

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

FORM 8-K/A
(Amendment No.1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): August 31, 1998

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

Delaware (State or other jurisdiction of incorporation)	0-29230 (Commission File Number)	51-0350842 (I.R.S. Employer Identification No.)
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575 Broadway, New York, NY (Address of principal executive offices)	10012 (Zip Code)
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Registrant's telephone number, including area code (212) 941-2988

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

- 1 -

Item 7. Financial Statements and Exhibits.

The following financial statements and pro forma financial information omitted from Form 8-K for the event dated August 31, 1998, in reliance upon instruction 7(a) (4) and 7(b) (2) of Form 8-K, are filed herewith.

(a) Financial Statements of the Business Acquired.

1. Financial Statements of Jack of All Games, Inc.

Independent Auditor's Report
Balance Sheets as of December 31, 1997 and 1996
Statements of Income for the years ended December 31, 1997 and 1996
Statements of Retained Earnings for the years ended December 31, 1997
and 1996
Statements of Cash Flows for the years ended December 31, 1997 and
1996
Notes to Financial Statements

(b) Pro Forma Financial Information.

Unaudited Pro Forma Consolidated Financial Statements for Take-Two
Interactive Software, Inc. and Subsidiaries

Unaudited Pro Forma Consolidated Financial Information for the year
ended October 31, 1996
Notes to Unaudited Pro Forma Consolidated Financial Statements for the
year ended October 31, 1996
Unaudited Pro Forma Consolidated Financial Information for the year
ended October 31, 1997
Notes to Unaudited Pro Forma Consolidated Financial Statements for the
year ended October 31, 1997
Unaudited Pro Forma Consolidated Financial Information as of and for
the nine months ended July 31, 1998
Notes to Unaudited Pro Forma Consolidated Balance Sheet as of July 31,
1998
Notes to Unaudited Pro Forma Consolidated Statement of Operations for
the nine months ended July 31, 1998

(c) Exhibits.

Reference is made to the Exhibits previously filed with the Securities and
Exchange Commission as Exhibits to the Company's Report on Form 8-K for the
event dated August 31, 1998.

- 2 -

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and
Stockholders of Jack of All Games, Inc.
(An S Corporation)
Cincinnati, Ohio

We have audited the accompanying balance sheets of Jack of All Games, Inc. (An S Corporation) as of December 31, 1997 and 1996, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Jack of All Games, Inc. (An S Corporation) as of December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Aronowitz, Chaiken & Hardesty, LLP

Cincinnati, Ohio
February 26, 1998

JACK OF ALL GAMES, INC.
(AN S CORPORATION)

BALANCE SHEETS

As of December 31,	1997	1996
ASSETS		
Current Assets:		
Cash	480,683	2,617
Cash restricted for letter of credit	1,089,760	--
Accounts Receivable - Trade (Net of allowance for doubtful accounts of \$55,000 in 1997 and \$345,850 in 1996)	16,187,821	7,882,207
- Officers	11,425	55,300
- Joint venture	--	497,658
Inventory	11,587,362	7,063,675
Investment in joint venture	--	133,893
Prepaid expenses	660,712	53,311
TOTAL CURRENT ASSETS	30,017,763	15,688,661
Property And Equipment:		
Furniture, fixtures and equipment	536,920	109,779
Vehicles	4,500	4,500
Leasehold improvements	19,763	5,345
Accumulated depreciation	561,183 (182,334)	119,624 (87,801)
 	378,849	31,823
Other Assets:		
Deposits	3,350	3,755
Cash value of life insurance	2,856	1,663
 	6,206	5,418
 	30,402,818	15,725,902
	30,402,818	15,725,902

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

As of December 31,	1997	1996
LIABILITIES		
Current Liabilities:		
Current portion of long-term debt	97,433	--
Notes payable - Bank	--	6,815,046
Accounts payable - Trade	11,272,049	7,402,062
Accrued taxes	226,893	21,345
Accrued expenses	919,652	392,734
TOTAL CURRENT LIABILITIES	12,516,027	14,631,187
Long-Term Debt:		
Notes payable - Bank	16,013,032	--
Current portion	(97,433)	--
	15,915,599	--
TOTAL LIABILITIES	28,431,626	14,631,187
STOCKHOLDERS' EQUITY		
Common stock - No par value, 750 shares authorized, 100 shares issued and outstanding	1,000	1,000
Retained earnings	1,970,192	1,093,715
TOTAL STOCKHOLDERS' EQUITY	1,971,192	1,094,715
	30,402,818	15,725,902

