by $1,000.8 million, or 38.2%, from $2,617.2 million in the 26 weeks ended August 4, 2007 to $3,618.0 million in the 26 weeks ended August 2, 2008. The increase in sales was attributable to the comparable store sales increase of 23.5% for the 26 week-period ended August 2, 2008, the addition of non-comparable store sales from the 921 stores opened since February 3, 2007 of approximately $306.2 million, and increases related to changes in foreign exchange rates of $77.1 million. Stores are included in our comparable store sales base beginning in the thirteenth month of operation and exclude the effect of changes in foreign exchange rates. The comparable store sales increase was driven by strong sales of new video game software, which is typical as the installed base of the new hardware platforms increases in the years following their launch.

New video game hardware sales increased $143.5 million, or 24.9%, from $575.2 million in the 26 weeks ended August 4, 2007 to $718.7 million in the 26 weeks ended August 2, 2008, primarily due to continued expansion of the installed base of the new hardware platforms and the increase in store count since the end of fiscal 2007. New video game software sales increased $543.0 million, or 56.9%, from $954.8 million in the 26 weeks ended August 4, 2007 to $1,497.8 million in the 26 weeks ended August 2, 2008, primarily due to the strong sales of new video game titles and the increased sales related to the new hardware platforms, as well as the new stores added since the end of fiscal 2007. Used video game product sales also grew primarily due to an increase in store count and

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an increase in the availability of hardware and software associated with the new hardware platforms as those platforms age and expand. Used video game product sales increased $203.5 million, or 29.8%, from $683.7 million in the 26 weeks ended August 4, 2007 to $887.2 million in the 26 weeks ended August 2, 2008. Sales of other product categories grew 27.5%, or $110.8 million, from the 26 weeks ended August 4, 2007 to the 26 weeks ended August 2, 2008, due to the increase in store count and the increase in new hardware platform accessories sales.

As a percentage of sales, new video game hardware, used video game products and the other product category decreased in the 26 weeks ended August 2, 2008 compared to the 26 weeks ended August 4, 2007. This was due to the strong sales of new video game software driven by the continued expansion of the installed base of the new video game consoles mentioned earlier and a strong lineup of video game titles in fiscal 2008.

Cost of sales increased by $753.4 million, or 39.5%, from $1,907.1 million in the 26 weeks ended August 4, 2007 to $2,660.5 million in the 26 weeks ended August 2, 2008 as a result of the increase in sales and the changes in gross profit discussed below.

Gross profit increased by $247.4 million, or 34.8%, from $710.1 million in the 26 weeks ended August 4, 2007 to $957.5 million in the 26 weeks ended August 2, 2008. Gross profit as a percentage of sales decreased from 27.1% in the 26 weeks ended August 4, 2007 to 26.5% in the 26 weeks ended August 2, 2008. The gross profit percentage decrease was caused primarily by the increase in sales of new video game software as a percentage of total sales in the 26 weeks ended August 2, 2008, which resulted in a decrease in sales of higher margin used video game products and other products as a percentage of total sales. Gross profit as a percentage of sales on new video game hardware decreased from 7.5% of sales for the 26 weeks ended August 4, 2007 to 6.0% of sales for the 26 weeks ended August 2, 2008 due to a change in the mix of hardware units sold and a reduction in warranty attachment sales during fiscal 2008. Gross profit as a percentage of sales on new video game software, used video game products and the other product category had no significant change from the same period in the prior fiscal year.

Selling, general and administrative expenses increased by $140.8 million, or 26.3%, from $535.6 million in the 26 weeks ended August 4, 2007 to $676.4 million in the 26 weeks ended August 2, 2008. This increase was primarily attributable to the increase in the number of stores in operation and the related increases in store, distribution and corporate office operating expenses during fiscal 2008. Selling, general and administrative expenses as a percentage of sales decreased from 20.4% in the 26 weeks ended August 4, 2007 to 18.7% in the 26 weeks ended August 2, 2008. The decrease in selling, general and administrative expenses as a percentage of sales was primarily due to leveraging as a result of the higher sales discussed above. Selling, general and administrative expenses include $20.1 million and $13.6 million in stock-based compensation expense for the 26 weeks ended August 2, 2008 and August 4, 2007, respectively.

Depreciation and amortization expense increased $7.9 million from $63.2 million for the 26 weeks ended August 4, 2007 to $71.1 million in the 26 weeks ended August 2, 2008. This increase was primarily due to capital expenditures associated with the opening of 335 new stores during the 26 weeks ended August 2, 2008 and investments in management information systems.

Interest income remained at $6.6 million for both 26-week periods ended August 4, 2007 and August 2, 2008. Interest expense decreased from $34.0 million in the 26 weeks ended August 4, 2007 to $24.3 million in the 26 weeks ended August 2, 2008 primarily due to the retirement of $120 million of the Company s senior floating rate notes and $30 million of the Company s senior notes since August 4, 2007. Debt extinguishment expense of $2.3 million was recognized in the 26 weeks ended August 2, 2008 as a result of premiums paid related to debt retirement and the write-off of deferred financing fees and unamortized original issue discount.

Income tax expense for the 26 weeks ended August 4, 2007 and the 26 weeks ended August 2, 2008 was based upon management s estimate of the Company s annualized effective tax rate. Income tax expense was $28.6 million for the 26 weeks ended August 4, 2007 compared to $70.7 million for the 26 weeks ended August 2, 2008.

