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

FORM 8-K/A

AMENDMENT NO. 2

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported) **November 22, 2004**

THE CHILDREN'S PLACE RETAIL STORES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**0-23071**	**31-1241495**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer ID Number)

915 Secaucus Road, New Jersey	**07094**
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, including area code: **(201) 558-2400**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets

On November 22, 2004 (effective as of November 21, 2004), two subsidiaries of the Company consummated the acquisition of the "Disney Store" chain of retail stores in North America, pursuant to the terms of the Acquisition Agreement dated as of October 19, 2004 (the "Acquisition Agreement"), between Hoop Holdings, LLC and Hoop Canada Holdings, Inc. ("Hoop Canada Holdings"), each a wholly-owned subsidiary of the Company, as purchasers, and Disney Enterprises, Inc. ("DEI") and Disney Credit Card Services, Inc. ("DCCS" and together with DEI, the "Sellers," each wholly-owned subsidiaries of The Walt Disney Company), as sellers.

On November 29, 2004, the Company filed a Current Report on Form 8-K/A reporting that it had completed the acquisition of the Disney Store chain of retail stores in North America and that the financial statements and pro forma financial information required under Item 9.01 would be filed at a later date. Amendment No. 1 to the Company's Current Report on Form 8-K/A, which was filed on February 8, 2005 contained the required financial statements and pro forma financial information.

On April 14, 2005, the Company filed a Current Report on Form 8-K reporting that it had completed its analysis of its lease-related accounting practices and had reviewed the results with its audit committee and independent registered public accountants. As described therein, the Company concluded that certain of its lease-related accounting practices were incorrect. Therefore, the Company restated its financial results, and advised users that such financial results contained in the Company's prior filings with the Securities and Exchange Commission should no longer be relied upon.

This Amendment No.2 to the Company's Current Report on Form 8-K/A is being filed to provide revised pro forma financial information, as restated.

The description contained in this Item 2.01 of the transactions consummated pursuant to the Acquisition Agreement is qualified in its entirety by reference to the description contained in the Company's Current Report on Form 8-K filed on November 29, 2004. The audited combined financial statements of The Disney Store North American Group at October 2, 2004 and September 27, 2003 and for each of the three years in the period ended October 2, 2004, and the notes related thereto, as well as the consent of PricewaterhouseCoopers LLP is referenced in its entirety to the Company's Report on Form 8-K/A filed on February 8, 2005.

Item 9.01 Financial Statements and Exhibits

(b) Pro Forma Financial Information:

Unaudited pro forma condensed consolidated balance sheet (as restated) as of October 30, 2004 and unaudited pro forma condensed consolidated statements of income (loss) (as restated) for the 52 weeks ended January 31, 2004 and the 39 weeks ended October 30, 2004, and the notes related thereto.

(c) Exhibits:

Exhibit 99.2 Unaudited pro forma condensed consolidated balance sheet as of October 30, 2004 (as restated) and unaudited pro forma condensed consolidated statements of income (loss) (as restated) for the 52 weeks ended January 31, 2004 and the 39 weeks ended October 30, 2004, and the notes related thereto.

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signature on following page.]

SIGNATURES

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

THE CHILDREN'S PLACE RETAIL STORES, INC.

By: /s/ Ezra Dabah
Name: Ezra Dabah
Title: Chairman and Chief Executive Officer

Dated: May 3, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

THE CHILDREN'S PLACE RETAIL STORES, INC.
EXHIBIT INDEX TO FORM 8-K/A

99.2 Unaudited pro forma condensed consolidated balance sheet as of October 30, 2004 (as restated) and unaudited pro forma condensed consolidated statements of income (loss) (as restated) for the 52 weeks ended January 31, 2004 and the 39 weeks ended October 30, 2004, and the notes related thereto.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On November 22, 2004, effective as of November 21, 2004 (the "Closing Date"), two wholly-owned subsidiaries of The Children's Place Retail Stores, Inc. (the "Company") consummated the acquisition (the "Closing") of the "Disney Store" chain of 313 retail stores and an Internet store in North America (the "DSNA Business"), pursuant to an Acquisition Agreement dated as of October 19, 2004 (the "Acquisition Agreement") with subsidiaries of The Walt Disney Company ("Disney"), as sellers (the "Sellers"). The DSNA Business was acquired for a preliminary working capital payment of $101.5 million, subject to a post-closing true-up, and an estimated $7.3 million in transaction costs, for a total preliminary acquisition cost of $108.7 million. These amounts were funded using cash-on-hand, borrowings under the Company's amended credit facility and an additional credit facility for two of its subsidiaries, and a short-term sellers' payable.