JACK OF ALL GAMES, INC.
(AN S CORPORATION)

STATEMENTS OF INCOME

For the years ended December 31,	1997	1996
	Amount	Amount
Sales	75,318,654	40,522,770
Cost Of Sales	68,287,074	36,973,578
Gross Profit	7,031,580	3,549,192
Expenses:		
Operating (Schedule 1)	3,378,696	1,489,646
Occupancy (Schedule 2)	199,647	102,909
Administration (Schedule 3)	1,276,852	896,077
TOTAL EXPENSES	4,855,195	2,488,632
	2,176,385	1,060,560
Other Income (Expense):		
Equity income of joint venture	--	133,893
Interest and other income	96,900	745
Interest expense	(925,808)	(202,539)
TOTAL OTHER INCOME (EXPENSE)	(828,908)	(67,901)
Net Income For The Year	1,347,477	992,659

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

JACK OF ALL GAMES, INC.
(AN S CORPORATION)

STATEMENTS OF RETAINED EARNINGS

For the years ended December 31,	1997	1996
Balance - January 1	1,093,715	923,822
Net Income For The Year	1,347,477	992,659
Dividends Paid	(471,000)	(822,766)
Balance - December 31	<u>1,970,192</u>	<u>1,093,715</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

JACK OF ALL GAMES, INC.
(AN S CORPORATION)

STATEMENTS OF CASH FLOWS

For the years ended December 31,	1997	1996
Cash Flows From Operating Activities:		
Net income for the year	1,347,477	992,659
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	97,607	36,809
Provision for bad debts	49,486	264,734
Loss on disposal of equipment	772	--
Increase in cash value of life insurance	(1,193)	(1,015)
(Increase) Decrease in assets:		
Accounts receivable - Trade	(9,569,902)	(4,625,178)
- Officers	43,875	(54,961)
- Joint venture	497,658	(300,060)
Inventory	(4,523,687)	(4,828,598)
Prepaid expenses	607,401	(34,347)
Deposits	405	(500)
Increase (Decrease) in liabilities:		
Accounts payable - Trade	3,869,987	3,902,963
Accrued expenses	526,918	261,320
Accrued taxes	205,548	303
TOTAL ADJUSTMENTS	(8,195,125)	(5,378,530)
NET CASH USED IN OPERATING ACTIVITIES	(6,847,648)	(4,385,871)

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

JACK OF ALL GAMES, INC.
(AN S CORPORATION)
STATEMENTS OF CASH FLOWS

For the years ended December 31,	1997	1996
Cash Flows From Investing Activities:		
Cash restricted for letter of credit	(1,089,760)	--
Investment in joint venture	133,893	(133,893)
Purchase of property and equipment	(446,905)	(21,441)
Proceeds from the sale of equipment	1,500	--
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(1,401,272)	(155,334)
	-----	-----
Cash Flows From Financing Activities:		
Payments on short-term debt	(6,815,046)	--
Proceeds from issuance of long-term debt	16,035,575	5,203,974
Payments on long-term debt	(22,543)	--
Dividends paid	(471,000)	(822,766)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	8,726,986	4,381,208
	-----	-----
Net Increase (Decrease) In Cash	478,066	(159,997)
Cash Balance - January 1	2,617	162,614
	-----	-----
Cash Balance - December 31	480,683	2,617
	=====	=====

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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JACK OF ALL GAMES, INC.
(AN S CORPORATION)

NOTES TO FINANCIAL STATEMENTS

Note 1: Company Information

Jack of All Games, Inc. (the "Company") is a distributor of video game hardware and software, and specialty toy items, to customers throughout the United States.

Note 2: Summary Of Significant Accounting Policies

Basis of Accounting - The financial statements are presented using the accrual basis of accounting.

Inventory - Inventories are stated at the lower of cost or market, using a moving average cost method.