The factors described above led to an increase in operating earnings of $98.6 million, or 88.5%, from $111.4 million in the 26 weeks ended August 4, 2007 to $210.0 million in the 26 weeks ended August 2, 2008, and an increase in net earnings of $72.8 million, or 156.6%, from $46.5 million in the 26 weeks ended August 4, 2007 to $119.3 million in the 26 weeks ended August 2, 2008.

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Segment Performance

The Company operates its business in the following segments: United States, Australia, Canada and Europe. The following tables provide a summary of our sales and operating earnings (loss) by reportable segment:

	13 Weeks Ended		26 Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
	(In millions) (Unaudited)			
Sales by operating segment are as follows:				
United States	$ 1,316.9	$ 1,026.7	$ 2,694.0	$ 2,030.7
Canada	114.7	84.6	243.6	164.7
Australia	148.0	93.8	251.4	166.1
Europe	224.8	133.1	429.0	255.7
Total	$ 1,804.4	$ 1,338.2	$ 3,618.0	$ 2,617.2
Operating earnings (loss) by operating segment are as follows:				
United States	$ 82.4	$ 38.1	$ 175.2	$ 91.7
Canada	5.7	5.5	11.5	9.2
Australia	13.7	8.0	21.5	12.5
Europe	(1.7)	(0.8)	1.8	(2.0)
Total	$ 100.1	$ 50.8	$ 210.0	$ 111.4

United States

Segment results for the United States include retail operations in 50 states, the District of Columbia, Puerto Rico and Guam, the electronic commerce websites www.gamestop.com and www.ebgames.com and *Game Informer* magazine. As of August 2, 2008, the United States segment included 4,180 GameStop stores, compared to 3,918 on August 4, 2007. Sales for the 13 and 26 weeks ended August 2, 2008 increased 28.3% and 32.7%, respectively, compared to the 13 and 26 weeks ended August 4, 2007 as a result of increased sales at existing stores and the opening of 436 new stores since May 5, 2007 and 482 stores since February 3, 2007, including 68 and 154 stores in the 13 and 26 weeks ended August 2, 2008, respectively. Sales at existing stores increased due to strong sales of new video game software and used video game products which is typical in the years following the release of new hardware platforms. As the installed base of the new hardware platforms expands, more new software titles become available and trade-ins of used video game products applied toward the purchase of new video games lead to increased sales of new and used video game products. Segment operating income for the 13 and 26 weeks ended August 2, 2008 increased by 116.3% and 91.1%, respectively, compared to the 13 and 26 weeks ended August 4, 2007 driven by strong sales of new video game software and used video game products and their related accessories, as well as the leveraging of selling, general and administrative expenses.

Canada

Sales in the Canadian segment in the 13 and 26 weeks ended August 2, 2008 increased 35.6% and 47.9%, respectively, compared to the 13 and 26 weeks ended August 4, 2007. The increase in sales was primarily attributable to increased sales at existing stores and the additional sales at the 45 and 49 stores opened since May 5, 2007 and February 3, 2007, respectively. As of August 2, 2008, the Canadian segment had 316 stores compared to 272 stores at August 4, 2007. The increase in sales at existing stores was driven by strong sales of new video game software related to the new hardware platforms. Segment operating income for the 13 and 26 weeks ended August 2, 2008 increased by 3.6% and 25.0%, respectively, compared to the 13 and 26 weeks ended August 4, 2007 driven by the increased sales discussed above and the leveraging of selling, general and administrative expenses and the favorable impact of changes in exchange rates since the prior year. For the 13 and 26 weeks ended August 2, 2008, changes in exchange rates when compared to the prior year had the effect of increasing operating earnings by $0.3 million and $1.1 million, respectively.

Australia

Segment results for Australia include retail operations in Australia and New Zealand. As of August 2, 2008, the Australian segment included 316 stores, compared to 243 at August 4, 2007. Sales for the 13 and 26 weeks ended August 2, 2008 increased 57.8% and 51.4%, respectively, compared to the 13 and 26 weeks ended August 4, 2007. The increase in sales was due to higher sales at existing stores and the additional sales at the 83 and 98 stores opened since May 5, 2007 and February 3, 2007, respectively. The increase in sales at existing stores was primarily due to a strong software title lineup and the availability of the new hardware platforms in the second quarter of fiscal 2008 when compared to the prior fiscal year following the launch of the Sony PlayStation 3 in the first quarter of fiscal 2007. In addition, the new hardware platforms drove an increase in used product sales as the installed base of the platforms increased and more software became available. Segment operating income in the 13 and 26 weeks ended August 2, 2008 increased by 71.3% and 72.0%, respectively, when compared to the 13 and 26 weeks ended August 4, 2007. The increase was driven by the increased sales discussed above and the leveraging of selling, general and administrative expenses. For the 13 and 26 weeks ended August 2, 2008, changes in exchange rates when compared to the prior year had the effect of increasing operating earnings by $1.5 million and $2.4 million, respectively.

Europe

Segment results for Europe include retail operations in 12 European countries. As of August 2, 2008, the European segment operated 745 stores compared to 521 stores as of August 4, 2007. For the 13 and 26 weeks ended August 2, 2008, European sales increased 68.9% and 67.8%, respectively, compared to the 13 and 26 weeks ended August 4, 2007. The increase in sales was primarily due to the increase in sales at existing stores and the additional sales at the 271 and 292 stores opened since May 5, 2007 and February 3, 2007, respectively, including the 49 stores acquired from Free Record Shop Norway AS, a Norwegian private limited liability company (FRS), in Norway during the first quarter of fiscal 2008. The increase in sales at existing stores was primarily due to a strong software title lineup and the availability of the new hardware platforms in the second quarter of fiscal 2008 when compared to the prior fiscal year following the launch of the Sony PlayStation 3 in the first quarter of fiscal 2007. In addition, the new hardware platforms drove an increase in used product sales as the installed base of the platforms increased and more software became available.