The accompanying Unaudited Pro Forma Condensed Consolidated Statements of Income (Loss) for the fifty-two weeks ended January 31, 2004 (as restated – Note 1) ("Fiscal 2003") and the thirty-nine weeks ended October 30, 2004 (as restated – Note 1), and the Unaudited Pro Forma Condensed Consolidated Balance Sheet as of October 30, 2004 (as restated – Note 1) (collectively, the "Unaudited Pro Forma Financial Statements") give pro forma effect to four transactions consummated as of November 21, 2004 (the "Transactions"):

1. The acquisition of the DSNA Business,
2. The license of certain intellectual property of subsidiaries of Disney,
3. The incurrence of debt for the acquisition and the funding requirement under the Guaranty and Commitment, defined below, pursuant to the terms of the Company's credit facility with Wells Fargo Retail Finance, LLC ("Wells Fargo"), and
4. The incurrence of debt for the acquisition pursuant to the terms of a new credit facility for the DSNA Business.

The accompanying Unaudited Pro Forma Condensed Consolidated Statements of Income (Loss) assume that the Transactions took place on February 2, 2003, the first day of Fiscal 2003. The accompanying Unaudited Pro Forma Condensed Consolidated Balance Sheet as of October 30, 2004 assumes that the Transactions took place on that date. The Disney Stores North America Group's ("TDSNA") historical financial statements were prepared using a fiscal year that ends on the Saturday closest to September 30. This differs from the Company's fiscal year, which ends on the Saturday closest to January 31. For purposes of the Unaudited Pro Forma Financial Statements, the Company has used TDSNA's unaudited historical results for the fifty-two week period ended December 27, 2003 and the forty week period ended October 2, 2004. These periods are five and four weeks different, respectively, from the Company's fiscal periods. Management believes these differences in fiscal calendars do not materially impact the pro forma results presented.

At the Closing, subsidiaries of the Company and Disney entered into a long-term license and conduct of business agreement (the "License Agreement") under which the Company's subsidiaries have the right to use certain Disney intellectual property in the DSNA Business in exchange for ongoing royalty payments. Subsidiaries of the Company and TDS Franchising, LLC ("TDSF"), an affiliate of the Sellers, entered into the License Agreement, under which, in consideration of a royalty on store sales to be paid by Hoop Retail Stores, LLC ("Hoop USA") and Hoop Canada, Inc. (collectively, with Hoop USA, the "Hoop Operating Entities") to TDSF beginning in November 2006, the Hoop Operating Entities will operate retail stores in the United States and Canada from and after the Closing using the "Disney Store" name. The DSNA Business will continue to manufacture, source, offer and sell merchandise featuring "Disney-branded" characters, past, present and future. In addition, beginning in October 2005, the Hoop Operating Entities will operate the disneystore.com Internet site and e-commerce store featuring a select assortment of merchandise offered in the physical retail locations of the Disney Stores, paying a royalty to TDSF on Internet sales. The initial term of the License Agreement is 15 years, and may be extended at the Company's option for up to an additional 30 years (in 10-year increments), subject to certain conditions.

In addition, the Company and Hoop Holdings, LLC, a direct, wholly-owned subsidiary of the Company which holds the entire equity interest in Hoop USA, entered into a Guaranty and Commitment (the "Guaranty and Commitment") dated as of November 21, 2004, in favor of the Hoop Operating Entities and TDSF. As required by the Guaranty and Commitment and the Acquisition Agreement, the Company invested $50 million in the Hoop Operating Entities concurrently with the consummation of the acquisition and agreed to invest up to an additional $50 million, as necessary, from time to time in the future, to enable the Hoop Operating Entities and/or their affiliates to comply with their respective obligations under the License Agreement, to prevent and/or cure certain breaches under the License Agreement, to provide for the remodeling and other ongoing capital expenditure requirements of the Disney Stores and to fund the operations of the Disney Stores.

The Company funded its capital commitment and the preliminary working capital payment, as applicable, through cash flow from operations, through a seller's payable that was subsequently paid in full on December 14, 2004, and through short-term borrowings under its amended credit facility with Wells Fargo. The Company also negotiated a separate credit facility with Wells Fargo for the Hoop Operating Entities, which funded a portion of the working capital adjustment under the Acquisition Agreement, and also provides for the Hoop Operating Entities' working capital needs.