Federal Income Tax - The corporation and its stockholders have elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Subchapter S provides, in general, that an electing corporation will pay no federal income tax, and that the federal taxable income and deductions of the corporation will be reported and taxed on the federal income tax returns of the stockholders. Accordingly, these financial statements include no provision for federal income tax.

Management Estimates - 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment - Property and equipment are recorded at cost and are depreciated on a straight line and accelerated basis over their estimated useful lives.

Cash Flows - For the purposes of reporting cash flows, cash includes cash on hand and short-term highly liquid investments readily convertible to a known amount of cash within an original maturity of three months or less.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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JACK OF ALL GAMES, INC.

(AN S CORPORATION)

NOTES TO FINANCIAL STATEMENTS

Note 3: Concentration Of Credit Risk

The Company had \$2,373,394 and \$513,740 held in financial institutions in excess of federally insured limits at December 31, 1997 and 1996, respectively, based on the bank balances before outstanding checks.

Purchases of inventory from three vendors accounted for 52% of total purchases for the year ended December 31, 1997, and two vendors accounted for 40% of total purchases for the year ended December 31, 1996. Sales to two customers accounted for 26% of total revenue for the year ended December 31, 1997.

Note 4: Depreciation And Amortization

Major classes of property and equipment, estimated useful lives and accumulated depreciation are as follows:

	Estimated Useful Lives	Accumulated Depreciation	
		1997	1996
Furniture, fixtures and equipment	5 years	165,832	82,409
Displays and signs	5 years	13,045	--
Vehicles	5 years	3,204	2,341
Leasehold improvements	2-4 years	253	3,051
		-----	-----
		182,334	87,801
		-----	-----

Depreciation expense was \$97,607 and \$36,809 for the years ended December 31, 1997 and 1996, respectively.

Note 5: Short-Term Debt

At December 31, 1996, the Company had a line of credit with Provident Bank, with the ability to borrow to the maximum of the line which was \$8,400,000. At December 31, 1996, the outstanding balance was \$4,612,020. Interest was at 1.25% above the bank's prime rate. The line of credit was secured by a first lien on substantially all the assets of the Company, and the guarantees of one of the stockholders. The line of credit available to the Company was reduced by a letter of credit issued by Provident Bank with an outstanding balance of \$576,932 at December 31, 1996.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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JACK OF ALL GAMES, INC.

(AN S CORPORATION)

NOTES TO FINANCIAL STATEMENTS

Note 5: Short-Term Debt (Continued)

The line of credit came due in 1997 and was replaced with a long-term line of credit.

At December 31, 1996, the Company had a bank overdraft of \$603,026 due to outstanding checks. This overdraft was added to the line of credit balance.

At December 31, 1996, the Company had a promissory note with Provident Bank due January 13, 1997. The outstanding balance was \$1,600,000 as of December 31, 1996. Interest was due at maturity at 1.25% above the bank's prime rate. The loan was secured by a first lien on substantially all the assets of the Company, and the guarantees of two of the stockholders.

Note 6: Long-Term Debt

	1997	1996
	-----	-----
Revolving credit line - Bank, maximum line of \$17,500,000, Company must meet a formula established by the bank to meet the maximum, interest rate is 1.25% above the bank's prime rate, or 9.75% at December 31, 1997, secured by a first lien on substantially all the assets of the Company and guarantees of two of the stockholders, interest payments due monthly, principal due on or before June 1, 1999	13,835,575	--
Note payable - Bank, interest rate is 10.0% per annum, secured by a first lien on substantially all the assets of the Company and the guarantees of two of the stockholders, monthly payments of \$9,230 from October 1, 1997 until maturity, final payment due September 1, 1999	177,457	--
	-----	-----
Balance forward	14,013,032	--

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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JACK OF ALL GAMES, INC.

(AN S CORPORATION)

NOTES TO FINANCIAL STATEMENTS

Note 6: Long-Term Debt (Continued)

	1997	1996
	-----	-----
Balance forward.....	14,013,032	--
Note payable - Bank, interest rate is 16.50% per annum, secured by a first lien on substantially all the assets of the Company and the guarantees of two of the stockholders, interest payments due monthly, principal due June 1, 1999.....	2,000,000	--
	-----	-----
Total long-term debt.....	16,013,032	--
	=====	=====

Maturity of long-term debt for the five years ending December 31, 2002 is as follows:

1998	97,433
1999	15,915,599
2000	--
2001	--
2002	--

As security for the line of credit, the Company is required to maintain a compensating balance of \$20,000 in one of its bank accounts. The amount of unused line of credit was \$3,664,425 at December 31, 1997. The line of credit available to the Company was reduced by a letter of credit issued by Provident Bank with an outstanding balance of \$1,634,640 at December 31, 1997.