The segment operating loss in Europe was $1.7 million in the 13 weeks ended August 2, 2008 compared to the operating loss in the 13 weeks ended August 4, 2007 of $0.8 million. The segment operating income in Europe for the 26 weeks ended August 2, 2008 was $1.8 million compared to the operating loss in the 26 weeks ended August 4, 2007 of $2.0 million. The increase in the operating loss for the 13 weeks ended August 2, 2008 compared to the 13 weeks ended August 4, 2007 was primarily due to the increased selling, general and administrative expenses associated with the operation and conversion of the FRS stores to the GameStop format. The increase in operating earnings in the 26 weeks ended August 2, 2008 compared to the 26 weeks ended August 4, 2007 was due to the increase in sales and related margin, offset by the increase in selling, general and administrative expenses discussed for this quarter.

In addition, for the 26 weeks ended August 2, 2008, changes in exchange rates when compared to the prior year had the effect of increasing operating earnings by $0.7 million. There was no material change in operating earnings related to the effect of the exchange rates for the 13 weeks ended August 2, 2008 when compared to the 13 weeks ended August 4, 2007.

Seasonality

The Company s business, like that of many retailers, is seasonal, with the major portion of the sales and operating profit realized during the quarter which includes the holiday selling season.

Liquidity and Capital Resources

Cash Flows

During the 26 weeks ended August 2, 2008, cash used in operations was $210.2 million, compared to cash used in operations of $196.6 million during the 26 weeks ended August 4, 2007. The increase of cash used in operations of $13.6 million from the 26 weeks ended August 4, 2007 to the 26 weeks ended August 2, 2008 was primarily due to an increase in cash provided by net earnings, including the non-cash adjustments to net earnings, of $81.5 million and a decrease in the operating activities adjustment related to the excess tax benefits realized from the exercise of stock-based awards of $29.5 million. Also contributing to the increase in cash used in operations for the 26 weeks ended August 2, 2008 compared to the same period ended August 4, 2007 was an increase in working capital of $124.6 million primarily due to an increase in merchandise inventories of $133.1 million due to an increase in store count and sales levels.

Cash used in investing activities was $131.8 million and $70.3 million during the 26 weeks ended August 2, 2008 and August 4, 2007, respectively. During the 26 weeks ended August 2, 2008, $81.5 million of cash was used primarily to open new stores in the U.S. and internationally and to invest in information systems. In addition, the Company used $50.3 million, net of cash acquired, to acquire FRS, The Gamesman Limited and an increased ownership interest in GameStop Group Limited. During the 26 weeks ended August 4, 2007, $71.4 million of cash was used primarily to open 236 new stores in the U.S. and internationally and to invest in information systems, offset by $1.1 million of cash received related to the finalization of the purchase price of Game Brands Inc. which was acquired during the fourth quarter of the 53 weeks ended February 3, 2007.

Cash provided by financing activities was $24.5 million for the 26 weeks ended August 2, 2008 and cash used in financing activities for the 26 weeks ended August 4, 2007 was $37.1 million. The cash provided by financing activities for the 26 weeks ended August 2, 2008 was primarily due to the issuance of shares relating to stock option exercises of $26.7 million and $33.0 million for the realization of tax benefits relating to the stock option exercises and vested restricted stock, respectively. These inflows were offset by the repurchase of $30.0 million of principal value of the Company s senior notes. The cash used in financing activities for the 26 weeks ended August 4, 2007 was primarily due to the repurchase of $20.0 million and $130.0 million of principal value of the Company s senior notes and senior floating rate notes, respectively. These cash outflows were offset by $46.8 million received for the issuance of shares relating to stock option exercises and $62.6 million for the realization of tax benefits relating to the stock option exercises and vested restricted stock.

Sources of Liquidity

We utilize cash generated from operations and have funds available to us under our revolving credit facility to cover seasonal fluctuations in cash flows and to support our various growth initiatives. Our cash and cash equivalents are carried at cost, which approximates market value, and consist primarily of time deposits with highly rated commercial banks and money market investment funds holding direct U.S. Treasury obligations.

In October 2005, in connection with the merger with EB, the Company entered into a five-year, $400 million Credit Agreement (the Revolver), including a $50 million letter of credit sub-limit, secured by the assets of the Company and its U.S. subsidiaries. The Revolver places certain restrictions on the Company and its subsidiaries, including limitations on asset sales, additional liens and the incurrence of additional indebtedness. In April 2007, the Company amended the Revolver to extend the maturity date from October 11, 2010 to April 25, 2012, reduce the LIBO interest rate margin, reduce and fix the rate of the unused commitment fee and modify or delete certain other covenants.

The availability under the Revolver is limited to a borrowing base which allows the Company to borrow up to the lesser of (x) approximately 70% of eligible inventory and (y) 90% of the appraisal value of the inventory, in each case plus 85% of eligible credit card receivables, net of certain reserves. Letters of credit reduce the amount available to borrow by their face value. The Company s ability to pay cash dividends, redeem options, and repurchase shares is generally prohibited, except that if availability under the Revolver is or will be after any such payment equal to or greater than 25% of the borrowing base, the Company may repurchase its capital stock and pay cash dividends. In addition, in the event that credit extensions under the Revolver at any time exceed 80% of the lesser of the total commitment or the borrowing base, the Company will be subject to a fixed charge coverage ratio covenant of 1.5:1.0.