This acquisition is being accounted for under the purchase method of accounting in accordance with Statement of Financial

Accounting Standards No. 141, Business Combinations ("SFAS No. 141"). The accompanying Unaudited Pro Forma Financial Statements reflect the Company's unaudited preliminary working capital payment allocation using the principles proscribed therein. The Company has not completed its determination of accounting for the acquisition, and adjustments reflected in the accompanying Unaudited Pro Forma Financial Statements are subject to change. These Unaudited Pro Forma Financial Statements are presented for illustrative purposes only and are not necessarily indicative of the financial position or results of operations which would actually have been reported had the acquisition been in effect during the periods presented, or which may be reported in the future. The Unaudited Pro Forma Financial Statements include all material adjustments required to give effect to the Transactions. The Company has made no adjustments for anticipated revenue improvements resulting from its store growth and renovation strategy or anticipated operating cost savings as a result of the Company's different merchandise sourcing strategies and the elimination of duplicative facilities and administrative staff.

The accompanying Unaudited Pro Forma Financial Statements should be read in conjunction with the historical financial statements of The Children's Place Retail Stores, Inc., filed on Form 10-K, and The Disney Stores North America Group, filed on Form 8-K/A, dated February 8, 2005.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (LOSS)
For the Fifty-two Weeks Ended January 31, 2004
(In thousands, except per share amounts)

	Historical Results		Pro Forma Adjustments				
	The Children's Place Retail Stores, Inc. 52 weeks ended January 31, 2004 (As Restated - Note 1)	The Disney Stores North America Group 52 weeks ended December 27, 2003	Fair Value of assets acquired and liabilities assumed adjustments (Note 2)	License Agreement adjustments (Note 3)	Wells Fargo credit facilities adjustments (Note 4)	Income Tax provision (benefit) adjustment (Note 5)	Unaudited Pro Forma Condensed Consolidated Statement of Loss (As Restated - Note 1)
Net sales	$ 797,938	$ 580,240	$ (35,920)	$ -0-	$ -0	$ -0-	$ 1,342,258
Cost of sales	476,961	386,970	(19,274)	(42,173)	-0-	-0-	802,484
Gross profit	320,977	193,270	(16,646)	42,173	-0-	-0-	539,774
Selling, general and administrative expenses	284,115	306,186	(43,511)	25,892	-0-	-0-	572,682
Restructuring and Impairment charges (reversals)	448	15,509	(15,509)	-0-	-0-	-0-	448
Operating income (loss)	36,414	(128,425)	42,374	16,281	-0-	-0-	(33,356)
Other income (expense)	255	(408)	-0-	-0-	(4,270)	-0-	(4,423)
Income (loss) from continuing operations before taxes	36,669	(128,833)	42,374	16,281	(4,270)	-0-	(37,779)
Income tax provision (benefit)	13,764	-0-	-0-	-0-	-0-	(27,931)	(14,167)
Income (loss) from continuing operations	$ 22,905	$ (128,833)	$ 42,374	$ 16,281	$ (4,270)	$ 27,931	$ (23,612)
Basic net income (loss) from continuing operations per common share	$ 0.86	N/A					$ (0.89)
Basic weighted average common shares outstanding	26,646						26,646
Diluted net income (loss) from continuing operations per common share	$ 0.85	N/A					$ (0.89)
Diluted weighted average common shares outstanding	27,099						26,646

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (LOSS)
For the Thirty-nine Weeks Ended October 30, 2004
(In thousands, except per share amounts)

	Historical Results		Pro Forma Adjustments				
	The Children's Place Retail Stores, Inc. 39 weeks ended October 30, 2004 (As Restated - Note 1)	The Disney Stores North America Group 40 weeks ended October 2, 2004	Fair Value of assets acquired and liabilities assumed adjustments (Note 2)	License Agreement adjustments (Note 3)	Wells Fargo credit facilities adjustments (Note 4)	Income Tax provision (benefit) adjustment (Note 5)	Unaudited Pro Forma Condensed Consolidated Statement of Loss (As Restated - Note 1)
Net sales	$ 695,440	$ 358,317	$ (1,946)	$ -0-	$ -0-	$ -0-	$ 1,051,811
Cost of sales	424,022	231,378	(3,095)	(25,829)	-0-	-0-	626,476
Gross profit	271,418	126,939	1,149	25,829	-0-	-0-	425,335