Note 7: Restrictive Covenants

The bank debt is subject to certain financial covenants which must be met by the Company. The Company is in compliance with the restrictive covenants for 1997, and has obtained written waivers for noncompliance issues for 1996.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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JACK OF ALL GAMES, INC.

(AN S CORPORATION)

NOTES TO FINANCIAL STATEMENTS

Note 8: Commitments

The Company currently leases an office and warehouse facility with a base rent of \$18,667 per month. The lease includes additional rent estimated at \$1,869 per month for operating expenses. The security deposit is a \$75,000 irrevocable letter of credit to be reduced by \$15,000 every 12 months of the lease term. The lease term ends in 2002. The Company also leases six vehicles, office equipment and two forklifts.

Rent expense amounted to \$176,223 and \$96,349 for the years ended December 31, 1997 and 1996, respectively.

Future lease commitments are as follows:

1998	287,752
1999	269,289
2000	242,124
2001	231,178
2002	149,336

From time to time, the Company is asked to issue stand-by letters of credit and import letters of credit. The Company had an outstanding letter of credit for \$1,089,760 at December 31, 1997, which was secured by the Company's savings bank account. The outstanding balance at December 31, 1997 was paid off in February, 1998.

The Company also had outstanding letters of credit for \$1,634,640 and \$576,932 at December 31, 1997 and 1996, respectively, which reduced the amount available from the line of credit.

Note 9: Related Party Transactions

Accrued commissions and other expenses of \$87,084 are due to a stockholder's father as of December 31, 1997. Accrued commissions of \$12,500 was due to a stockholder's brother as of December 31, 1996.

Accounts receivable of \$497,658 was due from a joint venture in which the Company had a 55% interest as of December 31, 1996. The receivable was paid in full in January, 1997.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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JACK OF ALL GAMES, INC.

(AN S CORPORATION)

NOTES TO FINANCIAL STATEMENTS

Note 10: Officers' Life Insurance

The Company owns life insurance policies on the officers with a face value of \$5,100,000 and \$2,100,000 at December 31, 1997 and 1996, respectively.

Note 11: Profit Sharing Plan

The Company has a profit sharing plan with a 401(k) provision covering all employees, with certain restrictions for age and length of service. Each year the Company may contribute to the plan (1) a discretionary amount determined each year by the Company, and (2) the total amount of elective deferrals (employees' portion). Employees are considered vested on a graduated percentage and are 100 percent vested after six years of service. Employee contributions are 100% nonforfeitable. Company contributions to the plan amounted to \$59,184 and \$47,525 for the years ended December 31, 1997 and 1996, respectively.

Note 12: Supplemental Disclosure Of Cash Flow Information

Cash paid during the year for:

	1997	1996
	-----	-----
Interest.....	837,155	164,028
Income taxes.....	10,233	5,674

Note 13: Advertising Costs

For significant expenditures relating to advertising, the Company capitalizes advertising costs and amortizes them over a 12-month period. For recurring advertising expenditures, the Company expenses advertising costs as incurred. The Company had capitalized advertising costs of \$44,655 and \$0 at December 31, 1997 and 1996, respectively. Advertising expense was \$290,011 and \$70,582 for the years ended December 31, 1997 and 1996, respectively.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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JACK OF ALL GAMES, INC.