The interest rate on the Revolver is variable and, at the Company s option, is calculated by applying a margin of (1) 0.0% to 0.25% above the higher of the prime rate of the administrative agent or the federal funds effective rate plus 0.50% or (2) 1.00% to 1.50% above the LIBO rate. The applicable margin is determined quarterly as a function of the Company s consolidated leverage ratio. As of August 2, 2008, the applicable margin was 0.0% for prime rate loans and 1.00% for LIBO rate loans. In addition, the Company is required to pay a commitment fee of 0.25% for any unused portion of the total commitment under the Revolver. As of August 2, 2008, there were no borrowings outstanding under the Revolver and letters of credit outstanding totaled $7.3 million.

In September 2007, the Company s Luxembourg subsidiary entered into a discretionary, $20 million Uncommitted Line of Credit (the Line of Credit) with Bank of America. There is no term associated with the Line of Credit and Bank of America may withdraw the facility at any time without notice. The Line of Credit will be made available to the Company s foreign subsidiaries for use primarily as a bank overdraft facility for short term liquidity needs and for the issuance of bank guarantees and letters of credit to support operations. As of August 2, 2008, there was $3.7 million of cash overdrafts outstanding under the Line of Credit and bank guarantees outstanding totaled $4.9 million.

In September 2005, the Company, along with GameStop, Inc. as co-issuer (together with the Company, the Issuers), completed the offering of U.S. $300 million aggregate principal amount of Senior Floating Rate Notes due 2011 (the Senior Floating Rate Notes) and U.S. $650 million aggregate principal amount of Senior Notes due 2012 (the Senior Notes and, together with the Senior Floating Rate Notes, the Notes). The Notes were issued under an Indenture dated September 28, 2005 (the Indenture), by and among the Issuers, the subsidiary guarantors party thereto, and Citibank, N.A., as trustee (the Trustee). The net proceeds of the offering were used to pay the cash portion of the merger consideration paid to the stockholders of EB in connection with the merger.

The Senior Notes bear interest at 8.0% per annum, mature on October 1, 2012 and were priced at 98.688%, resulting in a discount at the time of issue of $8.5 million. The discount is being amortized using the effective interest method. As of August 2, 2008, the unamortized original issue discount was $4.8 million. The rate of interest on the Senior Floating Rate Notes prior to their redemption on October 1, 2007 was 9.2350% per annum. The Issuers pay interest on the Senior Notes semi-annually, in arrears, every April 1 and October 1, to holders of record on the immediately preceding March 15 and September 15, and at maturity.

The Indenture contains affirmative and negative covenants customary for such financings, including, among other things, limitations on (1) the incurrence of additional debt, (2) restricted payments, (3) liens, (4) sale and leaseback transactions and (5) asset sales. Events of default provided for in the Indenture include, among other things, failure to pay interest or principal on the Notes, other breaches of covenants in the Indenture, and certain events of bankruptcy and insolvency. As of August 2, 2008, the Company was in compliance with all covenants associated with the Revolver and the Indenture.

Under certain conditions, the Issuers may on any one or more occasions prior to maturity redeem up to 100% of the aggregate principal amount of Senior Notes issued under the Indenture at redemption prices at or in excess of 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date. The circumstances which would limit the percentage of the Notes which may be redeemed or which would require the Company to pay a premium in excess of 100% of the principal amount are defined in the Indenture. Upon a Change of Control (as defined in the Indenture), the Issuers are required to offer to purchase all of the Notes then outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. The Issuers may acquire Senior Notes by means other than redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisitions do not otherwise violate the terms of the Indenture.

Uses of Capital

Our future capital requirements will depend on the number of new stores opened and the timing of those openings within a given fiscal year. The Company opened 335 stores in the 26 weeks ended August 2, 2008 and expects to open approximately 550 to 600 stores in total during fiscal 2008. Capital expenditures for fiscal 2008 are projected to be approximately $170 million to $180 million, to be used primarily to fund new store openings and invest in distribution and information systems in support of operations.

In May 2006, the Company announced that its Board of Directors authorized the buyback of up to an aggregate of $100 million of its Senior Floating Rate Notes and Senior Notes. As of February 3, 2007, the Company had repurchased the maximum authorized amount, having acquired $50 million of its Senior Notes and $50 million of its Senior Floating Rate Notes, and delivered the Notes to the Trustee for cancellation.

On February 9, 2007, the Company announced that its Board of Directors authorized the buyback of up to an aggregate of an additional $150 million of its Senior Notes and Senior Floating Rate Notes. As of August 4, 2007, the Company had repurchased the maximum authorized amount, having acquired $20 million of its Senior Notes and $130 million of its Senior Floating Rate Notes, and delivered the Notes to the Trustee for cancellation. The associated loss on the retirement of this debt was $2.0 million and $8.8 million for the 13 and 26 week periods ended August 4, 2007, respectively, which consists of the premium paid to retire the Notes and the recognition of the deferred financing fees and the original issue discount on the Notes.

On June 28, 2007, the Company announced that its Board of Directors authorized the redemption of the remaining $120 million of Senior Floating Rate Notes outstanding. The Company redeemed the Senior Floating Rate Notes on October 1, 2007 at the redemption price specified by the Senior Floating Rate Notes of 102.00%, plus all accrued and unpaid interest through the redemption date. The Company incurred a one-time pre-tax charge of $3.8 million associated with the redemption, which represents a $2.4 million redemption premium and $1.4 million to recognize unamortized deferred financing costs.

