

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

FORM 10-Q/A

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended July 31, 2000

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-29230

TAKE-TWO INTERACTIVE SOFTWARE, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State of incorporation or organization)

51-0350842  
(IRS Employer  
Identification No.)

575 Broadway, New York, NY  
(Address of principal executive offices)

10012  
(Zip Code)

Registrant's telephone number, including area code

(212) 334-6633

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

As of September 8, 2000, there were 31,002,552 shares of the registrant's Common Stock outstanding.

TAKE-TWO INTERACTIVE SOFTWARE, INC.  
QUARTER ENDED JULY 31, 2000

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PART I. FINANCIAL INFORMATION

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\* This amended form 10Q is being filed as the result of the following:

On February 12, 2002, the Company restated its financial statements for the fiscal year ended October 31, 2000, each of the quarters of fiscal 2000 and the three fiscal quarters of fiscal 2001. All financial data in this report reflects this restatement. See Note 2 of Notes to Unaudited Consolidated Condensed Financial Statements.

Item 1.

TAKE-TWO INTERACTIVE SOFTWARE, INC.  
Consolidated Condensed Balance Sheets  
As of July 31, 2000 and October 31, 1999 (unaudited)

ASSETS:	July 31, 2000 Restated	October 31, 1999
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 2,631,068	\$ 10,374,562
Accounts receivable, net of allowances of \$3,921,494 and \$6,816,682, respectively	79,554,523	108,802,903
Inventories, net	43,739,904	41,299,838
Prepaid royalties	24,221,546	20,118,160
Prepaid expenses and other current assets	9,183,915	6,374,031
Investments	3,559,399	--
Deferred tax asset	2,357,249	2,004,689
Total current assets	----- 165,247,604	----- 188,974,183
Fixed assets, net	6,230,260	4,120,317
Prepaid royalties	860,000	1,510,530
Capitalized software development costs, net	9,796,522	2,226,670
Investment in affiliates	--	3,954,668
Intangibles, net	94,499,011	30,856,983
Other assets, net	1,076,557	1,073,026
Total assets	----- \$ 277,709,954 =====	----- \$ 232,716,377 =====
LIABILITIES and STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 38,730,790	\$ 71,229,744
Accrued expenses	9,884,499	20,161,810
Lines of credit	46,478,365	56,047,846
Current portion of capital lease obligation	82,998	65,204
Notes payable, net of discount	--	30,611
Total current liabilities	----- 95,176,652	----- 147,535,215
Note payable, net of current portion	--	58,363
Loan payable, net of unamortized discount of \$2,878,180 at July 31, 2000	12,121,820	--
Capital lease obligation, net of current portion	329,323	19,882
Other liabilities	1,889,953	--
Total liabilities	----- 109,517,748	----- 147,613,460
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.01 per share; 50,000,000 shares authorized; 30,958,055 and 23,085,455 shares issued and outstanding	309,581	230,855
Additional paid-in capital	157,147,567	67,345,381
Deferred compensation	(14,135)	(47,925)
Retained earnings	17,234,012	18,401,625
Accumulated other comprehensive loss	(6,484,819)	(827,019)
Total stockholders' equity	----- 168,192,206	----- 85,102,917
Total liabilities and stockholders' equity	----- \$ 277,709,954 =====	----- \$ 232,716,377 =====

The accompanying notes are an integral part of the consolidated condensed financial statements

Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC.  
Consolidated Condensed Statements of Operations  
For the three months ended July 31, 2000 and 1999 and the nine months ended  
July 31, 2000 and 1999 (unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2000 Restated	1999	2000 Restated	1999
Net sales	\$ 66,142,829	\$ 63,562,470	\$ 256,587,172	\$ 184,008,455
Cost of sales	37,313,187	43,931,101	163,359,334	133,553,958
Gross profit	28,829,642	19,631,369	93,227,838	50,454,497
Operating expenses:				
Selling and marketing	9,055,486	6,925,874	34,243,171	16,415,343
General and administrative	9,105,921	6,779,560	26,596,435	17,416,941
Research and development costs	1,656,737	986,845	4,646,045	2,210,994
Depreciation and amortization	3,259,087	730,146	6,835,542	1,743,567
One time charge related to abandoned offering	1,103,170	--	1,103,170	--
Total operating expenses	24,180,401	15,422,425	73,424,363	37,786,845
Income from operations	4,649,241	4,208,944	19,803,475	12,667,652
Interest expense, net	1,635,618	453,825	4,516,708	2,053,295
Gain on sale of subsidiary, net	--	--	(870,883)	--
Equity in (income)/loss of affiliate	--	(110,973)	19,968,682	(110,973)
Total non operating expenses	1,635,618	342,852	23,614,507	1,942,322
Income (loss) before provision (benefit) for income taxes	3,013,623	3,866,092	(3,811,032)	10,725,330
Provision (benefit) for income taxes	792,315	1,158,268	(1,538,357)	3,561,498
Net income (loss)	\$ 2,221,308	\$ 2,707,824	\$ (2,272,675)	\$ 7,163,832
Per share data:				
Basic:				
Weighted average common shares outstanding	29,061,499	22,440,547	25,981,014	19,939,990
Net income (loss) per share	\$ 0.08	\$ 0.12	\$ (0.09)	\$ 0.36
Diluted:				
Weighted average common shares outstanding	29,879,265	23,292,541	25,981,014	21,205,200
Net income (loss) per share	\$ 0.07	\$ 0.12	\$ (0.09)	\$ 0.34

The accompanying notes are an integral part of the consolidated condensed financial statements.

Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC.  
Consolidated Condensed Statements of Cash Flows  
For the nine months ended July 31, 2000 and 1999 (unaudited)

	Nine months ended July 31,	
	2000	1999
	Restated	
	-----	-----
Cash flows from operating activities:		
Net (loss) income	\$ (2,272,675)	\$ 7,163,832
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	6,835,541	1,743,567
Loss on disposal of fixed asset	247,630	57,504
Gain on sale of subsidiary	(870,883)	--
Stock received in consideration of license revenues	(1,930,566)	--
Equity in loss (earnings) of affiliate	19,968,683	(110,972)
Change in deferred tax asset	(352,560)	941,000
Provision for allowances	(1,734,921)	760,914
Forfeiture of compensatory stock options in connection with AIM acquisition	--	(146,418)
Other amortization	283,889	365,790
Issuance of compensatory stock	--	641,909
Tax benefit from exercise of stock options	1,940,655	753,523
Changes in operating assets and liabilities, net of effects of acquisitions:		
Decrease (increase) in accounts receivable	35,627,166	(8,806,651)
Decrease (increase) in inventories, net	(2,437,580)	(5,358,443)
Increase in prepaid royalties	(16,204,761)	(5,921,749)
Increase in prepaid expenses and other current assets	(2,166,456)	(742,318)
(Increase) decrease in capitalized software development costs	(7,569,852)	159,686
(Increase) decrease in other assets, net	(976,557)	33,259
Decrease in accounts payable	(39,767,284)	(4,190,634)
(Decrease) increase in accrued expenses	(15,877,648)	3,039,522
	-----	-----
Net cash used in operating activities	(27,258,179)	(9,616,679)
	-----	-----
Cash flows from investing activities:		
Net purchases of fixed assets	(2,405,920)	(1,869,971)
Cash paid for investments	(1,432,500)	(4,000,000)
Acquisition, net cash (paid) acquired	(4,261,640)	5,182
Cash paid for prior acquisitions	(1,531,385)	--
	-----	-----
Net cash used in investing activities	(9,631,445)	(5,864,789)
	-----	-----
Cash flows from financing activities:		
Net proceeds from secondary public offering	--	21,852,559
Proceeds from private placement, net	19,689,684	--
Net repayment under the line of credit	(9,658,455)	(7,637,956)
Proceeds from loan payable	15,000,000	--
Repayment of notes payable	--	(449,572)
Proceeds from exercise of stock options	5,913,253	2,187,321
Proceeds from exercise of public warrants	6,460	223,926
Proceeds from issuance of stock of subsidiary	1,500,000	--
Repayment of capital lease obligation	(56,363)	(70,932)
	-----	-----
Net cash provided by financing activities	32,394,579	16,105,346
	-----	-----
Effect of foreign exchange rates	(3,248,449)	(468,574)
	-----	-----
Net (decrease) increase in cash for the period	(7,743,494)	155,304
Cash and cash equivalents, beginning of the period	10,374,562	2,762,837
	-----	-----
Cash and cash equivalents, end of the period	\$ 2,631,068	\$ 2,918,141
	=====	=====
Supplemental disclosure of non-cash investing activities:		
Gathering purchase option	\$ --	\$ 1,275,000
	=====	=====
Supplemental information on businesses acquired:		
Fair value of assets acquired		
Cash	\$ 196,100	\$ 343,865
Accounts receivables, net	4,646,351	5,852,779
Inventories, net	--	2,301,672
Prepaid expenses and other assets	643,426	320,123
Property and equipment, net	1,077,216	629,155
Intangibles	67,885,069	4,960,891
Less, liabilities assumed		
Line of credit	--	(2,210,517)
Accounts payable	(7,268,330)	(6,132,408)
Accrued expenses	(449,777)	(370,972)
Other liabilities	(1,588,357)	--
Stock issued	(54,815,776)	(5,119,165)
Warrants issued	(1,750,000)	--
Direct transaction costs	(154,486)	(236,740)
Investment interest and purchase option	(3,963,696)	--
	-----	-----
Cash paid	4,457,740	338,683
Less, cash acquired	(196,100)	(343,865)
	-----	-----
Net cash paid (acquired)	\$ 4,261,640	\$ (5,182)
	=====	=====

During the nine months ended July 31, 2000, the Company paid \$1,531,385 in cash

and issued \$161,140 in common stock related to a prior period acquisition. Such payments were accounted for as additional consideration and had the effect of increasing intangibles.

The accompanying notes are an integral part of the consolidated condensed financial statements

Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC.  
Consolidated Condensed Statements of Stockholders' Equity  
For the year ended October 31, 1999 and the nine months ended July 31, 2000  
(unaudited)

	Common Stock Shares	Amount	Additional Paid-in Capital	Deferred Compensation
	-----	-----	-----	-----
Balance, October 31, 1998	18,071,972	\$ 180,719	\$ 33,546,417	\$ (223,657)
Issuance of compensatory stock options	536,923	5,369	831,203	(5,625)
Exercise of stock options	613,218	6,133	2,378,753	--
Amortization of deferred compensation	--	--	--	181,357
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--	(146,418)	--
Issuance of common stock in connection with LDA and Joytech acquisition	364,766	3,648	3,716,965	--
Issuance of common stock in connection with DVDWave.com acquisition	50,000	500	505,750	--
Issuance of common stock in connection with Funsoft acquisition	60,281	603	466,575	--
Issuance of common stock in connection with the investment in affiliate	125,000	1,250	1,273,750	--
Issuance of common stock in connection with the Triad and Global acquisition	162,500	1,625	1,399,938	--
Proceeds from exercise of public warrants	40,795	408	223,481	--
Issuance of common stock in connection with a public offering, net of issuance costs	3,005,000	30,050	21,822,509	--
Issuance of common stock in lieu of royalty payments	55,000	550	332,200	--
Tax benefit in connection with the exercise of stock options	--	--	994,258	--
Foreign currency translation adjustment	--	--	--	--
Net income	--	--	--	--
	-----	-----	-----	-----
Balance, October 31, 1999	23,085,455	230,855	67,345,381	(47,925)
Exercise of stock options	1,203,340	12,034	5,901,220	--
Amortization of deferred compensation	--	--	--	33,790
Issuance of common stock in connection with LDA and Joytech acquisition	15,798	158	160,982	--
Issuance of common stock and warrants in connection with Pixel acquisition	2,561,245	25,612	40,303,140	--
Issuance of common stock in connection with GOD acquisition	1,060,017	10,600	10,390,817	--
Issuance of common stock in connection with PopTop acquisition	559,100	5,591	5,830,015	--
Issuance of common stock in connection with private placements, net of issuance costs	2,291,678	22,917	19,666,767	--
Issuance of warrants in connection with a debt financing	--	--	2,926,963	--
Proceeds from exercise of warrants	1,000	10	6,450	--
Issuance of common stock in lieu of repayment of debt assumed from Pixel	167,922	1,679	2,527,646	--
Issuance of common stock in connection with the purchase of DVD	12,500	125	147,531	--
Tax benefit in connection with the exercise of stock options	--	--	1,940,655	--
Foreign currency translation adjustment	--	--	--	--
Unrealized loss on available-for-sale securities	--	--	--	--
Net loss - restated	--	--	--	--