(AN S CORPORATION)

NOTES TO FINANCIAL STATEMENTS

Note 14: Investment In Joint Venture

At December 31, 1996, the Company had a 55% interest in a joint venture with another distributor for the sale of specialty toy merchandise. Pertinent financial information for the joint venture as of December 31, 1996 was as follows:

Balance Sheet:

Assets:

Cash.....	503,884
Accounts receivable.....	312,485
Inventory.....	40,775

TOTAL ASSETS.....	857,144
	=====

Liabilities:

Accounts payable.....	613,702
Members' capital.....	243,442

TOTAL LIABILITIES AND MEMBERS' CAPITAL.....	857,144
	=====

Net income for the year	243,442
Company's interest.....	55%

Company's share of net income for the year.....	133,893
	=====

The joint venture was dissolved in January, 1997 and the members' capital was distributed.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Unaudited Pro Forma Consolidated Financial Information for the year ended
October 31, 1996

The following unaudited pro forma consolidated statement of operations for the year ended October 31, 1996, including the notes thereto, give effect to the acquisition of Jack of All Games, Inc. ("JAG") by Take-Two Interactive Software, Inc. and subsidiaries (the "Company") as if the acquisition had occurred as of November 1, 1995.

On August 31, 1998, the Company acquired all the outstanding stock of JAG. JAG is engaged in the wholesale distribution of interactive software games. To effect the acquisition, all of the outstanding shares of common stock of JAG were exchanged for 2,750,000 shares of restricted common stock of the Company. In addition, the Company granted options to purchase 650,000 shares of common stock to JAG's employees. The acquisition has been accounted for as a pooling of interests in accordance with APB No. 16 and accordingly, the Company's financial statements for the year ended October 31, 1996, have been restated to include the results of operations of JAG.

The unaudited pro forma consolidated statement of operations for the year ended October 31, 1996 has been prepared based on the audited historical consolidated statement of operations of the Company for the year ended October 31, 1996 and the audited historical statement of operations of JAG for the year ended December 31, 1996.

The unaudited pro forma consolidated financial information presented for informational purposes only, is not necessarily indicative of the actual results of operations of the Company that would have been reported if the acquisition of JAG had occurred as of November 1, 1995, nor does such information purport to indicate results of future operations or financial condition. In the opinion of management, all adjustments necessary to present fairly such pro forma financial information have been made to the financial statements, and are reflected in the accompanying notes. The unaudited pro forma consolidated financial information should be read in conjunction with the Company's Annual Report on Form 10-KSB and with the financial statements included in this filing.

	Historical		Pro Forma	
	Company (1)	JAG(2)	Adjustments	As adjusted
Net sales	\$ 12,529,128	\$ 40,522,770	\$ (134,700)(3)	\$ 52,917,198
Cost of sales	6,236,703	36,973,578	(134,700)(3)	43,075,581
Gross profit	6,292,425	3,549,192	--	9,841,617
Operating expenses:				
Research and development	718,089	--	--	718,089
Selling and marketing	2,718,078	1,237,744	--	3,955,822
General and administrative	1,775,951	1,214,079	--	2,990,030
Depreciation and amortization	269,523	36,809	--	306,332
Total operating expenses	5,481,641	2,488,632	--	7,970,273
Income from operations	810,784	1,060,560	--	1,871,344
Interest and other expenses, net	232,095	67,901	--	299,996
Income before income taxes	578,689	992,659	--	1,571,348
Provision for income taxes	29,049	--	--	29,049
Net income	549,640	992,659	--	1,542,299
Preferred dividends	(17,532)	--	--	(17,532)
Distributions paid to S corporation shareholders prior to acquisition	(183,034)	(822,766)	--	(1,005,800)
Net income attributable to common stockholders'	\$ 349,074	\$ 169,893	\$ --	\$ 518,967
Net income per share-Basic				\$ 0.06
Weighted average shares outstanding-Basic			(4)	9,247,664
Net income per share-Diluted				\$ 0.05
Weighted average shares outstanding-Diluted			(5)	10,421,064

Notes to Unaudited Pro Forma Consolidated Financial Statements for the year ended October 31, 1996

- (1) Reflects the Company's audited historical financial statements for the year ended October 31, 1996.
- (2) Reflects JAG's audited historical financial statements for the year ended December 31, 1996. Certain operating expenses were reclassified to be consistent with the Company's financial statement presentation. In addition, the distribution paid to S corporation shareholders prior to acquisition includes corporate tax payments. These tax payments were not reclassified because the Company had no federal tax provisions for the period.
- (3) Reflects the elimination of inter-company transactions between the Company and JAG.
- (4) Reflects the Company's historical weighted average shares outstanding - basic, plus 2,750,000 shares of common stock issued in connection with the acquisition of JAG.
- (5) Reflects the Company's historical weighted average shares outstanding - diluted, plus 2,750,000 shares of common stock issued in connection with the acquisition of JAG. The calculation does not include the 650,000 stock options issued in connection with the transaction because their inclusion would be anti-dilutive.