On February 7, 2008, the Company announced that its Board of Directors authorized the buyback of up to an aggregate of an additional $130 million of its Senior Notes. The timing and amount of the repurchases will be determined by the Company s management based on their evaluation of market conditions and other factors. In addition, the repurchases may be suspended or discontinued at any time. As of August 2, 2008, the Company had repurchased $30 million of its Senior Notes pursuant to this new authorization and delivered the Senior Notes to the Trustee for cancellation. The associated loss on retirement of debt is $2.3 million, which consists of the premium paid to retire the Senior Notes and the write-off of the deferred financing fees and the original issue discount on the Senior Notes.

During October 2007, the Company paid the final principal payment of $12.2 million to Barnes & Noble, Inc. (Barnes & Noble) on the promissory note that was issued in connection with the repurchase of GameStop s common stock held by Barnes & Noble, satisfying the promissory note in full. The note was unsecured and bore interest at 5.5% per annum.

On April 5, 2008, the Company purchased all the outstanding stock of FRS for $21.0 million, net of cash acquired. FRS operates 49 record stores in Norway and also operates office and warehouse facilities in Oslo, Norway. The Company intends to convert these stores into video game stores with an inventory assortment similar to its other stores in Norway.

In 2003, the Company purchased a 51% controlling interest in GameStop Group Limited which operates stores in Ireland and the United Kingdom. Under the terms of the purchase agreement, the minority interest owners of the remaining 49% have the ability to require the Company to purchase their remaining shares in incremental percentages at a price to be determined based partially on the Company s price to earnings ratio and GameStop Group Limited s earnings. On May 21, 2008, the minority interest owners exercised their right to sell one-third of their shares, or approximately 16% of GameStop Group Limited, to the Company under the terms of the original purchase agreement for $27.4 million. The transaction was completed in June 2008 and recorded in accordance with the provisions of the Statement of Financial Accounting Standards No. 141, *Business Acquisitions.*

Based on our current operating plans, we believe that available cash balances, cash generated from our operating activities and funds available under the Revolver will be sufficient to fund our operations, required payments on the Senior Notes, store expansion and remodeling activities and corporate capital expenditure programs for at least the next 12 months.

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Recent Accounting Policies

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and their effect on an entity s financial position, financial performance, and cash flows. SFAS 161 is effective for the Company on February 1, 2009. The Company is currently evaluating the impact that the adoption of SFAS 161 may have on its consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (SFAS 141(R)). SFAS 141(R) amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141(R) is effective for the Company on February 1, 2009, and the Company will apply SFAS 141(R) prospectively to all business combinations subsequent to the effective date.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the controlling and noncontrolling interests and requires the separate disclosure of income attributable to controlling and noncontrolling interests. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact that the adoption of SFAS 160 will have on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). This statement permits entities the option to measure many financial instruments and certain other items at fair value at specific election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 was effective for our Company on February 3, 2008. The adoption of SFAS 159 did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements. The Company adopted SFAS 157 on February 3, 2008 as required for its financial assets and liabilities. However, in February 2008, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of SFAS 157 for our financial assets and liabilities did not have a material impact on the Company s financial condition and results of operations. We do not believe the adoption of SFAS 157 for our non-financial assets and liabilities, effective February 1, 2009, will have a material impact on our consolidated financial statements.

Disclosure Regarding Forward-looking Statements

This report on Form 10-Q and other oral and written statements made by the Company to the public contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and

Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). The forward-looking statements involve a number of risks and uncertainties. A number of factors could cause our actual results, performance, achievements or industry results to be materially different from any future results, performance or

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achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to:

- our reliance on suppliers and vendors for sufficient quantities of their products and for new product releases;
- general economic conditions in the U.S. and internationally and specifically, economic conditions affecting the electronic game industry;
- the competitive environment in the electronic game industry;
- our ability to open and operate new stores;
- our ability to attract and retain qualified personnel;
- the impact and costs of litigation and regulatory compliance;
- unanticipated litigation results;
- the risks involved with our international operations;
- alternate sources of distribution of video game software; and
- other factors described in the Form 10-K, including those set forth under the caption Item 1A. Risk Factors.

In some cases, forward-looking statements can be identified by the use of terms such as anticipates, believes, continues, could, estimates, expects, intends, may, plans, potential, predicts, pro forma, should, expressions. These statements are only predictions based on current expectations and assumptions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. You should not place undue reliance on these forward-looking statements.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-Q. In light of these risks and uncertainties, the forward-looking events and circumstances contained in this Form 10-Q may not occur, causing actual results to differ materially from those anticipated or implied by our forward-looking statements.

ITEM 3. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Exposure

We do not use derivative financial instruments to hedge interest rate exposure. We limit our interest rate risks by investing our excess cash balances in short-term, highly-liquid instruments with a maturity of one year or less. In addition, the Senior Notes outstanding issued in connection with the merger carry a fixed interest rate. We do not expect any material losses from our invested cash balances, and we believe that our interest rate exposure is modest.

Foreign Currency Risk

The Company follows the provisions of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities* and Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value while SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction, and if it is, depending on the type of hedge transaction.