	30,958,055	\$ 309,581	\$ 157,147,567	\$ (14,135)
	Retained Earnings	Comprehensive Income (Loss)	Accumulated Other Comprehensive Total	Income (Loss)
Balance, July 31, 2000 - Restated	30,958,055	\$ 309,581	\$ 157,147,567	\$ (14,135)
Balance, October 31, 1998	\$ 2,069,522	\$ (7,433)	\$ 35,565,568	\$ 7,304,367
Issuance of compensatory stock options	--	--	830,947	--
Exercise of stock options	--	--	2,384,886	--
Amortization of deferred compensation	--	--	181,357	--
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--	(146,418)	--
Issuance of common stock in connection with LDA and Joytech acquisition	--	--	3,720,613	--
Issuance of common stock in connection with DVDWave.com acquisition	--	--	506,250	--
Issuance of common stock in connection with Funsoft acquisition	--	--	467,178	--
Issuance of common stock in connection with the investment in affiliate	--	--	1,275,000	--
Issuance of common stock in connection with the Triad and Global acquisition	--	--	1,401,563	--
Proceeds from exercise of public warrants	--	--	223,889	--
Issuance of common stock in connection with a public offering, net of issuance costs	--	--	21,852,559	--
Issuance of common stock in lieu of royalty payments	--	--	332,750	--
Tax benefit in connection with the exercise of stock options	--	--	994,258	--
Foreign currency translation adjustment	--	(819,586)	(819,586)	(819,586)
Net income	16,332,103	--	16,332,103	16,332,103
Balance, October 31, 1999	18,401,625	(827,019)	85,102,917	15,512,517
Exercise of stock options	--	--	5,913,254	--
Amortization of deferred compensation	--	--	33,790	--
Issuance of common stock in connection with LDA and Joytech acquisition	--	--	161,140	--
Issuance of common stock and warrants in connection with Pixel acquisition	--	--	40,328,752	--
Issuance of common stock in connection with GOD acquisition	--	--	10,401,417	--
Issuance of common stock in connection with PopTop acquisition	--	--	5,835,606	--
Issuance of common stock in connection with private placements, net of issuance costs	--	--	19,689,684	--
Issuance of warrants in connection with a debt financing	--	--	2,926,963	--
Proceeds from exercise of warrants	--	--	6,460	--
Issuance of common stock in lieu of repayment of debt assumed from Pixel	--	--	2,529,325	--
Issuance of common stock in connection with the purchase of DVD	1,105,062	--	1,252,718	--
Tax benefit in connection with the exercise of stock options	--	--	1,940,655	--
Foreign currency translation adjustment	--	(3,248,449)	(3,248,449)	(3,248,449)
Unrealized loss on available-for-sale securities	--	(2,409,351)	(2,409,351)	(2,409,351)
Net loss - restated	(2,272,675)	--	(2,272,675)	(2,272,675)
Balance, July 31, 2000 - Restated	\$ 17,234,012	\$ (6,484,819)	\$ 168,192,206	\$ (7,930,475)



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The accompanying notes are an integral part of the consolidated condensed financial statements.

Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements (Unaudited)

1. Organization:

Take-Two Interactive Software, Inc. (the "Company") is a leading global developer, publisher and distributor of interactive software games designed for multimedia personal computers and video game console platforms.

2. Restatement of Financial Statements

In November 2001, the Company engaged outside counsel to conduct an investigation into the Company's accounting treatment of certain transactions in fiscal 2000 and 2001. Counsel was assisted in its investigation by forensic accountants.

As a result of the investigation, the Company restated its previously issued consolidated financial statements for fiscal 2000 and each of the quarters in fiscal 2000 and the first three quarters in fiscal 2001. The restatement of the financial statements for the three and nine months ended July 31, 2000 relates to the elimination of \$5,329,758 and \$7,811,213, respectively, of net sales made to independent third party distributors and related cost of sales of \$2,964,157 and \$4,972,820, respectively, and the related tax effect, which were improperly recognized as revenue since the products were later returned or repurchased by the Company.

In addition, the Company reviewed its revenue recognition policy, reserve policies and its accounting for certain other transactions. As a result of this review, for the nine months ended July 31, 2000, the Company recorded a non-cash charge of \$19,206,000 and the related tax effect, representing the Company's portion of the losses incurred by an affiliate accounted for under the equity method in accordance with the provisions of EITF No. 99-10, "Percentage Used to Determine the Amount of Equity Method Losses," and a relating net reduction for post acquisition amortization of \$385,500, after the Company acquired the remaining 80% interest in this entity in April 2000. (See Note 4).

The effect of the restatement for the three and nine months ended July 31, 2000 is as follows:

	Three months ended July 31, 2000			Nine months ended July 31, 2000		
	As Reported	Restatement	As Restated	As Reported	Restatement	As Restated
Statement of Operations Data:						
Net sales	\$ 71,472,587	\$ (5,329,758)	\$ 66,142,829	\$ 264,398,385	\$ (7,811,213)	\$ 256,587,172
Cost of sales	40,100,344	(2,787,157)	37,313,187	168,155,154	(4,795,820)	163,359,334
Depreciation and amortization	3,821,587	(562,500)	3,259,087	7,398,042	(562,500)	6,835,542
Income from operations*	6,629,342	(1,980,101)	4,649,241	23,127,252	(3,323,776)	19,803,475
Equity in loss of affiliate	--	--	--	762,682	19,206,000	19,968,682
Income (loss) before provision for income taxes	4,993,724	(1,980,101)	3,013,623	17,847,861	(21,658,893)	(3,811,032)
Provision (benefit) for income taxes	1,544,753	(752,438)	792,315	6,258,022	(7,796,379)	(1,538,357)
Net income (loss)	3,448,971	(1,227,663)	2,221,308	11,589,839	(13,862,514)	(2,272,675)
Basic income (loss) per share	0.12	(0.04)	0.08	0.45	(0.54)	(0.09)
Diluted income (loss) per share	0.12	(0.05)	0.07	0.43	(0.52)	(0.09)

\* The gain on sale of subsidiary of \$870,883 was reclassified from general and administrative expenses to non-operating expenses for the nine months ended July 31, 2000.