Unaudited Pro Forma Consolidated Financial Information for the year ended
October 31, 1997

The following unaudited pro forma consolidated statement of operations for the year ended October 31, 1997, including the notes thereto, give effect to the acquisition of JAG by the Company as if the acquisition had occurred as of November 1, 1995.

On August 31, 1998, the Company acquired all the outstanding stock of JAG. JAG is engaged in the wholesale distribution of interactive software games. To effect the acquisition, all of the outstanding shares of common stock of JAG were exchanged for 2,750,000 shares of restricted common stock of the Company. In addition, the Company granted options to purchase 650,000 shares of common stock to JAG's employees. The acquisition has been accounted for as a pooling of interests in accordance with APB No. 16 and accordingly, the Company's financial statements for the year ended October 31, 1997, have been restated to include the results of operations of JAG.

The unaudited pro forma consolidated statement of operations for the year ended October 31, 1997 has been prepared based on the audited historical consolidated statement of operations of the Company for the year ended October 31, 1997 and the audited historical statement of operations of JAG for the year ended December 31, 1997.

The unaudited pro forma consolidated financial information presented for informational purposes only, is not necessarily indicative of the actual results of operations of the Company that would have been reported if the acquisition of JAG had occurred as of November 1, 1995, nor does such information purport to indicate results of future operations or financial condition. In the opinion of management, all adjustments necessary to present fairly such pro forma financial information have been made to the financial statements, and are reflected in the accompanying notes. The unaudited pro forma consolidated financial information should be read in conjunction with the Company's Annual Report on Form 10-KSB and with the financial statements included in this filing.

	Historical		Pro Forma	
	Company (1)	JAG(2)	Adjustments	As adjusted
Net sales	\$ 19,014,083	\$ 75,318,654	\$ (655,775)(3)	\$ 93,676,962
Cost of sales	12,459,189	68,287,074	(655,775)(3)	80,090,488
Gross profit	6,554,894	7,031,580	--	13,586,474
Operating expenses:				
Research and development	1,248,258	--	--	1,248,258
Selling and marketing	4,203,984	2,614,997	--	6,818,981
General and administrative	3,385,481	2,142,591	--	5,528,072
Depreciation and amortization	844,221	97,607	--	941,828
Total operating expenses	9,681,944	4,855,195	--	14,537,139
Income (loss) from	(3,127,050)	2,176,385	--	(950,665)
Interest and other expenses, net	1,016,612	828,908	--	1,845,520
Income (loss) before income taxes	(4,143,662)	1,347,477	--	(2,796,185)
Provision for income taxes	18,421	--	--	18,421
Net income (loss)	(4,162,083)	1,347,477	--	(2,814,606)
Preferred dividends	(135,416)	--	--	(135,416)
Distributions paid to S corporation shareholders prior to acquisition	(202,092)	(471,000)	--	(673,092)
Net income (loss) attributable to common stockholders'	\$ (4,499,591)	\$ 876,477	\$ --	\$ (3,623,114)
Net loss per share-Basic				\$ (0.34)
Weighted average shares outstanding-Basic			(4)	10,664,006
Net loss per share-Diluted				\$ (0.34)
Weighted average shares outstanding-Diluted			(5)	10,664,006

Notes to Unaudited Pro Forma Consolidated Financial Statements for the year ended October 31, 1997

- (1) Reflects the Company's audited historical financial statements for the year ended October 31, 1997.
- (2) Reflects JAG's audited historical financial statements for the year ended December 31, 1997. Certain operating expenses were reclassified to be consistent with the Company's financial statement presentation. In addition, the distribution paid to S corporation shareholders prior to acquisition includes corporate tax payments. These tax payments were not reclassified because the Company had no federal tax provisions for the period.
- (3) Reflects the elimination of inter-company transactions between the Company and JAG.
- (4) Reflects the Company's historical weighted average shares outstanding - basic, plus 2,750,000 shares of common stock issued in connection with the acquisition of JAG.
- (5) Reflects the Company's historical weighted average shares outstanding - diluted, plus 2,750,000 shares of common stock issued in connection with the acquisition of JAG. The calculation does not include the effect of the 650,000 stock options issued in connection with the transaction because their inclusion would be anti-dilutive.