Selling, general and administrative expenses	239,386	187,772	(14,166)	14,934	-0-	-0-	427,926
Restructuring and Impairment charges (reversals)	-0-	(1,596)	1,596	-0-	-0-	-0-	-0-
Operating income (loss)	32,032	(59,237)	13,719	10,895	-0-	-0-	(2,591)
Other income (expense)	154	1,361	-0-	-0-	(3,202)	-0-	(1,687)
Income (loss) from continuing operations before taxes	32,186	(57,876)	13,719	10,895	(3,202)	-0-	(4,278)
Income tax provision (benefit)	12,881	-0-	-0-	-0-	-0-	(14,593)	(1,712)
Income (loss) from continuing operations	$ 19,305	$ (57,876)	$ 13,719	$ 10,895	$ (3,202)	$ 14,593	$ (2,566)
Basic net income (loss) from continuing operations per common share	$ 0.72	N/A					$ (0.10)
Basic weighted average common shares outstanding	26,867						26,867
Diluted net income (loss) from continuing operations per common share	$ 0.70	N/A					$ (0.10)
Diluted weighted average common shares outstanding	27,475						26,867

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
As of October 30, 2004
(In thousands, except per share amounts)

	The Children's Place Retail Stores, Inc. October 30, 2004 (As Restated - Note 1)	**The Disney Stores North America Group October 2, 2004**	**Preliminary working capital payment allocation (Note 2)**	**Unaudited Pro Forma Condensed Consolidated Balance Sheet (As Restated - Note 1)**
ASSETS				
Cash and cash equivalents	$ 45,344	$ 9,739	$ (9,202)	$ 45,881
Accounts receivable	14,249	7,864	(195)	21,918
Inventories	143,367	100,412	(175)	243,604
Prepaid expenses and other current assets	23,588	12,752	(775)	35,565
Total current assets	226,548	130,767	(10,347)	346,968
Property & equipment, net	221,410	47,016	(47,016)	221,410
Other long-term assets	15,883	1,931	(4,218)	13,596
Fair value of net assets acquired over (under) cost	-0-	-0-	-0-	-0-
Total assets	$ 463,841	$ 179,714	$ (61,581)	$ 581,974
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES:				
Accounts payable	$ 40,721	$ 35,596	$ (882)	$ 75,435
Accrued expenses, interest and other current liabilities	56,203	32,373	6,119	94,695
Borrowings under credit facilities	-0-	-0-	40,056	40,056
Total current liabilities	96,924	67,969	45,293	210,186
Deferred rent liabilities	85,881	-0-	3,500	89,381
Other long-term liabilities	-0-	5,713	(5,713)	-0-
Total liabilities	182,805	73,682	43,080	299,567

STOCKHOLDERS' EQUITY:				
Common stock	2,694	-0-	-0-	2,694
Additional paid-in-capital	103,963	-0-	-0-	103,963
Accumulated other comprehensive income	5,722	-0-	-0-	5,722
Retained earnings	168,657	-0-	1,371	170,028
Group equity	-0-	106,032	(106,032)	-0-
Total stockholders' equity	281,036	106,032	(104,661)	282,407
Total liabilities and stockholders' equity	$ 463,841	$ 179,714	$ (61,581)	$ 581,974

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Financial Restatement for Lease-Related Accounting

In the fourth quarter of the fiscal year ended January 29, 2005 in light of a recent SEC clarification on lease accounting, the Company corrected its lease accounting policies and the way the Company accounts for its leases, specifically the accounting for operating leases with scheduled rent increases and landlord construction allowances. The Company has corrected the prior years' consolidated financial statements to properly account for lease-related issues.

Under the requirements of FASB Technical Bulletin 85-3, "Accounting for Operating Leases with Scheduled Rent Increases," rent expense is required to be recognized on a straight-line basis over the lease term. In prior periods, the Company had incorrectly determined that the term of the lease begins on the commencement date of the lease, which generally coincides with the store opening date. The Company has corrected this policy to properly commence the lease for accounting purposes when the Company takes physical possession of the property to begin construction. This correction has the effect of including the construction period in the determination of the period over which rent is calculated. The Company continues to capitalize occupancy costs incurred prior to the commencement of store pre-opening activities. These capitalized costs are amortized over the remaining lease term. The net effect of this correction was to increase depreciation expense with a corresponding decrease to rent expense and to increase the amount of deferred rent liabilities with a corresponding increase in leasehold improvements. The Company has corrected the prior years' consolidated financial statements to properly account for these lease-related issues.