	July 31, 2000	
	As Reported	As Restated
	-----	-----
<b>Balance Sheet Data</b>		
Accounts receivable	\$ 85,173,092	\$ 79,554,523
Inventories, net	41,214,022	43,739,904
Prepaid royalties - current	20,844,252	24,221,546
Intangibles, net	116,442,511	94,499,011
Total assets	299,368,847	277,709,954
Accrued expenses	17,680,878	9,884,499
Total liabilities	117,314,127	109,517,748
Retained earnings	31,096,526	17,234,012
Total liabilities and stockholders' equity	299,368,847	277,709,954

**Amendment of Credit Agreement**

As a result of the restatement, in February 2002, the Company retroactively amended its covenants under the credit agreement with Bank of America, N.A. to December 1999. Accordingly, as of July 31, 2000, the Company was in compliance with the covenants, as amended.

All applicable amounts relating to the aforementioned restatements have been reflected in these unaudited consolidated condensed financial statements and notes thereto.

### 3. Significant Accounting Policies and Transactions:

#### Basis of Presentation

The Consolidated Condensed Financial Statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and disclosures necessary for a presentation of the Company's financial position, results of operations and cash flows in conformity with generally accepted accounting principles. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the Company's financial position, results of operations and cash flows for such periods. The results of operations for any interim periods are not necessarily indicative of the results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1999.

#### Risk and Uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to: the recoverability of capitalized software development costs, prepaid royalties, advances to developers and other intangibles, allowances for returns and income taxes. Actual amounts could differ from those estimates.

#### Prepaid Royalties

Prepaid royalties represent prepayments made to independent software developers under development agreements. Prepaid royalties are expensed at the contractual royalty rate as cost of goods sold based on actual net product sales. Management continuously evaluates the future realization of prepaid royalties, and charges to cost of sales any amount which is deemed unlikely to be realized at the contractual royalty rate through future product sales. Prepaid royalties are classified as current and non-current assets based upon estimated net product sales within the next year.

Prepaid royalties were not written down for the three months ended July 31, 2000 and 1999. For the nine months ended July 31, 2000 and 1999, prepaid royalties were written down by \$109,942 and \$844,112, respectively, to estimated net realizable value. Amortization of prepaid royalties amounted to \$6,222,845 and \$6,308,905 for the three months ended July 31, 2000 and 1999, respectively, and \$10,975,361 and \$10,191,276 for the nine months ended July 31, 2000 and 1999, respectively.

#### Capitalized Software Development Costs (Including Film Production Costs)

Costs associated with research and development are expensed as incurred. Software development costs incurred subsequent to establishing technological feasibility are capitalized. Capitalized software costs are compared, by game title, to estimated net realizable value of the product and amounts in excess of estimated net realizable value, if any, are immediately charged to cost of sales.

No capitalized software costs were written down for the three months ended July 31, 2000 and 1999. For the nine months ended July 31, 2000 and 1999, capitalized software costs were written down by \$249,184 and \$688,068, respectively, to estimated net realizable value. Amortization of capitalized software costs amounted to \$143,479 and \$451,783 for the three months ended July 31, 2000 and 1999, respectively, and \$472,449 and \$681,783 for the nine months ended July 31, 2000 and 1999, respectively.

#### Segment Reporting

Statement of Financial Accounting Standards ("FAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information", establishes standards for reporting information about operating segments in annual financial statements. FAS No. 131 had no impact on the Company's results of operations, financial position or cash flows. The Company's operations fall within one reportable segment as defined by FAS No. 131.

#### Recently Issued Accounting Announcements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101 ("SAB 101"). SAB 101 summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The provisions of this pronouncement are effective for the fourth quarter of the fiscal year ended October 31, 2001. The Company is in the process of determining the impact, if any, it will have on its financial statements.

#### Revenue Recognition

Distribution revenue is derived from the sale of third-party interactive software games and hardware and is recognized upon the shipment of product to retailers. Distribution revenue amounted to \$27,697,767 and \$20,946,961 for the three months ended July 31, 2000 and 1999, respectively, and \$120,857,856 and \$86,362,777 for the nine months ended July 31, 2000 and 1999, respectively. The Company at times negotiates accommodations to retailers, including price discounts, credits and product returns, when demand for specific products fall below expectations. The Company's distribution arrangements with retailers generally do not give them the right to return products, however, the Company generally accepts product returns for stock balancing or defective products. Historically, the Company's write-offs for returns from its distribution activities have been less than 1% of distribution revenues.

Publishing revenue is derived from the sale of internally developed interactive software games or from the sale of product licensed from a third party developer and is recognized upon the shipment of product to retailers. Publishing revenue amounted to \$38,445,061 and \$42,615,509 for the three months ended July 31, 2000 and 1999, respectively, and \$135,729,316 and \$97,645,678 for the nine months ended July 31, 2000 and 1999, respectively. The Company's publishing arrangements require the Company to accept product returns. A reserve is established at the time of product sales, based primarily on these return policies, markdown allowances, and historical return rates, and as such, the Company recognizes revenues net of product returns. The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues.

#### 4. Business Acquisitions

In July 2000, the Company acquired all of the issued and outstanding capital stock of PopTop Software, Inc. ("PopTop") for 559,100 shares of the Company's common stock. PopTop is the creator of the best selling Railroad Tycoon II.

In May 1998, the Company entered into a distribution agreement with Gathering of Developers Ltd ("Gathering"), a publisher of PC and video games. Pursuant to the agreement, the Company agreed to pay Gathering advance royalty payments of up to \$7.5 million for the rights to distribute certain PC titles. In February 1999, the Company amended the May 1998 distribution agreement under which the Company agreed to pay Gathering advance royalty payments of up to \$12.5 million (inclusive of the payments under the May 1998 agreement). The Company's advance royalty payments under the February 1999 agreement were to be recouped from royalties due to Gathering under the distribution agreement after payment of the Company's distribution fee. The Company also made advance royalty payments to Gathering in a similar arrangement under various publishing agreements for video games.

In February 1999, the Company purchased a 19.9% equity interest in Gathering for approximately \$4 million. The investment was accounted for by the equity method due to the Company having significant influence over Gathering. The difference between the carrying value of the investment and the underlying equity in the net assets of approximately \$4,377,000, was attributed to goodwill and was amortized using the straight-line method over the period of expected benefit of seven years. Such amortization has been included in the equity in loss of affiliate.

In addition, the equity holders of Gathering granted the Company an option to purchase all of their interests, exercisable on two separate occasions during the six-month periods ending April 30, 2001 and 2002 based on a fixed formula. In consideration of the option grant, the Company issued to Gathering's equity holders 125,000 shares of common stock, valued at \$1,275,000, which was amortized over the term of the purchase option, which expired unexercised in April 2000 upon acquisition of the remaining 80% equity interest in Gathering.