Unaudited Pro Forma Consolidated Financial Information as of and for the nine months ended July 31, 1998

The following unaudited pro forma consolidated balance sheet as of July 31, 1998 and the related consolidated statement of operations for the nine months then ended, including the notes thereto, give effect to the acquisition of JAG by the Company as if the acquisition had occurred as of November 1, 1995.

On August 31, 1998, the Company acquired all the outstanding stock of JAG. JAG is engaged in the wholesale distribution of interactive software games. To effect the acquisition, all of the outstanding shares of common stock of JAG were exchanged for 2,750,000 shares of restricted common stock of the Company. In addition, the Company granted options to purchase 650,000 shares of common stock to JAG's employees. The acquisition has been accounted for as a pooling of interests in accordance with APB No. 16 and accordingly, the Company's financial statements for the nine months ended July 31, 1998, have been restated to include the results of operations of JAG.

The unaudited pro forma consolidated balance sheet as of July 31, 1998 and the related consolidated statement of operations for the nine months then ended has been prepared based on the unaudited historical consolidated financial statements of the Company as reported in the Company's Form 10Q-SB for the quarter ended July 31, 1998 and the unaudited financial statements of JAG for the period from November 1, 1997 to July 31, 1998. As a result, JAG's unaudited net sales of \$23,893,108 and net income attributable to common stockholders' of \$431,527 for the period November 1, 1997 through December 31, 1997 have been included in both the unaudited pro forma consolidated financial statements for the year ended October 31, 1997 and for the nine months ended July 31, 1998.

The unaudited pro forma consolidated financial information presented for informational purposes only, is not necessarily indicative of the actual results of operations of the Company that would have been reported if the acquisition of JAG had occurred as of November 1, 1995, nor does such information purport to indicate results of future operations or financial condition. In the opinion of management, all adjustments necessary to present fairly such pro forma financial information have been made to the financial statements, and are reflected in the accompanying notes. The unaudited pro forma consolidated financial information should be read in conjunction with the Company's Annual Report on Form 10-KSB and with the financial statements included in this filing.

	Historical		Pro Forma	
	Company (1)	JAG(2)	Adjustments	As adjusted
Current assets:				
Cash & cash equivalents	\$ 194,444	\$ 609	\$ --	\$ 197,053
Accounts receivable, net	12,773,174	11,523,544	--	24,296,718
Inventories	5,342,430	15,969,235	--	21,311,665
Prepaid royalties	12,203,022	--	--	12,203,022
Distribution advance	5,000,000	--	--	5,000,000
Prepaid expenses and other current assets	2,632,684	586,508	--	3,219,192
Total current assets	38,147,754	28,079,896		66,227,650
Fixed assets, net	1,553,629	420,398	--	1,974,027
Prepaid royalties	257,500	--	--	257,500
Capitalized software development costs, net	2,013,695	--	--	2,013,695
Intangibles, net	7,799,078	--	--	7,799,078
Other assets, net	30,555	3,356	--	33,911
Total assets	\$ 49,802,211	\$ 28,503,650	\$ --	\$ 78,305,861
Current liabilities:				
Current portion of notes payable due to related parties, net	\$ 207,606	\$ --	\$ --	\$ 207,606
Current portion of capital lease obligation	76,489	--	--	76,489
Lines of credit, current portion	5,921,321	16,199,054	--	22,120,375
Accounts payable	5,546,777	7,251,629	--	12,798,406
Accrued expenses	5,392,940	878,318	--	6,271,258
Due to related parties	37,597	--	--	37,597
Advances-principally distributors	311,999	--	--	311,999
Total current liabilities	17,494,729	24,329,001	--	41,823,730
Line of credit	123,499	2,018,736	--	2,142,235
Notes payable due to related parties, net of discount	20,188	--	--	20,188
Capital lease obligation, net of current portion	113,540	--	--	113,540
Other liabilities	24,999	--	--	24,999
Total liabilities	17,776,955	26,347,737	--	44,124,692
Stockholders' equity:				
Preferred stock, Series A; par value \$.01 per share; 1,850,000 shares authorized and outstanding	18,500	--	--	18,500
Common stock, par value \$.01 per share; 50,000,000 shares Authorized; 14,380,392 shares issued and outstanding				
For JAG, no par value; \$10 stated value; 750 shares authorized; 100 shares issued and outstanding	116,304	1,000	26,500 (3)	143,804
Additional paid-in-capital	35,533,841	--	(26,500) (3)	35,507,341
Deferred compensation	(254,407)	--	--	(254,407)
Accumulated deficit	(3,815,314)	2,154,913	--	(1,660,401)
Foreign currency translation adjustment	426,332	--	--	426,332
Total stockholders' equity	32,025,256	2,155,913	--	34,181,169
Total liabilities and stockholders' equity	\$ 49,802,211	\$ 28,503,650	\$ --	\$ 78,305,861