In addition, under FASB Technical Bulletin 88-1, "Issues Relating to Accounting for Leases," lease incentives such as landlord construction allowances received to defray construction costs incurred by the Company should be reflected as a deferred lease incentive, amortized over the lease term and reflected as a reduction to rent expense. The Company had previously incorrectly classified landlord construction allowances as a reduction to property and equipment instead of as a deferred lease incentive. The Company has restated the prior years' consolidated financial statements to properly account for landlord construction allowances.

Note 2: Preliminary Working Capital Payment Allocation

The acquisition of the DSNA Business is being accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. As such, the Company has undertaken an analysis of the fair value of tangible and intangible assets acquired and liabilities assumed, and determined the preliminary value of any excess of value of net assets acquired over cost.

As of the date of the Unaudited Pro Forma Condensed Consolidated Balance Sheet, the Company's preliminary working capital payment allocation is as follows:

	Preliminary working capital payment allocation
Preliminary Purchase Price Paid:	
Cash consideration	$ 40,056
Transaction costs	7,250
Total cost	47,306
Preliminary Fair Value of Assets Acquired and Liabilities Assumed:	
Inventories	100,237
Prepaid expenses and other current assets	20,183
Property & equipment	36,022
Accounts payable and accrued expenses	(67,329)
Deferred rent and other long-term liabilities	(3,500)
Total fair value of net assets acquired	85,613
Preliminary Fair Value of Assets Acquired and Liabilities Assumed	38,307
Allocation of Excess of Fair Value of Net Assets	
Acquired over Cost to Long-lived Assets	36,022
Extraordinary gain on the acquisition of The Disney Stores	$ 2,285
Extraordinary gain on the acquisition of The Disney Stores, net of tax	$ 1,371

This preliminary working capital payment allocation is subject to finalization, as discussed below, and may differ materially from the Company's final working capital payment allocation, which could have a material effect on the Company's financial position or results of operations.

Preliminary Working Capital Payment Amount

Under the Acquisition Agreement, the preliminary working capital payment amount was determined using acquired net working capital, as defined, as of the Closing Date, subject to true-up. The amount of the true-up has not been reflected in the accompanying Unaudited Pro Forma Financial Statements since it has not been finalized by the Company. However, the Company believes that the true-up amount will not have a material impact on its financial position or results of operations.

The preliminary working capital payment amount of $40,056,000 reflected in the Unaudited Pro Forma Condensed Consolidated Balance Sheet differs materially from the amount actually paid at the Closing Date of $101.5 million because of an increase in acquired net working capital after October 2, 2004 driven by higher inventory levels in advance of holiday sales and lower accounts payable and accrued liabilities. The Company does not anticipate that the actual amount of the extraordinary gain on the acquisition of the DSNA Business will differ materially from the pro forma amount below as a result of this difference between the actual and pro forma preliminary working capital amounts. In addition to the amount paid for the DSNA Business, the Company incurred approximately $7,250,000 in transaction costs, including professional fees for legal, investment banking and accounting services in connection with the acquisition.

The accompanying Unaudited Pro Forma Balance Sheet reflects the pro forma adjustments to record these preliminary working capital payment components, as follows:

	Record pro forma preliminary working capital payment amount	Record transaction fees
ASSETS		
Other long-term assets	$ -0-	$ (2,287)
Fair value of net assets acquired over (under) cost	40,056	7,250
Total assets	$ 40,056	$ 4,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accrued expenses, interest and other current liabilities	$ -0-	$ 4,963
Borrowings under credit facilities	40,056	-0-
Total liabilities	40,056	4,963
Total liabilities and stockholders' equity	$ 40,056	$ 4,963

Preliminary Fair Value of Assets Acquired and Liabilities Assumed

The Company has determined that certain assets and liabilities, such as inventories and obligations under real estate leases, require fair value adjustments and is in the process of finalizing these amounts with the Company's valuation advisors. Although not anticipated by the Company, the actual fair values of these items may differ materially from the Company's current fair value estimates that are reflected in the accompanying Pro Forma Financial Statements, which could have a material effect on the Company's financial position or results of operations.

The Company accounts for its inventories using the retail inventory method, a different method than the average cost method reflected in TDSNA's historical financial statements. The Company has not conformed the different accounting methods in the accompanying Pro Forma Financial Statements since the relevant historical data required to do so was not available. The Company has reflected the acquired inventory at its estimated fair value in the accompanying Unaudited Pro Forma Financial Statements. The Company believes the retail inventory method would reflect a lower inventory balance on a prospective basis.