Until October 31, 1999, the Company recognized its proportionate share of the losses in Gathering using the equity method of accounting. Effective November 1, 1999, the Company recognized its share of losses in accordance with the provisions of EITF 99-10. This resulted in an additional charge of \$19,206,000 in the second quarter of fiscal 2000.

In April 2000, the Company acquired the remaining 80.1% of the equity interest of Gathering for 1,060,000 shares of its Common Stock (valued at \$10.4 million) and assumed liabilities of approximately \$3 million. The aforementioned charge of \$19,206,000 effectively reduced the cost of Gathering by the same amount, and resulted in a net reduction for post acquisition amortization of \$385,000 comprised of a \$562,500 reduction of the amortization of intangible assets offset by an increase of \$177,000 in the amortization of prepaid royalties. See Note 2.

The acquisition has been accounted for as purchase. The Consolidated Condensed Statements of Operations include the operating results of each business from the date of acquisition.

The following unaudited pro forma results below assumes the acquisitions of Toga Holding, BV ("Toga") and Gathering occurred on November 1, 1998:

	Nine Months Ended July 31, 2000	Nine Months Ended July 31, 1999
	-----	-----
Net Sales	\$ 263,879,053	\$ 200,200,341
Net (Loss) income	\$ (1,836,272)	\$ 1,455,908
Net (Loss) income per share (basic)	\$ (0.07)	\$ 0.06
Net (Loss) income per share (fully diluted)	\$ (0.07)	\$ 0.06

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisitions of Toga and Gathering been consummated as of November 1, 1998 nor are they necessarily indicative of future operating results.

#### 5. Loan Payable

In July 2000, the Company entered into a subordinated loan agreement with Finova Mezzanine Capital Inc. ("Finova") in the principal amount of \$15 million. The loan is payable in full in July 2005, and bears interest at the rate of 12.5% per annum, payable monthly. In connection with the loan, the Company issued to Finova a five year warrant to purchase 451,747 shares of Common Stock exercisable at the price of \$11.875 per share. Subject to the outstanding loan balance, the warrant entitles Finova to receive additional shares of Common Stock for three consecutive years commencing July 2003, and contains certain anti-dilution provisions. The Company has recorded the loan net of discount of \$2,926,963 to reflect an allocation of the proceeds to the estimated value of the warrant. The discount is being amortized using the "interest method" over the term of the financing.

#### 6. Income Taxes

The provisions for income taxes for the three months ended, as well as for the nine months ended July 31, 2000 and 1999 are based on the Company's estimated annualized tax rate for the respective years, after giving effect to the utilization of available tax credits and tax planning opportunities.

#### 7. Net Income (Loss) per Share

The following table provides a reconciliation of basic earnings per share to diluted earnings per share for the three and nine months ended July 31, 2000 and 1999.

	Net Income (loss)	Shares	Per Share Amount
	-----	-----	-----
Three Months Ended July 31, 2000 - Restated:			
Basic	\$ 2,221,308	29,061,499	\$ .08
Effect of dilutive securities - Stock options and warrants		817,766	(.01)
Diluted	\$ 2,221,308	29,879,265	\$ .07
	=====	=====	=====
Three Months Ended July 31, 1999			
Basic	\$ 2,707,824	22,440,547	\$ .12
Effect of dilutive securities - Stock options and warrants		851,994	--
Diluted	\$ 2,707,824	23,292,541	\$ .12
	=====	=====	=====
Nine Months Ended July 31, 2000 - Restated:			
Basic and Diluted	\$(2,272,675)	25,981,014	\$ (.09)
Nine Months Ended July 31, 1999:			
Basic	\$ 7,163,832	19,939,990	\$ .36
Effect of dilutive securities - Stock options and warrants		1,265,210	(.02)
Diluted	\$ 7,163,832	21,205,200	\$ .34
	=====	=====	=====

As the Company reported net losses for the nine months ended July 31, 2000, all 1,011,471 of the options and warrants outstanding for the period were anti-dilutive, and therefore, there were no reconciling items between basic and diluted loss per share. The computations for diluted number of shares for the three months ended July 31, 2000 excludes unexercised stock options and warrants which are anti-dilutive.

#### 8. Disposition of Asset

In June 2000, the Company sold its 19.9% equity interest in Bungie Software ("Bungie") to Microsoft Corporation for approximately \$5 million (or 19.9% of \$25,000,000, the total share consideration paid to Bungie shareholders). Separately, the Company sold its publishing and distribution rights to Halo for \$4,000,000 and acquired a royalty free license to Bungie's Halo technology for two products. In addition, the Company was granted all of Bungie's right, title and interest to the best selling Myth franchise and the highly anticipated upcoming PC and Playstation(R)2 game, Oni, titles which the Company had previously only held certain distribution rights.



Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Restatement of Historical Financial Statements

In November 2001, in connection with an informal and voluntary request from the SEC to provide documents, the Company engaged outside counsel to conduct an investigation into the Company's accounting treatment of certain transactions in fiscal 2000 and 2001. Counsel retained advisors to perform a forensic accounting investigation.

As a result of the investigation, the Company restated its previously issued consolidated financial statements for fiscal 2000 and each of the quarters in fiscal 2000 and the first three quarters in fiscal 2001. The restatement of the financial statements for the three and nine months ended July 31, 2000 relates to the elimination of \$5,329,758 and \$7,811,213, respectively, of net sales made to independent third party distributors and related cost of sales of \$2,964,157 and \$4,972,820, respectively, and the related tax effect, which were improperly recognized as revenue since the products were later returned or repurchased by the Company.

In addition, the Company reviewed its revenue recognition policy, reserve policies and its accounting for certain other transactions. For the nine months ended July 31, 2000, the Company recorded a non-cash charge of \$19,206,000 and the related tax effect, representing the Company's portion of the losses incurred by an affiliate accounted for under the equity method in accordance with the provisions of EITF No. 99-10, "Percentage Used to Determine the Amount of Equity Method Losses," and a relating net reduction for post acquisition amortization of \$385,500, after the Company acquired the remaining 80% interest in this entity in April 2000. See Notes 2 and 4 of Notes to Unaudited Consolidated Condensed Financial Statements.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The statements contained herein which are not historical facts are forward looking statements that involve material risks and uncertainties, including but not limited to: risks associated with the Company's future growth, prospects and operating results; the ability of the Company to successfully integrate the businesses and personnel of newly acquired entities into its operations; the availability of adequate sources of financing; credit risks; inventory obsolescence; products returns; failure of our products to sell-through by retailers; changes in consumer preferences and demographics; technological change; competitive factors; unfavorable general economic conditions; and other factors described herein and in the Company's Registration Statement on Form S-3 as filed with the Securities And Exchange Commission, any or all of which could have a material adverse affect on the Company's business, financial condition and results of operations. Actual results may vary significantly from such forward-looking statements.