Notes to Unaudited Pro Forma Consolidated Balance Sheet as of July 31, 1998

- (1) Reflects the Company's unaudited historical balance sheet as of July 31, 1998.
- (2) Reflects JAG's unaudited historical balance sheet as of July 31, 1998.
- (3) Reflects the adjusting entry for the 2,750,000 shares issued in connection with the acquisition of JAG.

	Historical		Pro Forma	
	Company (1)	JAG(2)	Adjustments	As adjusted
Net sales	\$ 66,897,030	\$ 62,714,770	\$ (1,760,747)(3)	\$ 127,851,053
Cost of sales	44,013,992	55,667,060	(1,760,747)(3)	97,920,305
Gross profit	22,883,038	7,047,710	--	29,930,748
Operating expenses:				
Research and development	1,351,737	--	--	1,351,737
Selling and marketing	9,091,789	2,707,440	--	11,799,229
General and administrative	7,037,313	1,892,014	--	8,929,327
Depreciation and amortization	1,090,045	100,268	--	1,190,313
Total operating expenses	18,570,884	4,699,722	--	23,270,606
Income from operations	4,312,154	2,347,988	--	6,660,142
Loss on termination of capital lease	225,395	--	--	225,395
Interest and other expenses, net	1,946,861	1,160,743	--	3,107,604
Income before income taxes	2,139,898	1,187,245	--	3,327,143
Provision for income taxes	104,503	--	--	104,503
Net income	2,035,395	1,187,245	--	3,222,640
Distributions paid to S corporation Shareholders prior to acquisition	--	(571,000)	--	(571,000)
Net Income before extraordinary gain on early extinguishment of debt	2,035,395	616,245	--	2,651,640
Extraordinary gain on early extinguishment of Debt	62,647	--	--	62,647
Net income attributable to common Stockholders'	\$ 2,098,042	\$ 616,245	\$ --	\$ 2,714,287
Net income per share - Basic				\$ 0.21
Weighted average shares outstanding-Basic			(4)	12,800.083
Net income per share - Diluted				\$ 0.17
Weighted average shares outstanding-Diluted			(5)	15,545,733

Notes to Unaudited Pro Forma Consolidated Statement of Operations for the nine months ended July 31, 1998

- (1) Reflects the Company's unaudited historical Statement of Operations for the nine months ended July 31, 1998.
- (2) Reflects JAG's unaudited historical Statement of Operations for the period November 1, 1997 to July 31, 1998. Certain operating expenses were reclassified to be consistent with the Company's financial statement presentation. In addition, the distribution paid to S corporation shareholders prior to acquisition includes corporate tax payments. These tax payments were not reclassified because the Company had no federal tax provisions for the period.
- (3) Reflects the elimination of inter-company transactions between the Company and JAG.
- (4) Reflects the Company's historical weighted average shares outstanding - basic, plus 2,750,000 shares of common stock issued in connection with the acquisition of JAG.
- (5) Reflects the Company's historical weighted average shares outstanding - diluted, plus 2,750,000 shares of common stock and the dilutive effect of the 650,000 stock options issued in connection with the acquisition of JAG.

SIGNATURES

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

Dated: November 13, 1998

Take-Two Interactive Software, Inc.

By: /s/ Ryan A. Brant