In addition, under the provisions of the Acquisition Agreement, certain assets were not acquired and certain liabilities were not assumed, such as certain store locations, all distribution center and administrative office property and equipment and liabilities, all Federal and state deferred income tax assets and liabilities, and certain payroll and employee benefit-related liabilities. The accompanying Unaudited Pro Forma Financial Statements reflect these pro forma adjustments to the historical book value of these assets and liabilities. Management has not made any adjustments for duplicative administrative and distribution center costs that were not acquired since they represent potentially unrealizable cost savings.

The adjustments for elimination of assets not acquired and liabilities not assumed reflect a reduction of revenues and expenses from the elimination of losses from stores not acquired. In addition, the majority of the fair value adjustments below reflect the elimination of depreciation expenses in conjunction with the write down of long-lived assets as discussed below. The adjustments in the Unaudited Pro Forma Condensed Consolidated Statement of Income (Loss) are comprised as follows:

	52 weeks ended January 31, 2004		39 weeks ended October 30, 2004	
	Remove stores and assets not acquired and liabilities not assumed	Fair value adjustments	Remove stores and assets not acquired and liabilities not assumed	Fair value adjustments
Net sales	$ (35,920)	$ -0-	$ (1,946)	$ -0-
Cost of sales	(22,283)	3,009	(2,014)	(1,081)
Gross profit	(13,637)	(3,009)	68	1,081
Selling, general and administrative expenses	(17,933)	(25,578)	(1,541)	(12,625)
Restructuring and impairment charges (reversals)	(15,509)	-0-	1,596	-0-
Operating income	$ 19,805	$ 22,569	$ 13	$ 13,706

The adjustment to remove stores and assets not acquired and liabilities not assumed is higher in the fifty-two weeks ended January 31, 2004 versus the thirty-nine weeks ended October 30, 2004 because TDSNA management executed a significant restructuring and store closing program during the period ended January 31, 2004, whose results of operations were already excluded from the period ended October 30, 2004. Since these closed stores' operations were not included in the 313 stores acquired by the Company, they have been removed from TDSNA's historical financial results using this pro forma adjustment.

The adjustments in the Unaudited Pro Forma Condensed Consolidated Balance Sheet relate primarily to the exclusion of all distribution center and administrative office property and equipment and liabilities, all Federal and state deferred income tax assets and liabilities, and certain payroll and employee benefit-related liabilities, and are comprised as follows:

	Remove stores and assets not acquired and liabilities not assumed	Fair value adjustments
ASSETS		
Cash and cash equivalents	$ (9,202)	$ -0-
Accounts receivable	(195)	-0-
Inventories	(2,487)	2,312
Prepaid expenses and other current assets	(316)	(459)
Total current assets	(12,200)	1,853
Property & equipment	(10,994)	-0-
Other long-term assets	(1,931)	-0-
Fair value of net assets acquired over (under) cost	(88,196)	2,583
Total assets	$ (113,321)	$ 4,436
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	$ (882)	$ -0-
Accrued expenses, interest and other current liabilities	(694)	936
Total current liabilities	(1,576)	936
Deferred rent liabilities	-0-	3,500
Other long-term liabilities	(5,713)	-0-
Total liabilities	(7,289)	4,436
STOCKHOLDERS' EQUITY:		
Group equity	(106,032)	-0-
Total stockholders' equity	(106,032)	-0-
Total liabilities and stockholders' equity	$ (113,321)	$ 4,436

Allocation of Excess of Fair Value of Net Assets Acquired over Cost to Long-lived Assets

Under SFAS No. 141, any excess of fair value of net assets acquired over cost (the "Excess") is to be allocated to all acquired assets except financial assets, assets to be disposed of by sale, deferred tax assets and prepaid assets relating to pension or other postretirement benefit plans, and any other current assets. Therefore, the Company has allocated the Excess to its acquired property and equipment. The accompanying Pro Forma Condensed Consolidated Statements of Income (Loss) reflect lower depreciation expense due to this decreased recorded basis in property and equipment upon acquisition.

If any Excess remains after allocation to long-lived assets, SFAS No. 141 states that remaining Excess should be recorded as an extraordinary gain. The Company anticipates that such an extraordinary gain will exist upon finalization of the actual working capital payment allocation, but has not recorded a pro forma amount in the accompanying Unaudited Pro Forma Condensed Consolidated Statements of Income (Loss).