Overview

The Company derives its principal sources of revenues from publishing and distribution activities. Publishing revenues are derived from the sale of internally developed interactive entertainment software products or products licensed from third parties. Distribution revenues are derived from the sale of third-party software and hardware products. Publishing activities generally generate higher margins than distribution activities, with sales of PC software resulting in higher margins than sales of cartridges designed for video game consoles. The Company recognizes revenue from software sales when products are shipped to customers.

The Company's published products are subject to return if not sold to consumers, including for stock balancing, markdowns or defective products. The Company establishes a reserve for future returns of published products at the time of product sales, based primarily on these return policies and historical return rates, and the Company recognize revenues net of product returns. The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues. For distribution sales, the Company at times negotiates accommodations to retailers, including price discounts, credits, and product returns when demand for specific products fall below expectations. Historically, the Company's write-offs for returns from its distribution activities have been less than 1% of distribution revenues. If future product returns significantly exceed these reserves, the Company's operating results would be materially adversely affected.

Research and development costs (consisting primarily of salaries and related costs) incurred prior to establishing technological feasibility are expensed in accordance with Statement of Financial Accounting Standards ("FAS") No. 86 "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed". In accordance with FAS No. 86, the Company capitalizes software development costs subsequent to establishing technological feasibility (completion of a detailed program design) which is amortized (included in cost of sales) based on the greater of the proportion of current year sales to total estimated sales commencing with the product's release or the straight line method. At July 31, 2000, the Company had \$9,796,522 of capitalized software development costs. The Company evaluates the recoverability of capitalized software, the amount in excess of estimated net realizable value may have a material adverse effect on the Company's operating results in future periods. See Note 3 to Notes to Consolidated Condensed Financial Statements.

#### Results of Operations

The following table sets forth for the periods indicated the percentage of net sales represented by certain items reflected in the Company's statement of operations:

	Three Months Ended July 31, -----		Nine Months Ended July 31, -----	
	2000 Restated ----	1999 ----	2000 Restated ----	1999 ----
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	56.4	69.1	63.7	72.6
Selling and marketing	13.7	10.9	13.3	8.9
General and administrative	13.8	10.7	10.4	9.5
Research and development costs	2.5	1.6	1.8	1.2
Depreciation and amortization	4.9	1.1	2.7	.9
One time charge related to abandoned offering	1.7	--	0.4	--
Interest expense, net	2.5	.7	1.8	1.1
Provision (benefit) income taxes	1.2	1.8	(0.6)	1.9
Net income	3.4	4.3	(0.9)	3.8

## Results of Three Months Ended July 31, 2000 and 1999

Net sales increased by \$2,580,359 or 4.1%, to \$66,142,829 for the three months ended July 31, 2000 from \$63,562,470 for the three months ended July 31, 1999. The increase in net sales was primarily attributable to the Company's expanded distribution operations. Distribution revenues increased by \$6,750,806 or 32.2%, to \$27,697,767 for the three months ended July 31, 2000 from \$20,946,961 for the three months ended July 31, 1999. Publishing revenues of \$38,445,062 for the three months ended July 31, 2000 (which included licensing revenue of approximately \$5.5 million) remained relatively constant compared to the three months ended July 31, 1999. The Company recorded approximately \$5.5 million for licensing revenue as part of the Company's publishing revenues.

Cost of sales decreased by \$6,617,914 or 15.1% to \$37,313,187 for the three months ended July 31, 2000 from \$43,931,101 for the three months ended July 31, 1999. Cost of sales as a percentage of net sales decreased from 69.1% to 56.4%. The Company attributes this decrease primarily to the continued growth in its publishing margins due to higher PC sales and expanding distribution and budget publishing margins. In future periods, cost of sales may be adversely affected by manufacturing and other costs, price competition and by changes in product and sales mix and distribution channels.

Selling and marketing expenses increased by \$2,129,612, or 30.7%, to \$9,055,486 for the three months ended July 31, 2000 from \$6,925,874 for the three months ended July 31, 1999. As a percentage of net sales, selling and marketing expenses increased to 13.7% for the three months ended July 31, 2000 from 10.9% for the three months ended July 31, 1999. The increase in both absolute dollars and as a percentage of net sales was primarily attributable to the acquisition of Gathering of Developers, Ltd, which was previously accounted for under the equity method and increased marketing and promotion efforts undertaken to broaden product distribution.

General and administrative expenses increased by \$2,326,361, or 34.3%, to \$9,105,921 for the three months ended July 31, 2000 from \$6,779,560 for the three months ended July 31, 1999. General and administrative expenses as a percentage of net sales increased to 13.8% for the three months ended July 31, 2000 from 10.7% for the three months ended July 31, 1999. This increase in both absolute dollars and as a percentage of net sales is a result of increased personnel through its acquisitions.

Research and development costs increased by \$669,892, or 67.9%, to \$1,656,737 for the three months ended July 31, 2000 from \$986,845 for the three months ended July 31, 1999. This increase was primarily attributable to the expansion of the Company's product development operations. Research and development costs as a percentage of net sales remained relatively constant.

Depreciation and amortization expense increased by \$2,528,941 or 346.4%, to \$3,259,087 for the three months ended July 31, 2000 from \$730,146 for the three months ended July 31, 1999. The increase was primarily due to the amortization of intangible assets from acquisitions.

The Company incurred a one-time charge of \$1,103,170 in the three months ended July 31, 2000 covering professional fees and other expenses related to an abandoned offering to list a subsidiary's stock on EASDAQ.

Interest expense increased by \$1,181,793, or 260.4%, to \$1,635,618 for the three months ended July 31, 2000 from \$453,825 for the three months ended July 31, 1999. The increase resulted from expanded credit facilities, as well as the amortization of fees paid in connection with financing activities.

Income taxes decreased by \$365,953, or 31.6% to \$792,315 for the three months ended July 31, 2000 from \$1,158,268 for the three months ended July 31, 1999. The decrease in absolute dollars resulted primarily from lower pre-tax income. Income tax expense as a percentage of net sales remained constant.