The Company uses forward exchange contracts, foreign currency options and cross-currency swaps, (together, the Foreign Currency Contracts) to manage currency risk primarily related to intercompany loans denominated in non-functional currencies and certain foreign currency assets and liabilities. These Foreign Currency Contracts are not designated as hedges and, therefore, changes in the fair values of these derivatives are recognized in earnings, thereby offsetting the current earnings effect of the re-measurement of related intercompany loans and foreign currency assets and liabilities. The aggregate fair value of the Foreign Currency Contracts at August 2, 2008 was a liability of $8.2 million as measured by observable inputs obtained from market news reporting services, such as Bloomberg and The Wall Street Journal, and industry-standard models that consider various assumptions, including quoted forward prices, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic measures. A hypothetical strengthening or weakening of 10% in the foreign exchange rates underlying the Foreign Currency Contracts from the market rate as of August 2, 2008 would result in a (loss) or gain in value of the forwards, options and swaps of ($23.9 million) or $23.9 million, respectively.

ITEM 4. ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company s management conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company s disclosure controls and procedures are effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company s periodic reports.

(b) Changes in Internal Control over Financial Reporting

There was no change in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company s most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. ***Legal Proceedings***

On February 14, 2005, and as amended, Steve Strickland, as personal representative of the Estate of Arnold Strickland, deceased, Henry Mealer, as personal representative of the Estate of Ace Mealer, deceased, and Willie Crump, as personal representative of the Estate of James Crump, deceased, filed a wrongful death lawsuit against GameStop, Sony, Take-Two Interactive, Rock Star Games and Wal-Mart (collectively, the Defendants) and Devin Moore, alleging that Defendants actions in designing, manufacturing, marketing and supplying Defendant Moore with violent video games were negligent and contributed to Defendant Moore killing Arnold Strickland, Ace Mealer and James Crump. Moore was found guilty of capital murder in a criminal trial and was sentenced to death in August 2005.

Plaintiffs new Alabama counsel has named a new expert, a psychiatrist who testified at the criminal trial on behalf of the criminal defendant, who will opine (if allowed) that violent video games were a substantial factor in causing the murders. This same testimony from this same expert was excluded in the criminal trial from the same judge hearing this case. The motion to bar this testimony in this case is set for October 30, 2008. The ruling on this motion will have an effect on whether the case is able to proceed. There is no current trial date. The Company does not believe there is sufficient information to estimate the amount of the possible loss, if any, resulting from the lawsuit.

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In the ordinary course of the Company s business, the Company is, from time to time, subject to various other legal proceedings. Management does not believe that any such other legal proceedings, individually or in the aggregate, will have a material adverse effect on the Company s financial condition or results of operations.

There have been no other material developments in previously reported legal proceedings during the fiscal quarter covered by this Form 10-Q.

ITEM 1A. *Risk Factors*

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Item 1A. Risk Factors in our Form 10-K for the fiscal year ended February 2, 2008 filed with the SEC on April 2, 2008. These risks could materially and adversely affect our business, financial condition and results of operations. The risks described in our Form 10-K have not changed materially, however, they are not the only risks we face. Our operations could also be affected by additional factors that are not presently known to us or by factors that we currently consider immaterial to our business.

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

The Company s Annual Meeting of Stockholders was held on June 24, 2008. At the close of business on the record date for the meeting (which was May 1, 2008), there were 163,189,494 shares of Class A common stock outstanding and entitled to vote at the meeting. Holders of 149,513,837 shares of Class A common stock (with one vote per share) were present at the meeting, either in person or by proxy.

The Company s stockholders approved, by the following vote, the amendment and restatement of the Amended and Restated GameStop Corp. Supplemental Compensation Plan which increases the maximum cash bonus payable to any participating executive officer with respect to any fiscal year from $2,500,000 to $3,500,000.

In Favor	Against	Abstained	Broker Non-Votes
124,092,297	7,919,758	1,074,456	16,427,326

The following individuals were elected to the Company s Board of Directors to hold office for a term of three years and until their respective successors are duly elected and qualified, with the vote specified below:

Nominee	In Favor	Withheld
Leonard Riggio	147,135,326	2,378,511
Stanley (Mickey) Steinberg	147,112,230	2,401,607
Gerald R. Szczepanski	147,157,055	2,356,782
Lawrence S. Zilavy	146,944,655	2,569,182

The following individuals continue to serve on the Company s Board of Directors until the expiration of their terms: R. Richard Fontaine, Daniel A. DeMatteo, Jerome L. Davis, Steven R. Koonin, Michael N. Rosen, Stephanie M. Shern and Edward A. Volkwein.

The Company s stockholders also ratified the appointment of BDO Seidman, LLP as the registered independent public accounting firm of the Company for the fiscal year ending January 31, 2009 by the following vote:

In Favor	Against	Abstained
148,050,681	405,773	1,057,383

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ITEM 6. *Exhibits*

Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of April 17, 2005, among GameStop Corp. (f/k/a GSC Holdings Corp.), Electronics Boutique Holdings Corp., GameStop, Inc., GameStop Holdings Corp. (f/k/a GameStop Corp.), Cowboy Subsidiary LLC and Eagle Subsidiary LLC.(1)
3.1	Second Amended and Restated Certificate of Incorporation.(2)
3.2	Amended and Restated Bylaws.(3)
4.1	Indenture, dated September 28, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), GameStop, Inc., the subsidiary guarantors party thereto, and Citibank N.A., as trustee.(4)
4.2	First Supplemental Indenture, dated October 8, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), GameStop, Inc., the subsidiary guarantors party thereto, and Citibank N.A., as trustee.(5)
4.3	Rights Agreement, dated as of June 27, 2005, between GameStop Corp. (f/k/a GSC Holdings Corp.) and The Bank of New York, as Rights Agent.(3)
4.4	Form of Indenture.(6)
10.1	Separation Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(7)
10.2	Tax Disaffiliation Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(8)
10.3	Insurance Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(8)
10.4	Operating Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(8)
10.5	Second Amended and Restated 2001 Incentive Plan.(9)
10.6	Second Amended and Restated Supplemental Compensation Plan.(10)
10.7	Form of Option Agreement.(11)
10.8	Form of Restricted Share Agreement.(12)
10.9	Stock Purchase Agreement, dated as of October 1, 2004, by and among GameStop Holdings Corp. (f/k/a GameStop Corp.), B&N GameStop Holding Corp. and Barnes & Noble, Inc.(13)
10.10	Promissory Note, dated as of October 1, 2004, made by GameStop Holdings Corp. (f/k/a GameStop Corp.) in favor of B&N GameStop Holding Corp.(13)
10.11	Credit Agreement, dated as of October 11, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A. and the other lending institutions listed in the Agreement, Bank of America, N.A. and Citicorp North America, Inc., as Issuing Banks, Bank of America, N.A., as Administrative Agent and Collateral Agent, Citicorp North America, Inc., as Syndication Agent, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc., as Documentation Agent.(14)
10.12	Guaranty, dated as of October 11, 2005, by GameStop Corp. (f/k/a GSC Holdings Corp.) and certain subsidiaries of GameStop Corp. in favor of the agents and lenders.(14)
10.13	Security Agreement, dated October 11, 2005, by GameStop Corp. (f/k/a GSC Holdings Corp.) and certain subsidiaries of GameStop Corp. in favor of Bank of America, N.A., as Collateral Agent for the Secured Parties.(14)
10.14	

	Patent and Trademark Security Agreement, dated as of October 11, 2005 by GameStop Corp. (f/k/a GSC Holdings Corp.) and certain subsidiaries of GameStop Corp. in favor of Bank of America, N.A., as Collateral Agent.(14)
10.15	Mortgage, Security Agreement, and Assignment and Deeds of Trust, dated October 11, 2005, between GameStop of Texas, L.P. and Bank of America, N.A., as Collateral Agent.(14)
10.16	Mortgage, Security Agreement, and Assignment and Deeds of Trust, dated October 11, 2005, between Electronics Boutique of America, Inc. and Bank of America, N.A., as Collateral Agent.(14)
10.17	Form of Securities Collateral Pledge Agreement, dated as of October 11, 2005.(14)

Exhibit Number	Description
10.18	First Amendment, dated April 25, 2007, to Credit Agreement, dated as of October 11, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A. and the other lending institutions listed in the Amendment, Bank of America, N.A. and Citicorp North America, Inc., as Issuing Banks, Bank of America, N.A., as Administrative Agent and Collateral Agent, Citicorp North America, Inc., as Syndication Agent, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc., as Documentation Agent.(15)
10.19	Executive Employment Agreement, dated as of April 11, 2005, between GameStop Holdings Corp. (f/k/a GameStop Corp.) and R. Richard Fontaine.(16)
10.20	Executive Employment Agreement, dated as of April 11, 2005, between GameStop Holdings Corp. (f/k/a GameStop Corp.) and Daniel A. DeMatteo.(16)
10.21	Executive Employment Agreement, dated as of April 3, 2006, between GameStop Corp. and David W. Carlson.(17)
10.22	Executive Employment Agreement, dated as of August 28, 2008, between GameStop Corp. and J. Paul Raines.(18)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on April 18, 2005.

(2) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on February 7, 2007.

(3) Incorporated by reference to the Registrant s Amendment No. 1 to Form S-4 filed with the Securities and Exchange Commission on July 8, 2005.

(4) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on September 30, 2005.

(5) Incorporated by reference to the Registrant s Form 10-Q for the fiscal quarter ended October 29, 2005 filed with the Securities and Exchange Commission on December 8, 2005.

(6) Incorporated by reference to the Registrant s Form S-3ASR filed with the Securities and Exchange Commission on April 10, 2006.

(7)

Incorporated by reference to GameStop Holdings Corp. s Amendment No. 4 to Form S-1 filed with the Securities and Exchange Commission on February 5, 2002.

(8) Incorporated by reference to GameStop Holdings Corp. s Amendment No. 3 to Form S-1 filed with the Securities and Exchange Commission on January 24, 2002.

(9) Incorporated by reference to Appendix A to the Registrant s Proxy Statement for 2007 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on May 29, 2007.

(10) Incorporated by reference to Appendix A to the Registrant s Proxy Statement for 2008 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on May 23, 2008.

(11) Incorporated by reference to GameStop Holdings Corp. s Form 10-K for the fiscal year ended January 29, 2005 filed with the Securities and Exchange Commission on April 11, 2005.

(12) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on September 12, 2005.

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(13) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on October 5, 2004.

(14) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on October 12, 2005.

(15) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on April 26, 2007.

(16) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on April 15, 2005.

(17) Incorporated by reference to the Registrant s Form 10-K for the fiscal year ended January 28, 2006 filed with the Securities and Exchange Commission on April 3, 2006.

(18) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on September 4, 2008.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GAMESTOP CORP.

By: /s/ David W. Carlson

David W. Carlson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: September 11, 2008

GAMESTOP CORP.

By: /s/ Robert A. Lloyd

Robert A. Lloyd
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Date: September 11, 2008

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GAMESTOP CORP.