The accompanying Unaudited Pro Forma Balance Sheet reflects pro forma adjustments to record the allocation of the Excess to acquired property and equipment and to reflect the balance sheet impact of the recognition of an extraordinary gain, as follows:

	Allocate excess of fair value of net assets acquired over cost to long-lived assets
ASSETS	
Property & equipment	$ (36,022)
Fair value of net assets acquired over (under) cost	38,307
Total assets	$ 2,285
LIABILITIES AND STOCKHOLDERS' EQUITY	
LIABILITIES:	
Accrued expenses, interest and other current liabilities	$ 914
Total liabilities	914
STOCKHOLDERS' EQUITY:	
Retained earnings	1,371
Total stockholders' equity	1,371
Total liabilities and stockholders' equity	$ 2,285

Note 3: License Agreement

At the Closing, subsidiaries of the Company and Disney entered into the License Agreement under which the Company's subsidiaries have the right to use certain Disney intellectual property in exchange for ongoing royalty payments. Subsidiaries of the Company and TDSF, an affiliate of the Sellers, entered into the License Agreement, under which, in consideration of a royalty on store sales to be paid by the Hoop Operating Entities to TDSF beginning in November 2006, the Hoop Operating Entities will operate retail stores in the United States and Canada from and after the Closing using the "Disney Store" name. The DSNA Business will continue to manufacture, source, offer and sell merchandise featuring "Disney-branded" characters, past, present and future. In addition, beginning in October 2005, the Hoop Operating Entities will operate the disneystore.com Internet site and e-commerce store featuring a select assortment of merchandise offered in the physical retail locations of the Disney Stores, paying a royalty to TDSF on Internet sales. The initial term of the License Agreement is 15 years, and may be extended at the Company's option for up to an additional 30 years (in three 10 year increments), subject to certain conditions.

The License Agreement provides for a royalty payable to TDSF equal to 5% of Net Sales, as defined therein, from physical store locations operated by the Hoop Operating Entities from and after the second anniversary of the Closing Date (November 21, 2006) throughout the remainder of the initial 15-year term of the License Agreement and any extensions thereof. With respect to certain stores, in addition to a variable initial abatement period determined on a store-by-store basis, there is a further three-year deferral of the royalty commencement date. The License Agreement also calls for a royalty payment to TDSF from the Hoop Operating Entities, beginning in October 2005, equal to 5% of Net Sales for the Internet store that will be operated by the Hoop Operating Entities. In October 2006, the Internet store royalty will increase to 9% (or, in certain circumstances 10%) of Net Sales for the duration of the term of the License Agreement and any extension thereof.

In addition, after the second anniversary of the Closing Date, the License Agreement requires the Hoop Operating Entities to make minimum royalty payments. If the royalty payable in the contract year is less than the minimum royalty amount, the Hoop Operating Entities must pay the additional royalty. The Company believes that royalty payable in the normal course of business will exceed this minimum royalty amount.

The Company's accounting policy for such royalties is to recognize royalty expense, reduced by the straight-line amount of the estimated value of the royalty abatement throughout the initial fifteen-year term of the royalty agreement. The actual value of the abatement is not determinable until the completion of the valuation period, and may differ materially from the Company's current estimate. Royalty expense recognized in excess of cash royalty payments is accounted for on the Company's consolidated balance sheet as deferred royalty expense. There is no amount recorded for such excess in the accompanying Unaudited Pro Forma Condensed Consolidated Balance Sheet since it assumes the Transactions took place on October 30, 2004. As such, no royalty expense in excess of cash royalty payments would have been recorded prior to that date.

The adjustments reflect a reclassification of the historical amounts of royalty expense recorded by TDSNA from cost of sales to selling, general and administrative expenses to conform to the Company's presentation, and a reduction of the royalty expense due to the lower royalty rate charged to the Hoop Operating Entities versus the royalty rate charged to TDSNA.