As a result of the foregoing, the Company achieved net income of \$2,221,308 for the three months ended July 31, 2000, as compared to net income of \$2,707,824 for the three months ended July 31, 1999.

#### Results of Nine Months Ended July 31, 2000 and 1999

Net sales increased by \$72,578,717 or 39.4% to \$256,587,172 for the nine months ended July 31, 2000 from \$184,008,455 for the nine months ended July 31, 1999. The increase in net sales was primarily attributable to the Company's expanded presence in international markets. International publishing revenues increased by \$25,991,128 or 55.4%, to \$72,880,996 for the nine months ended July 31, 2000 from \$46,889,868 for the nine months ended July 31, 1999. Revenues from distribution activities increased by \$34,495,079, or 39.9% to \$120,857,856 for the nine months ended July 31, 2000 from \$86,362,777 for the nine months ended July 31, 1999.

Cost of sales increased by \$29,805,376 or 22.3% to \$163,359,334 for the nine months ended July 31, 2000 from \$133,553,958 for the nine months ended July 31, 1999. This increase was primarily a result of the expanded scope of the Company's operations. Cost of sales as a percentage of net sales decreased primarily due to the higher margin publishing activities. In future periods, cost of sales may be adversely affected by manufacturing and other costs, price competition and by changes in product and sales mix and distribution channels.

Selling and marketing expenses increased by \$17,827,828, or 108.6%, to \$34,243,171 for the nine months ended July 31, 2000 from \$16,415,343 for the nine months ended July 31, 1999. Selling and marketing expenses as a percentage of net sales increased to 13.3% for the nine months ended July 31, 2000 from 8.9% for the nine months ended July 31, 1999. The increase in both absolute dollars and as a percentage of net sales was primarily attributable to the acquisition of Gathering of Developers, Ltd, which was previously accounted for under the equity method and increased marketing and promotion efforts undertaken to broaden product distribution and to assist retailers in positioning our products for sale to consumers.

General and administrative expenses increased by \$9,179,494, or 52.7%, to \$26,596,435 for the nine months ended July 31, 2000 from \$17,416,941 for the nine months ended July 31, 1999. The increase in absolute dollars and as a percentage of net sales was primarily attributable to increased costs associated with the Company's expanded operations through its acquisitions.

Research and development costs increased by \$2,435,051, or 110.1%, to \$4,646,045 for the nine months ended July 31, 2000 from \$2,210,994 for the nine months ended July 31, 1999. This increase was primarily attributable to the Company's expansion of its product development operations.

Depreciation and amortization expense increased by \$5,091,975 or 292.0%, to \$6,835,542 for the nine months ended July 31, 2000 from \$1,743,567 for the nine months ended July 31, 1999. The increase was primarily due to the amortization of intangible assets from acquisitions.

The Company incurred a one-time charge of \$1,103,170 in the nine months ended July 31, 2000 covering professional fees and other expenses related to an abandoned offering to list a subsidiary's stock on EASDAQ.

Interest expense increased by \$2,463,413, or 120.0%, to \$4,516,708 for the nine months ended July 31, 2000 from \$2,053,295 for the nine months ended July 31, 1999. The increase resulted primarily from increased bank borrowings.

Gain on sale of subsidiary represented a gain of \$870,883 relating to the sale of capital stock of Falcon Ventures Corporation d/b/a DVDWave.com.

Equity in loss of affiliate increased for the nine months ended July 31, 2000. In accordance with EITF 99-10, the Company incurred a charge of \$19,968,682 for the Company's share of losses incurred by Gathering of Developers ("Gathering") prior to the acquisition for the then remaining interest in Gathering. The increase over the prior period is the result of increased losses at Gathering coupled with the implementation of EITF 99-10. See Notes 2 and 4 of Notes to Unaudited Consolidated Condensed Financial Statements.

Income taxes decreased by \$5,099,855, or 143.2% to a tax benefit of \$1,538,357 for the nine months ended July 31, 1999 from a tax provision of \$3,561,498 for the nine months ended July 31, 1999. The decrease resulted primarily from decreased pre-tax income.

As a result of the foregoing, the Company incurred a net loss of \$2,272,675 for the nine months ended July 31, 2000, as compared to net income of \$7,163,832 for the nine months ended July 31, 1999.

#### Liquidity and Capital Resources

The Company's primary capital requirements have been and will continue to be to fund the acquisition, development, manufacture and commercialization of its software products. The Company has historically financed its operations primarily through the issuance of debt and equity securities and bank borrowings. At July 31, 2000, the Company had working capital of \$70,070,952 as compared to \$41,438,968 at October 31, 1999.

Net cash used in operating activities for the nine months ended July 31, 2000 was \$27,258,179 compared to net cash used by operating activities of \$9,616,679 for the nine months ended July 31, 1999. The increase in net cash used in operating activities was primarily attributable to an increase in prepaid royalties and capitalized software costs. Net cash used in investing activities for the nine months ended July 31, 2000 was \$9,631,445 as compared to net cash used in investing activities of \$5,864,789 for the nine months ended July 31, 1999. The increase in net cash used in investing was primarily attributable to the Company's acquisition activities. Net cash provided by financing activities for the nine months ended July 31, 2000 was \$32,394,579 as compared to net cash provided by financing activities of \$16,105,346 for the nine months ended July 31, 1999. The increase in net cash provided by financing activities was primarily attributed to cash received from the loan with Finova, cash received from private placements and the impact of increased exercises of stock options. At July 31, 2000, the Company had cash and cash equivalents of \$2,631,068.

In December 1999, the Company's subsidiary, Take-Two Interactive Software Europe Limited entered into a line of credit agreement with Barclays' Bank. The line of credit provides for borrowings of up to approximately British Pounds (pound)17,000,000 (approximately \$25,000,000). Advances under the line of credit bear interest at the rate of 1.4% over Barclays' base rate per annum, payable quarterly. Borrowings are collateralized by receivables of the Company's European subsidiaries, and are guaranteed by the Company. The line of credit is repayable upon demand and is subject to review prior to November 29, 2000. The outstanding balance and available credit under the revolving line of credit is \$14,186,488 and \$1,099,162, respectively, as of July 31, 2000.