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of April 17, 2005, among GameStop Corp. (f/k/a GSC Holdings Corp.), Electronics Boutique Holdings Corp., GameStop, Inc., GameStop Holdings Corp. (f/k/a GameStop Corp.), Cowboy Subsidiary LLC and Eagle Subsidiary LLC.(1)
3.1	Second Amended and Restated Certificate of Incorporation.(2)
3.2	Amended and Restated Bylaws.(3)
4.1	Indenture, dated September 28, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), GameStop, Inc., the subsidiary guarantors party thereto, and Citibank N.A., as trustee.(4)
4.2	First Supplemental Indenture, dated October 8, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), GameStop, Inc., the subsidiary guarantors party thereto, and Citibank N.A., as trustee.(5)
4.3	Rights Agreement, dated as of June 27, 2005, between GameStop Corp. (f/k/a GSC Holdings Corp.) and The Bank of New York, as Rights Agent.(3)
4.4	Form of Indenture.(6)
10.1	Separation Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(7)
10.2	Tax Disaffiliation Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(8)
10.3	Insurance Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(8)
10.4	Operating Agreement, dated as of January 1, 2002, between Barnes & Noble, Inc. and GameStop Holdings Corp. (f/k/a GameStop Corp.).(8)
10.5	Second Amended and Restated 2001 Incentive Plan.(9)
10.6	Second Amended and Restated Supplemental Compensation Plan.(10)
10.7	Form of Option Agreement.(11)
10.8	Form of Restricted Share Agreement.(12)
10.9	Stock Purchase Agreement, dated as of October 1, 2004, by and among GameStop Holdings Corp. (f/k/a GameStop Corp.), B&N GameStop Holding Corp. and Barnes & Noble, Inc.(13)
10.10	Promissory Note, dated as of October 1, 2004, made by GameStop Holdings Corp. (f/k/a GameStop Corp.) in favor of B&N GameStop Holding Corp.(13)
10.11	Credit Agreement, dated as of October 11, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A. and the other lending institutions listed in the Agreement, Bank of America, N.A. and Citicorp North America, Inc., as Issuing Banks, Bank of America, N.A., as Administrative Agent and Collateral Agent, Citicorp North America, Inc., as Syndication Agent, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc., as Documentation Agent.(14)
10.12	Guaranty, dated as of October 11, 2005, by GameStop Corp. (f/k/a GSC Holdings Corp.) and certain subsidiaries of GameStop Corp. in favor of the agents and lenders.(14)
10.13	Security Agreement, dated October 11, 2005, by GameStop Corp. (f/k/a GSC Holdings Corp.) and certain subsidiaries of GameStop Corp. in favor of Bank of America, N.A., as Collateral Agent for the

	Secured Parties.(14)
10.14	Patent and Trademark Security Agreement, dated as of October 11, 2005 by GameStop Corp. (f/k/a GSC Holdings Corp.) and certain subsidiaries of GameStop Corp. in favor of Bank of America, N.A., as Collateral Agent.(14)
10.15	Mortgage, Security Agreement, and Assignment and Deeds of Trust, dated October 11, 2005, between GameStop of Texas, L.P. and Bank of America, N.A., as Collateral Agent.(14)
10.16	Mortgage, Security Agreement, and Assignment and Deeds of Trust, dated October 11, 2005, between Electronics Boutique of America, Inc. and Bank of America, N.A., as Collateral Agent.(14)

Exhibit Number	Description
10.17	Form of Securities Collateral Pledge Agreement, dated as of October 11, 2005.(14)
10.18	First Amendment, dated April 25, 2007, to Credit Agreement, dated as of October 11, 2005, by and among GameStop Corp. (f/k/a GSC Holdings Corp.), certain subsidiaries of GameStop Corp., Bank of America, N.A. and the other lending institutions listed in the Amendment, Bank of America, N.A. and Citicorp North America, Inc., as Issuing Banks, Bank of America, N.A., as Administrative Agent and Collateral Agent, Citicorp North America, Inc., as Syndication Agent, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc., as Documentation Agent.(15)
10.19	Executive Employment Agreement, dated as of April 11, 2005, between GameStop Holdings Corp. (f/k/a GameStop Corp.) and R. Richard Fontaine.(16)
10.20	Executive Employment Agreement, dated as of April 11, 2005, between GameStop Holdings Corp. (f/k/a GameStop Corp.) and Daniel A. DeMatteo.(16)
10.21	Executive Employment Agreement, dated as of April 3, 2006, between GameStop Corp. and David W. Carlson.(17)
10.22	Executive Employment Agreement, dated as of August 28, 2008, between GameStop Corp. and J. Paul Raines.(18)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on April 18, 2005.

(2) Incorporated by reference to the Registrant s Form 8-K filed with the Securities and Exchange Commission on February 7, 2007.

(3) Incorporated by reference to the Registrant s Amendment No. 1 to Form S-4 filed with the Securities and Exchange Commission on July 8, 2005.

(4) Incorporated by reference to GameStop Holdings Corp. s Form 8-K filed with the Securities and Exchange Commission on September 30, 2005.

(5) Incorporated by reference to the Registrant s Form 10-Q for the fiscal quarter ended October 29, 2005 filed with the Securities and Exchange Commission on December 8, 2005.

(6) Incorporated by reference to the Registrant s Form S-3ASR filed with the Securities and Exchange Commission on April 10, 2006.

(7) Incorporated by reference to GameStop Holdings Corp. s Amendment No. 4 to Form S-1 filed with the Securities and Exchange Commission on February 5, 2002.

(8) Incorporated by reference to GameStop Holdings Corp. s Amendment No. 3 to Form S-1 filed with the Securities and Exchange Commission on January 24, 2002.

(9) Incorporated by reference to Appendix A to the Registrant s Proxy Statement for 2007 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on May 29, 2007.

(10) Incorporated by reference to Appendix A to the Registrant s Proxy Statement for 2008 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on May 23, 2008.

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