These adjustments are comprised as follows:

	52 weeks ended January 31, 2004		39 weeks ended October 30, 2004	
	Reclassify royalty expense	**Reduce royalty rate and record abatement benefit**	**Reclassify royalty expense**	**Reduce royalty rate and record abatement benefit**
Cost of sales	$ (42,173)	$ -0-	$ (25,829)	$ -0-
Gross profit	42,173	-0-	25,829	-0-
Selling, general and administrative expense	42,173	(16,281)	25,829	(10,895)
Operating income	$ -0-	$ 16,281	$ -0-	$ 10,895

The accompanying Pro Forma Condensed Consolidated Statements of Income (Loss)reflect the pro forma adjustments to record the royalty expense under the License Agreement, net of the estimated value of the abatement. Royalty expense recorded in the TDSNA historical statements of loss for the fifty-two weeks ended December 27, 2003 and for the 40 weeks ended October 2, 2004 approximates $42.2 million and $25.8 million, respectively. The net royalty expense in the accompanying Unaudited Pro Forma Condensed Consolidated Statements of Income (Loss) for Fiscal 2003 and the thirty-nine weeks ended October 30, 2004 amounts to $22,539,000 and $14,242,000 respectively.

Note 4: Wells Fargo Credit Facilities

In connection with the Closing, certain of the Company's subsidiaries entered into a Loan and Security Agreement (the "Hoop Loan Agreement") dated as of November 21, 2004 with certain financial institutions and Wells Fargo, as administrative agent, establishing a senior secured credit facility for Hoop USA. The Hoop Loan Agreement provides for borrowings of up to $100 million (including a sub-limit for letters of credit of $80 million), subject to the amount of eligible inventory and accounts receivable of Hoop USA from time to time. The term of the facility extends until November 1, 2007 with successive one-year renewal options. Amounts outstanding under the Hoop Loan Agreement bear interest at a floating rate equal to the prime rate plus a pre-determined margin or, at the Company's option, the LIBOR rate plus a pre-determined margin. The prime rate margin will be 0.25% and the LIBOR margin will be 2.0% or 2.25%, depending on Hoop USA's level of excess availability from time to time. The Hoop Loan Agreement contains various covenants, including limitations on indebtedness, maintenance of certain levels of excess collateral and restrictions on the payment of dividends and payment of any indebtedness of the Hoop Operating Entities held by the Company. Credit extended under the Hoop Loan Agreement is secured by a first priority security interest in substantially all the assets of the Hoop Operating Entities and their subsidiaries. Neither the Company nor Hoop Holdings has guaranteed the obligations of the Hoop Operating Entities under the Hoop Loan Agreement or pledged any assets owned directly by them as collateral for such obligations. Borrowings and letters of credit under the Hoop Loan Agreement will be used by Hoop USA and its subsidiary Hoop Canada for working capital purposes for the Disney Stores.

As of October 30, 2004, the Company amended and restated its then-existing credit facility with Wells Fargo (the "Amended Loan Agreement"), partly in connection with its acquisition of the DSNA Business. The Amended Loan Agreement provides for borrowings of up to $130 million (including a sub-limit for letters of credit of $100 million) and extends the term of the facility until November 1, 2007 with successive one-year renewal options. Amounts

outstanding under the Amended Loan Agreement bear interest at a floating rate equal to the prime rate or, at the Company's option, a LIBOR rate plus a pre-determined margin. The LIBOR margin will be 1.50% to 3.00%, depending on the Company's level of excess availability from time to time. The Company expects to use borrowings under the Amended Loan Agreement for working capital purposes and to support the acquisition of the Disney Stores.

The accompanying Pro Forma Condensed Consolidated Statements of Income (Loss) reflect the pro forma adjustments to record the interest expense under the Hoop Loan Agreement and the Amended Loan Agreement. Given expected future operating and store expansion and renovation cash needs, the Company anticipates that borrowings under these agreements will be higher on average than historically experienced by the Company. Therefore, for Unaudited Pro Forma Condensed Consolidated Statements of Income (Loss) purposes, the Company has assumed that acquisition related borrowings under these loan agreements were outstanding for the entire period.

The adjustments reflect higher interest expense due to the higher outstanding loan balance as well as additional amortization of debt issuance costs. For Fiscal 2003, the adjustment amount is comprised of $292,000 of amortization of debt issuance costs and $3,978,000 of interest expense. For the thirty-nine weeks ended October 30, 2004, the adjustment amount is comprised of $219,000 of amortization of debt issuance costs and $2,983,000 of interest expense.

Note 5: Income Tax Provision (Benefit)

Given the Company's historical taxable earnings, the accompanying Pro Forma Condensed Consolidated Statements of Income (Loss) reflect the pro forma adjustment to record the tax benefit resulting from the pro forma pre-tax losses, which the Company believes would have been realizable through tax loss carry backs. The Company does not anticipate its effective tax rate changing materially as a result of the acquisition of the DSNA Business, therefore, the accompanying Pro Forma Financial Statements use the Company's historical effective tax rates.