In December 1999, the Company entered into a credit agreement with a group of lenders led by Bank of America, N.A., as agent, which provides for borrowings of up to \$75,000,000. The Company may increase the credit line to up to \$85,000,000 subject to certain conditions. Interest accrues on such advances at the bank's prime rate plus .5% or at LIBOR plus 2.5%. Borrowings under the line of credit are collateralized by all of the Company's assets. Under the terms of the credit agreement, the Company is required to comply with certain financial, affirmative and negative covenants, including consolidated net worth, consolidated leverage ratio and consolidated fixed charge ratio. In addition, the credit agreement limits or prohibits the Company from declaring or paying cash dividends, merging or consolidating with another corporation, selling assets (other than in the ordinary course of business), creating liens and incurring additional indebtedness. In February 2002, certain financial covenants and several other covenants were amended retroactively to December 1999. Accordingly, as of July 31, 2000, the Company was in compliance with the covenants, as amended. The line of credit expires on December 7, 2002. The outstanding balance under the revolving line of credit is \$32,291,878 as of July 31, 2000.

In July 2000, the Company entered into a subordinated loan agreement with Finova in the principal amount of \$15 million. The loan is payable in full in July 2005, and bears interest at the rate of 12.5% per annum, payable monthly.

In July 2000, the Company received net proceeds of \$11,174,149 from the sale of common stock.

The Company's accounts receivable, less an allowance for doubtful accounts and returns, at July 31, 2000 were \$79,554,523. None of the Company's customers accounted for more than 10% of accounts receivable at July 31, 2000. Most of the Company's receivables are covered by insurance and generally have been collected in the ordinary course of business. The Company's sales are typically made on credit, with terms that vary depending upon the customer and the demand for the particular title being sold. The Company does not hold any collateral to secure payment from customers. As a result, the Company is subject to credit risks, particularly in the event that any of the receivables represent sales to a limited number of retailers or are concentrated in foreign markets. If the Company is unable to collect its accounts receivable as they become due and such accounts are not covered by insurance, the Company's liquidity and working capital position would be materially adversely affected.

Based on currently proposed operating plans and assumptions, the Company believes that projected revenues from operations and available cash resources will be sufficient to satisfy its contemplated cash requirements for the reasonably foreseeable future. There can be no assurance that projected revenues from operations and available cash resources will be sufficient to fund the Company's operations or future expansion activities or that any additional financing, if required, will be available to the Company on commercially reasonable terms. Failure to obtain any such additional financing could severely limit the Company's ability to continue to expand its operations.

#### Fluctuations in Operating Results and Seasonality

The Company may experience fluctuations in quarterly operating results as a result of timing in the introduction of new titles; variations in sales of titles developed for particular platforms; market acceptance of the Company's titles; development and promotional expenses relating to the introduction of new titles, sequels or enhancements of existing titles; projected and actual changes in platforms; the timing and success of title introductions by our competitors; product returns; changes in pricing policies by the Company and its competitors; the accuracy of retailers' forecasts of consumer demand; the size and timing of acquisitions; the timing of orders from major customers; and order cancellations and delays in shipment.

Sales of our titles are seasonal, with peak shipments typically occurring in the fourth calendar quarter (our fourth and first fiscal quarters) as a result of increased demand for titles during the holiday season.

#### International Operations

Product sales in international markets, primarily in the United Kingdom and other countries in Europe and the Pacific Rim, have accounted for an increasing portion of the Company's revenues. For the nine months ended July 31, 2000 and 1999, sales of products in international markets accounted for approximately 33.8% and 29.9%, respectively, of the Company's revenues. The Company is subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant impact on the Company's operating results. Product sales in France and Germany are made in local currencies.

#### Year 2000

To address the year 2000 issue, the Company had developed programs to address the possible exposures related to the impact of computer systems incorrectly recognizing the year 2000 or "00" as 1900. As a result of implementation of its programs, the Company did not experience any significant Year 2000 disruptions during the transition from 1999 to 2000, and since entering 2000 the Company has not experienced any significant Year 2000 disruptions to its business. In addition, the Company is not aware of any significant disruptions impacting its customers or suppliers. The Company intends to continue to monitor its computer system over the next several months.

Costs incurred to achieve Year 2000 readiness, which included modification to existing systems, replacement of non-compliant systems and consulting resources were not material to the Company's total operating expenses.



PART II - OTHER INFORMATION

Item 2. Changes in Securities

During the three months ended July 31, 2000, 70,000 options from the 1997 Stock Option Plan and 731,500 non-plan options were granted at exercise prices ranging from \$8.25 to \$10.875.

In July 2000, the Company issued to Finova a warrant to purchase 451,747 shares of the Company stock at an exercise price of \$11.875 in connection with the loan.

In July 2000, the Company issued 1,415,000 shares of Common Stock to a limited number of institutional investors in consideration of \$11,174,149, which was net of \$1,345,926 in commissions.

In connection with the above securities issuances, the Company relied on Section 4(2) and Regulation D promulgated under the Securities Act of 1933, as amended.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibit  
Exhibit 27 - Financial Data Schedule (SEC use Only)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Take-Two Interactive Software, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Take-Two Interactive Software, Inc.

By: /s/ Kelly Sumner

Dated: April 16, 2002

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Kelly Sumner  
Chief Executive Officer

TAKE-TWO INTERACTIVE SOFTWARE, INC.  
Financial Data Schedule

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FINANCIAL STATEMENT INCLUDED IN THIS QUARTERLY REPORT ON FORM 10-Q/A, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

July 31,  
-----  
2000  
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PERIOD TYPR	9-mons
FISCAL-YEAR-END	Oct-31-2000
PERIOD-END	Jul-31-2000
CASH	2,631,068
SECURITIES	3,559,399
RECEIVABLES	83,476,017
ALLOWANCE	3,921,494
INVENTORY	43,739,904
CURRENT-ASSETS	165,247,604
PP&E	9,560,394
DEPRECIATION	3,330,134
TOTAL ASSETS	277,709,954
CURRENT-LIABILITIES	95,176,652
COMMON	309,581
OTHER-SE	167,882,625
TOTAL-LIABILITY-AND EQUITY	277,709,954
SALES	256,587,172
TOTAL REVENUE	256,587,172
COGS	163,359,334
TOTAL-COSTS	163,359,334
OTHER-EXPENSES	11,481,587
INTEREST-EXPENSE	4,516,708
LOSS-PRETAX	3,811,032
INCOME-BENEFIT	1,538,357
NET-LOSS	2,272,675
EPS-BASIC	(0.09)
EPS-DILUTED	(0.09)